



## 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 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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 (including Independence Standards)' (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 30. 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.

## **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](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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

22 September 2020  
SYDNEY

# Justice Health and Forensic Mental Health Network

## Certification of the Financial Statements

for the year ended 30 June 2020



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 2020 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*; and
  - 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.

A handwritten signature in black ink, appearing to read "Gary Forrest".

Gary Forrest  
Chief Executive  
4 September 2020

A handwritten signature in black ink, appearing to read "Christopher Puplick".

Christopher Puplick  
Chair  
4 September 2020

**Justice Health and Forensic Mental Health Network**  
**Statement of Comprehensive Income for the year ended 30 June 2020**

		Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
	Notes					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	185,349	183,532	179,768	-	-
Personnel services	3	-	-	-	177,601	169,490
Visiting medical officers	4	6,590	6,594	6,164	6,590	6,164
Other expenses	5	87,955	87,629	101,062	87,955	101,062
Depreciation and amortisation	6	6,033	5,838	5,860	6,033	5,860
Grants and subsidies	7	6,952	6,968	3,514	6,952	3,514
Finance costs	8	3,867	3,741	4,606	3,867	4,606
<b>Total expenses excluding losses</b>		<b>296,746</b>	<b>294,302</b>	<b>300,974</b>	<b>288,998</b>	<b>290,696</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	10	230,971	230,751	218,837	230,971	218,837
NSW Ministry of Health capital allocations	10	2,396	2,396	4,091	2,396	4,091
Acceptance by the Crown Entity of employee benefits	13	7,748	7,741	10,278	-	-
Sale of goods and services	11	-	-	63,076	-	63,076
Sale of goods and services from contracts with customers	11	53,509	52,631	-	53,509	-
Grants and other contributions	12	398	47	211	398	211
Other income	14	5	1,167	642	5	642
<b>Total revenue</b>		<b>295,027</b>	<b>294,733</b>	<b>297,135</b>	<b>287,279</b>	<b>286,857</b>
<b>Operating result</b>		<b>(1,719)</b>	<b>431</b>	<b>(3,839)</b>	<b>(1,719)</b>	<b>(3,839)</b>
Gains / (losses) on disposal	15	(41)	-	(434)	(41)	(434)
Impairment losses on financial assets	17	(306)	-	(410)	(306)	(410)
<b>Net result from continuing operations</b>	<b>28</b>	<b>(2,066)</b>	<b>431</b>	<b>(4,683)</b>	<b>(2,066)</b>	<b>(4,683)</b>
<b>Net result</b>		<b>(2,066)</b>	<b>431</b>	<b>(4,683)</b>	<b>(2,066)</b>	<b>(4,683)</b>
<b>Other comprehensive income</b>						
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(2,066)</b>	<b>431</b>	<b>(4,683)</b>	<b>(2,066)</b>	<b>(4,683)</b>

<sup>1</sup> Unaudited adjusted budget, see Note 30.

The accompanying notes form part of these financial statements.

# Justice Health and Forensic Mental Health Network

## Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	16	2,349	533	1,284	2,349	1,284
Receivables	17	5,130	5,783	5,779	5,130	5,779
Inventories	18	2,342	648	648	2,342	648
<b>Total current assets</b>		<b>9,821</b>	<b>6,964</b>	<b>7,711</b>	<b>9,821</b>	<b>7,711</b>
<b>Non-current assets</b>						
Property, plant & equipment	19					
- Land and buildings		97,406	98,893	100,282	97,406	100,282
- Plant and equipment		8,706	6,902	7,375	8,706	7,375
Total property, plant & equipment		106,112	105,795	107,657	106,112	107,657
Right-of-use assets	20	6,705	1,205	-	6,705	-
Intangible assets	21	1,708	2,449	2,427	1,708	2,427
<b>Total non-current assets</b>		<b>114,525</b>	<b>109,449</b>	<b>110,084</b>	<b>114,525</b>	<b>110,084</b>
<b>Total assets</b>		<b>124,346</b>	<b>116,413</b>	<b>117,795</b>	<b>124,346</b>	<b>117,795</b>

**Justice Health and Forensic Mental Health Network**  
**Statement of Financial Position as at 30 June 2020 (continued)**

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	23	18,542	16,196	17,747	18,542	17,747
Borrowings	24	3,248	3,250	2,193	3,248	2,193
Provisions	25	26,454	24,160	23,496	26,454	23,496
<b>Total current liabilities</b>		<b>48,244</b>	<b>43,606</b>	<b>43,436</b>	<b>48,244</b>	<b>43,436</b>
<b>Non-current liabilities</b>						
Borrowings	24	73,176	67,381	69,400	73,176	69,400
Provisions	25	358	358	325	358	325
<b>Total non-current liabilities</b>		<b>73,534</b>	<b>67,739</b>	<b>69,725</b>	<b>73,534</b>	<b>69,725</b>
<b>Total liabilities</b>		<b>121,778</b>	<b>111,345</b>	<b>113,161</b>	<b>121,778</b>	<b>113,161</b>
<b>Net assets</b>		<b>2,568</b>	<b>5,068</b>	<b>4,634</b>	<b>2,568</b>	<b>4,634</b>
<b>EQUITY</b>						
Reserves		22,513	22,514	22,513	22,513	22,513
Accumulated funds		(19,945)	(17,446)	(17,879)	(19,945)	(17,879)
<b>Total Equity</b>		<b>2,568</b>	<b>5,068</b>	<b>4,634</b>	<b>2,568</b>	<b>4,634</b>

<sup>1</sup> Unaudited adjusted budget, see Note 30.

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 2020**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2019		(17,879)	22,513	4,634
Balance at 1 July 2019		(17,879)	22,513	4,634
Net result for the year		(2,066)	-	(2,066)
Other comprehensive income:				
Total other comprehensive income		-	-	-
Total comprehensive income for the year		(2,066)	-	(2,066)
Balance at 30 June 2020		(19,945)	22,513	2,568

	Notes	Accumulated Funds \$000	Asset Revaluation \$000	Total \$000
Balance at 1 July 2018		(13,311)	22,513	9,202
Changes in accounting policy (AASB 9)		(46)	-	(46)
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	31	161	-	161
Balance at 30 June 2019		(17,879)	22,513	4,634

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 2020

	Notes	Consolidated Actual 2020 \$000	Consolidated Budget <sup>1</sup> 2020 \$000	Consolidated Actual 2019 \$000	Parent Actual 2020 \$000	Parent Actual 2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(178,495)	(177,252)	(169,675)	-	-
Suppliers for goods and services		(105,203)	(107,526)	(117,880)	(105,203)	(117,880)
Grants and subsidies		(7,740)	(7,756)	(3,915)	(7,740)	(3,915)
Finance costs		(3,867)	(3,741)	(4,606)	(3,867)	(4,606)
Personnel services		-	-	-	(178,495)	(169,675)
<b>Total payments</b>		<b>(295,305)</b>	<b>(296,275)</b>	<b>(296,076)</b>	<b>(295,305)</b>	<b>(296,076)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		230,966	230,751	218,838	230,966	218,838
NSW Ministry of Health capital allocations		2,396	2,396	4,091	2,396	4,091
Reimbursements from the Crown Entity		3,216	3,216	2,900	3,216	2,900
Sale of goods and services		55,049	55,207	62,671	55,049	62,671
Grants and other contributions		462	111	233	462	233
Other		9,965	10,008	13,010	9,965	13,010
<b>Total receipts</b>		<b>302,054</b>	<b>301,689</b>	<b>301,743</b>	<b>302,054</b>	<b>301,743</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	28	<b>6,749</b>	<b>5,414</b>	<b>5,667</b>	<b>6,749</b>	<b>5,667</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		451	-	326	451	326
Purchases of property, plant and equipment and intangibles		(3,185)	(3,117)	(3,538)	(3,185)	(3,538)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(2,734)</b>	<b>(3,117)</b>	<b>(3,212)</b>	<b>(2,734)</b>	<b>(3,212)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of borrowings and advances		(2,193)	(2,193)	(1,982)	(2,193)	(1,982)
Payment of principal portion of lease liabilities		(757)	(855)	-	(757)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(2,950)</b>	<b>(3,048)</b>	<b>(1,982)</b>	<b>(2,950)</b>	<b>(1,982)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Opening cash and cash equivalents	16	1,065	(751)	473	1,065	473
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	16	<b>2,349</b>	<b>533</b>	<b>1,284</b>	<b>2,349</b>	<b>1,284</b>

<sup>1</sup> Unaudited adjusted budget, see Note 30.

The accompanying notes form part of these financial statements.



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

#### a) 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 2020 have been authorised for issue by the Chief Executive on 4 September 2020.

#### 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.

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the Network's annual funding.

When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. 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 will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the Network has not seen a decline in normal hospital and health centre activities. Clinical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The Network has the capacity to review the timing of NSW Ministry of Health allocation 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.
- \* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The Network is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment, 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) Statement of Compliance

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

### d) 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.

### e) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

### f) 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.

### g) Changes in accounting policy, including new or revised Australian Accounting Standards

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

---

### 1. Statement of Significant Accounting Policies

#### a) 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 2020 have been authorised for issue by the Chief Executive on 4 September 2020.

#### 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.

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the Network's annual funding.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. 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 will take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the Network has not seen a decline in normal hospital and health centre activities. Clinical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The Network has the capacity to review the timing of NSW Ministry of Health allocation 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.
- \* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The Network is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment, 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) Statement of Compliance

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

### d) 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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

- \* 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.

### e) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

### f) 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.

### g) Changes in accounting policy, including new or revised Australian Accounting Standards

#### (i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 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 applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the Network.

#### AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the Network expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the Network to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Network has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The Network has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- \* identifying the satisfied and unsatisfied performance obligations;
- \* determining the transaction price; and
- \* allocating the transaction price to the satisfied and unsatisfied performance obligations.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

The affect of adopting AASB15 did not have an impact on the Statement of Comprehensive Income, Statement of financial position, Other Comprehensive Income and the Statement of Cash Flows for the financial year.

#### **AASB 1058 Income of Not-for-Profit Entities (AASB 1058)**

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- \* when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the Network.
- \* immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Network has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The Network has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the Network to further its objectives, are not restated to their fair value.

The affect of adopting AASB1058 did not have an impact on the Statement of Comprehensive Income, Statement of financial position, Other Comprehensive Income and the Statement of Cash Flows for the financial year.

#### **AASB 16 Leases**

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

#### *Lessor accounting*

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

#### *Lessee accounting*

AASB 16 requires the Network to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the Network recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Network has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases the Network recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Network elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the Network has used the following practical expedients permitted by the standard:

- \* not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- \* applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- \* relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- \* not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- \* excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
- \* using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase / (decrease)) is, as follows:

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 1. Statement of Significant Accounting Policies

#### PARENT AND CONSOLIDATED

	1 July 2019 \$'000
<b>Assets</b>	
Right-of-use assets	7,576
<b>Total assets</b>	<u>7,576</u>
<b>Liabilities</b>	
Borrowings	7,576
<b>Total liabilities</b>	<u>7,576</u>
	<u>-</u>

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

#### PARENT AND CONSOLIDATED

	1 July 2019 \$'000
Operating lease commitments as at 30 June 2019 (GST included)	2,130
(Less): GST included in operating lease commitments	194
<b>Operating lease commitments as at 30 June 2019 (GST excluded)</b>	<u>1,936</u>
Weighted average incremental borrowing rate as at 1 July 2019	2.00%
<b>Discounted operating lease commitments as at 1 July 2019</b>	<u>1,879</u>
(Less): commitments relating to short-term leases	11
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	5,708
<b>Lease liabilities as at 1 July 2019</b>	<u>7,576</u>

The difference between the operating lease commitments disclosed in applying AASB 117 at the end of the annual reporting period immediately preceding the date of initial application (i.e. 30 June 2019), discounted using the incremental borrowing rate at the date of initial application; and lease liabilities recognised in the Statement of Financial Position at the date of initial application (i.e. 1 July 2019) is the result of renewal period not included in the operating lease commitments as at 30 June 2019.

#### (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:



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 1. Statement of Significant Accounting Policies

#### **AASB 1059 Service Concession Arrangements**

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 Network has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the Network. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, the Network has not identified any arrangements in scope of AASB 1059.

#### *Application Date*

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

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 2. Employee related expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	160,822	152,954	-	-
Superannuation - defined benefit plans	656	701	-	-
Superannuation - defined contribution plans	13,947	13,255	-	-
Long service leave	7,497	10,261	-	-
Redundancies	19	404	-	-
Workers' compensation insurance	2,370	2,181	-	-
Fringe benefits tax	38	12	-	-
	<b>185,349</b>	<b>179,768</b>	<b>-</b>	<b>-</b>

#### 3. Personnel services

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Salaries and wages (including annual leave and ADO)	-	-	160,822	152,954
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	13,947	13,255
Long service leave	-	-	405	684
Redundancies	-	-	19	404
Workers' compensation insurance	-	-	2,370	2,181
Fringe benefits tax	-	-	38	12
	<b>-</b>	<b>-</b>	<b>177,601</b>	<b>169,490</b>

Personnel services of Justice Health and Forensic Mental Health Network were provided by its controlled entity, Justice Health and Forensic Mental Health Network Special Purpose Service Entity.

#### 4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the Network's hospitals. VMO expenses of \$6,590 thousand (2019: \$6,164 thousand) represent part of the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 5. Other expenses

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Advertising	43	72	43	72
Auditor's remuneration - audit of financial statements	112	109	112	109
Blood and blood products	217	676	217	676
Consultancies	25	247	25	247
Contractors	122	145	122	145
Domestic supplies and services	618	599	618	599
Drug supplies	53,182	63,118	53,182	63,118
Food supplies	653	736	653	736
Fuel, light and power	36	24	36	24
Patient transport costs	59	87	59	87
Information management expenses	5,133	4,243	5,133	4,243
Insurance	90	128	90	128
Maintenance (see Note 5(b))	4,716	8,105	4,716	8,105
Medical and surgical supplies	1,012	733	1,012	733
Motor vehicle expenses	289	318	289	318
Postal and telephone costs	496	413	496	413
Printing and stationery	823	847	823	847
Rates and charges	64	72	64	72
Rental	-	1,118	-	1,118
Specialised services (dental, radiology, pathology and allied health)	4,759	4,966	4,759	4,966
Staff related costs	2,759	2,362	2,759	2,362
Travel related costs	1,844	1,648	1,844	1,648
Other (see Note 5(a))	10,903	10,296	10,903	10,296
	<b>87,955</b>	<b>101,062</b>	<b>87,955</b>	<b>101,062</b>

The majority of the costs in relation to drug supplies expenses relate to the consumption of inventory items held by the Network.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 5. Other expenses (continued)

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>(a) Other</b>				
Corporate support services	744	650	744	650
Courier and freight	567	463	567	463
Legal services	678	617	678	617
Membership/professional fees	13	7	13	7
Public private partnership contracted services	7,464	7,189	7,464	7,189
Quality assurance / accreditation	87	88	87	88
Security services	24	17	24	17
Expenses relating to short-term leases	70	-	70	-
Expenses relating to leases of low-value assets	19	-	19	-
Other miscellaneous	1,237	1,265	1,237	1,265
	<b>10,903</b>	<b>10,296</b>	<b>10,903</b>	<b>10,296</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	2,493	2,593	2,493	2,593
New / replacement equipment under \$10,000	2,209	5,420	2,209	5,420
Repairs maintenance / non contract	13	88	13	88
Other	1	4	1	4
	<b>4,716</b>	<b>8,105</b>	<b>4,716</b>	<b>8,105</b>

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 5. Other expenses (continued)

##### Recognition and Measurement

##### **Maintenance expense**

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

##### **Operating expenses**

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 23.

##### **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 NSW Self Insurance Corporation (SiCorp), a controlled entity of the ultimate parent.

##### **Lease expense**

*Lease expense (up to 30 June 2019)*

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

*Lease expense (from 1 July 2019)*

From 1 July 2019, the Network recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 6. Depreciation and amortisation

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Depreciation - buildings	3,364	3,402	3,364	3,402
Depreciation - plant and equipment	874	740	874	740
Depreciation - right-of-use buildings	1,076	-	1,076	-
Amortisation - intangible assets	719	1,718	719	1,718
	<b>6,033</b>	<b>5,860</b>	<b>6,033</b>	<b>5,860</b>

Refer to Note 19 Property, plant and equipment, Note 20 Leases, and Note 21 Intangible assets for recognition and measurement policies on depreciation and amortisation.

#### 7. Grants and subsidies

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Grants paid to entities controlled by the ultimate parent	6,869	3,433	6,869	3,433
Grants paid to entities controlled by the immediate parent	83	81	83	81
	<b>6,952</b>	<b>3,514</b>	<b>6,952</b>	<b>3,514</b>

#### Recognition and Measurement

Grants 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 grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 8. Finance costs

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Parent</b>	<b>Parent</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Interest expense from public private partnership	3,720	4,606	3,720	4,606
Interest expense from lease liabilities	147	-	147	-
	<b>3,867</b>	<b>4,606</b>	<b>3,867</b>	<b>4,606</b>

#### Recognition and Measurement

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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 9. Revenue

#### Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, the Network's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services, proceeds from the sale of property, plant and equipment and proceeds from borrowings and advances) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

Deemed appropriation money is money received directly by the Network which forms part of the consolidated fund and is not appropriated to the Network by an Act.

### 10. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the Network and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the Network does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The Network recognised additional NSW Ministry of Health recurrent allocations of \$1,090 thousand and NSW Ministry of Health capital allocations of \$Nil to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

### 11. Sale of goods and services / Sale of goods and services from contracts with customers

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>(a) Rendering of services comprise the following:</b>				
<b>Patients</b>				
Patient Fees:				
- Nursing home fees	2,419	2,379	2,419	2,379
Highly specialised drugs	47,436	57,257	47,436	57,257
<b>Staff</b>				
Private use of motor vehicles	41	44	41	44
<b>General community</b>				
Cafeteria / kiosk	195	205	195	205
Fees for conferences and training	871	795	871	795
Information retrieval	212	114	212	114
Other	2,335	2,282	2,335	2,282
	<b>53,509</b>	<b>63,076</b>	<b>53,509</b>	<b>63,076</b>



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 11. Sale of goods and services / Sale of goods and services from contracts with customers (continued)

#### Recognition and Measurement

##### Sale of goods (until 30 June 2019)

Revenue from the sale of goods is recognised when the Network transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

##### Rendering of services (until 30 June 2019)

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

##### Rendering of services from contracts with customers (from 1 July 2019)

Revenue from rendering of services is recognised when the Network satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

*i. 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.

*ii. 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 admitted day patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when the service is provided.

Refer to Note for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the Network expects to recognise the unsatisfied portion as revenue.

**Justice Health and Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**12. Grants and other contributions**

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Grants & contributions received from entities controlled by the ultimate parent	-	53	-	53
Grants & contributions received from entities controlled by the immediate parent	-	158	-	158
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	93	-	93	-
Grants from entities controlled by the ultimate parent	36	-	36	-
<b>Grants without specific performance obligations</b>				
Other grants from entities controlled by the immediate parent	269	-	269	-
	<b>398</b>	<b>211</b>	<b>398</b>	<b>211</b>

## **Justice Health and Forensic Mental Health Network**

### **Notes to and forming part of the Financial Statements**

for the year ended 30 June 2020

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#### **12. Grants and other contributions**

##### **Recognition and Measurement**

##### ***Grants and other contributions (until 30 June 2019)***

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. The Network is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

##### ***Grants and other contributions (from 1 July 2019)***

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network is recognised when the Network satisfies its obligations under the transfer. The Network satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the Network satisfies a performance obligation by transferring the promised goods or services. The Network typically receives grants in respect of other community, health and wellbeing related projects. The Network uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the Network obtains control over the granted assets (e.g. cash).

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 13. Acceptance by the Crown Entity of employee benefits

The following liabilities and expenses have been assumed by the Crown Entity:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Superannuation - defined benefit plans	656	701	-	-
Long service leave provision	7,091	9,577	-	-
	<b>7,747</b>	<b>10,278</b>	<b>-</b>	<b>-</b>

#### 14. Other income

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Other income comprises the following:				
Commissions	1	1	1	1
Insurance refunds	-	12	-	12
Treasury Managed Fund hindsight adjustment	-	443	-	443
Other	4	186	4	186
	<b>5</b>	<b>642</b>	<b>5</b>	<b>642</b>

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 15. Gains / (losses) on disposal

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment	902	1,730	902	1,730
<i>Less: accumulated depreciation</i>	410	970	410	970
<b>Written down value</b>	<b>492</b>	<b>760</b>	<b>492</b>	<b>760</b>
<i>Less: proceeds from disposal</i>	451	326	451	326
<b>Gain / (Loss) on disposal of property, plant and equipment</b>	<b>(41)</b>	<b>(434)</b>	<b>(41)</b>	<b>(434)</b>
<b>Total gains / (losses) on disposal</b>	<b>(41)</b>	<b>(434)</b>	<b>(41)</b>	<b>(434)</b>

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 16. Cash and cash equivalents

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cash at bank and on hand	2,349	1,284	2,349	1,284
	<b>2,349</b>	<b>1,284</b>	<b>2,349</b>	<b>1,284</b>

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.

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:

<b>Cash and cash equivalents (per Statement of Financial Position)</b>	2,349	1,284	2,349	1,284
<b>Closing cash and cash equivalents (per Statement of Cash Flows)</b>	<b>2,349</b>	<b>1,284</b>	<b>2,349</b>	<b>1,284</b>

Refer to Note 32 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the Network are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the Network. These payments are reported as expenses and operating cash outflows in the financial statements of the Network.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the Network when HealthShare NSW makes these payments on behalf of the Network.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the Network. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the Network.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the Network.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 17. Receivables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Trade receivables from contracts with customers	2,517	-	2,517	-
Sale of goods and services	-	1,962	-	1,962
Intra health receivables	120	645	120	645
Goods and Services Tax	1,458	1,355	1,458	1,355
Other receivables	1,490	2,273	1,490	2,273
<b>Sub total</b>	<b>5,585</b>	<b>6,235</b>	<b>5,585</b>	<b>6,235</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(1,132)	-	(1,132)	-
- Sale of goods and services	-	(1,092)	-	(1,092)
<b>Sub total</b>	<b>4,453</b>	<b>5,143</b>	<b>4,453</b>	<b>5,143</b>
Prepayments	677	636	677	636
	<b>5,130</b>	<b>5,779</b>	<b>5,130</b>	<b>5,779</b>

#### (a) \* Movement in the allowance for expected credit losses

	Consolidated	Consolidated	Parent	Parent
<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(1,092)	-	(1,092)	-
Amounts written off during the year	266	-	266	-
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(306)	-	(306)	-
<b>Balance at the end of the year</b>	<b>(1,132)</b>	<b>-</b>	<b>(1,132)</b>	<b>-</b>
<b>Sale of goods and services</b>				
Balance at the beginning of the year	-	(1,186)	-	(1,186)
Amounts written off during the year	-	504	-	504
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	-	(410)	-	(410)
<b>Balance at the end of the year</b>	<b>-</b>	<b>(1,092)</b>	<b>-</b>	<b>(1,092)</b>
	<b>(1,132)</b>	<b>(1,092)</b>	<b>(1,132)</b>	<b>(1,092)</b>

<sup>1</sup> Includes impairment loss of \$306 thousand (2019: \$410 thousand) recognised on receivables from contracts with customers.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 17. Receivables (continued)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Patient fees - inpatient & other	1,385	1,317	1,385	1,317
	<b>1,385</b>	<b>1,317</b>	<b>1,385</b>	<b>1,317</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 32.

	Consolidated 2020 \$000	Parent 2020 \$000
Contract receivables (included in Note 17)	2,637	2,637
	<b>2,637</b>	<b>2,637</b>

#### Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables 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.

#### Subsequent measurement

##### Financial assets at amortised cost

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.

#### Impairment

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.

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.



## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 18. Inventories

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Drug supplies	2,342	648	2,342	648
	<b>2,342</b>	<b>648</b>	<b>2,342</b>	<b>648</b>

#### Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 19. Property, plant and equipment

#### (a) Total property, plant and equipment

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Total \$000
<b>As at 30 June 2020</b>			
Gross carrying amount	132,882	12,945	145,827
Less: accumulated depreciation and impairment	35,476	4,239	39,715
<b>Net carrying amount</b>	<b>97,406</b>	<b>8,706</b>	<b>106,112</b>
<b>As at 30 June 2019</b>			
Gross carrying amount	132,422	11,121	143,543
Less: accumulated depreciation and impairment	32,140	3,746	35,886
<b>Net carrying amount</b>	<b>100,282</b>	<b>7,375</b>	<b>107,657</b>

<sup>1</sup> 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.

The net carrying amount of privately financed project (PFP) assets included in land and buildings is \$76,815 thousand as at 30 June 2020 (30 June 2019: \$79,483 thousand).

#### (a) Total property, plant and equipment - reconciliation

##### PARENT AND CONSOLIDATION

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	Total \$000
<b>Year ended 30 June 2020</b>			
Net carrying amount at beginning of year	100,282	7,375	107,657
<b>Adjusted net carrying amount at beginning of year</b>	<b>100,282</b>	<b>7,375</b>	<b>107,657</b>
Additions	434	2,751	3,185
Disposals	(31)	(461)	(492)
Depreciation expense	(3,364)	(874)	(4,238)
Reclassifications	85	(85)	-
<b>Net carrying amount at end of year</b>	<b>97,406</b>	<b>8,706</b>	<b>106,112</b>

\* This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 19. Property, plant and equipment (continued)

#### (a) Total property, plant and equipment - reconciliation (continued)

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
<b>Year ended 30 June 2019</b>			
Net carrying amount at beginning of year	103,516	6,234	109,750
Additions	197	3,038	3,235
Reclassification to intangibles	-	(426)	(426)
Disposals	(58)	(702)	(760)
Depreciation expense	(3,402)	(740)	(4,142)
Reclassifications	29	(29)	-
<b>Net carrying amount at end of year</b>	<b>100,282</b>	<b>7,375</b>	<b>107,657</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

#### (b) Property, plant and equipment held and used by the Network

##### PARENT AND CONSOLIDATION

The Network has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by the Network.

#### Recognition and Measurement

##### *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

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.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 31).

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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 19. Property, plant and equipment (continued)

#### **Capitalisation thresholds**

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

#### **Major inspection costs**

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

#### **Restoration costs**

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

#### **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.

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

	<b>Useful lives</b>
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles and furniture and fittings.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

#### **Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)**

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### **Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)**

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Network has elected to present right-of-use assets separately in the Statement of Financial Position.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 19. Property, plant and equipment (continued)

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 20.

Subsequent to the adoption of AASB 16, the Network, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 20.

#### ***Privately financed project (PFP) assets accounted for under AASB 117 (until 30 June 2020)***

The Network has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors. The Network continues to apply its existing accounting policy to these assets until AASB 1059 is applied. In a privately financed project (PFP), a public-sector entity (the grantor) arranges for the private sector (the operator) to design, finance and build infrastructure and provide associated operational or management services for an agreed period (the service period). They are currently accounted for under TPP 06-8 Privately Financed Projects. Some PFP assets are acquired under a finance lease and accounted for following the principles of AASB 117 according to TPP 06-8.

#### ***Revaluation of property, plant and equipment***

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 to Note 22 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Network conducts a comprehensive revaluation at least every three years for its land and buildings. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Network uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2017 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 19. Property, plant and equipment (continued)

#### ***Revaluation of property, plant and equipment (continued)***

An interim management revaluation was completed on 31 December 2019 as a result of a cumulative increase in indicators of 10% for land and buildings. The Network used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE were not applied as they were deemed immaterial.

Due to the COVID-19 pandemic in early 2020, the Network management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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.

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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

#### ***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.

The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 19. Property, plant and equipment (continued)

#### ***Impairment of property, plant and equipment (continued)***

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

#### ***Derecognition of property, plant and equipment***

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

**Justice Health and Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

**20. Leases**

**(a) Entity as a lessee**

The Network leases various property. Lease contracts are typically made for fixed periods of 6 to 12 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The Network does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Network and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$Nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$5,708 thousand.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Network has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

**Right-of-use assets under leases**

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

**PARENT AND CONSOLIDATION**

	<b>Land and Buildings \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Total \$'000</b>
<b>2020</b>			
Balance at 1 July 2019	7,576	-	7,576
Additions	205	-	205
Depreciation expense	(1,076)	-	(1,076)
<b>Balance at 30 June 2020</b>	<b>6,705</b>	<b>-</b>	<b>6,705</b>



**Justice Health and Forensic Mental Health Network**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2020

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**20. Leases (continued)**

**(a) Entity as a lessee (continued)**

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

	<b>Total \$'000</b>
<b>2020</b>	
Balance at 1 July 2019	7,576
Additions	205
Interest expenses	147
Payments	(904)
<b>Balance at 30 June 2020</b>	<b>7,024</b>

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the Network is the lessee:

**PARENT AND CONSOLIDATION**

	<b>Total \$'000</b>
<b>2020</b>	
Depreciation expense of right-of-use assets	1,076
Interest expense on lease liabilities	147
Expenses relating to short-term leases	70
Expenses relating to leases of low-value assets	19
<b>Total amount recognised in the statement of comprehensive income</b>	<b>1,312</b>

The Network had total cash outflows for leases of \$904 thousand for the year ended 30 June 2020.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 20. Leases (continued)

##### (a) Entity as a lessee (continued)

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

##### PARENT AND CONSOLIDATION

	Operating leases 2019 \$'000
Within one year	979
Later than one year and not later than five years	1,151
<b>Total (including GST)</b>	<b>2,130</b>
Less: GST recoverable from the Australian Taxation Office	194
<b>Total (excluding GST)</b>	<b>1,936</b>

##### Recognition and Measurement (under AASB 16 from 1 July 2019)

The Network assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Network recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 20. Leases (continued)

#### (a) Entity as a lessee (continued)

##### *i. Right-of-use assets*

The Network recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<b>Useful lives</b>
Buildings	6 to 12 years

If ownership of the leased asset transfers to the Network at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

##### *ii. Lease liabilities*

At the commencement date of the lease, the Network recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the Network; and
- payments of penalties for terminating the lease, if the lease term reflects the Network exercising the option to

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The Network does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Network is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a

**Justice Health and Forensic Mental Health Network**  
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**20. Leases (continued)**

**(a) Entity as a lessee (continued)**

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Network's lease liabilities are included in borrowings in Note 24.

*iii. Short-term leases and leases of low-value assets*

The Network applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

*iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives*

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Network to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

**Recognition and measurement (under AASB 117 until 30 June 2019)**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Network was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Network will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 21. Intangible assets

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Cost (gross carrying amount)	8,880	8,880	8,880	8,880
Less: accumulated amortisation and impairment	7,172	6,453	7,172	6,453
<b>Net carrying amount</b>	<b>1,708</b>	<b>2,427</b>	<b>1,708</b>	<b>2,427</b>

#### PARENT AND CONSOLIDATION

A reconciliation of the carrying amount of intangibles at the beginning and end of the current reporting year is set out below:

	2020 \$000	2019 \$000
<b>Year ended 30 June 2020</b>		
Net carrying amount at beginning of year	2,427	3,416
Additions - acquired separately	-	303
Reclassifications from plant and equipment	-	426
Amortisation (recognised in depreciation and amortisation)	(719)	(1,718)
<b>Net carrying amount at end of year</b>	<b>1,708</b>	<b>2,427</b>

#### Recognition and Measurement

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. Following initial recognition, 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.

All research costs are expensed. Development costs are only capitalised when certain criteria are met

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

The Network's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the Network are recognised as intangible assets. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. 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 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.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 22. Fair value measurement of non-financial assets

##### PARENT AND CONSOLIDATION

##### Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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.

##### (a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 19)				
- Land and buildings	-	-	93,885	93,885
	-	-	93,885	93,885

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

	Level 1	Level 2	Level 3	Total Fair Value
2019	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 19)				
- 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 leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 19.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 22. Fair value measurement of non-financial assets (continued)

##### (b) Valuation techniques, inputs and processes

For land and buildings 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 19 reconciliation).

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

For land, the valuation by the 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 commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

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. However, residential properties are valued on a market approach and included in level 2.

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the Network to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

**Justice Health and Forensic Mental Health Network**  
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**22. Fair value measurement of non-financial assets (continued)**

**(c) Reconciliation of recurring Level 3 fair value measurements**

**PARENT AND CONSOLIDATION**

<b>2020</b>	<b>Land and Buildings \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2019</b>	96,553	-	96,553
<b>Adjusted fair value as at 1 July 2019</b>	<b>96,553</b>	-	<b>96,553</b>
Additions	-	-	-
Depreciation expense	(2,668)	-	(2,668)
<b>Fair value as at 30 June 2020</b>	<b>93,885</b>	-	<b>93,885</b>

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

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

**(c) Reconciliation of recurring Level 3 fair value measurements (continued)**

**PARENT AND CONSOLIDATION**

<b>2019</b>	<b>Land and Buildings \$000</b>	<b>Other Assets \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2018</b>	99,221	-	99,221
Depreciation expense	(2,668)	-	(2,668)
<b>Fair value as at 30 June 2019</b>	<b>96,553</b>	-	<b>96,553</b>

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



## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 23. Payables

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	3,590	2,651	-	-
Taxation and payroll deductions	423	2,135	-	-
Accrued liability - purchase of personnel services	-	-	4,013	4,786
Creditors	4,710	7,321	4,710	7,321
Other creditors				
- Payables to entities controlled by the immediate parent	1,831	1,138	1,831	1,138
- Other	7,988	4,502	7,988	4,502
	<b>18,542</b>	<b>17,747</b>	<b>18,542</b>	<b>17,747</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 32.

#### Recognition and Measurement

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. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 24. Borrowings

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
Lease liability (see Note 20)	822	-	822	-
Public Private Partnerships	2,426	2,193	2,426	2,193
	<b>3,248</b>	<b>2,193</b>	<b>3,248</b>	<b>2,193</b>
<b>Non-current</b>				
Lease liability (see Note 20)	6,202	-	6,202	-
Public Private Partnerships	66,974	69,400	66,974	69,400
	<b>73,176</b>	<b>69,400</b>	<b>73,176</b>	<b>69,400</b>

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

Final repayment of PPP 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 32.

#### Recognition and Measurement

##### *Financial liabilities at amortised cost*

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 the 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 until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Borrowings are classified as current liabilities unless the Network has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 32 ( for derecognition policy).

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 24. Borrowings (continued)

##### (a) Public Private Partnership (PPP) finance leases under AASB 117 Leases

Minimum lease payments in relation to PPP finance leases recognised under AASB 117 Leases as required by TPP 06-08 are payable as follows:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	9,794	9,794	9,794	9,794
Later than one year and not later than five years	39,177	39,177	39,177	39,177
Later than five years	86,565	96,360	86,565	96,360
<b>Minimum lease payments</b>	<b>135,536</b>	<b>145,331</b>	<b>135,536</b>	<b>145,331</b>
Less: Future finance charges	66,136	73,738	66,136	73,738
<b>Present value of minimum lease payments</b>	<b>69,400</b>	<b>71,593</b>	<b>69,400</b>	<b>71,593</b>

The present value of PPP finance lease payments is as follows:

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Within one year	2,426	2,193	2,426	2,193
Later than one year and not later than five years	12,565	11,360	12,565	11,360
Later than five years	54,409	58,040	54,409	58,040
<b>Present value of minimum lease payments classified as:</b>	<b>69,400</b>	<b>71,593</b>	<b>69,400</b>	<b>71,593</b>
Current	2,426	2,193	2,426	2,193
Non-current	66,974	69,400	66,974	69,400
	<b>69,400</b>	<b>71,593</b>	<b>69,400</b>	<b>71,593</b>

The PPP 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 non-clinical services. Payments are made by the Network 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.

**Justice Health and Forensic Mental Health Network**  
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**24. Borrowings (continued)**

**Changes in liabilities arising from financing activities**

**PARENT AND CONSOLIDATION**

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2018</b>	73,575	-	73,575
Cash flows	(1,982)	-	(1,982)
<b>30 June 2019</b>	<b>71,593</b>	-	<b>71,593</b>
Recognised on adoption of AASB 16	-	<b>7,576</b>	<b>7,576</b>
<b>1 July 2019</b>	71,593	7,576	79,169
Cash flows	(2,193)	(757)	(2,950)
New leases	-	205	205
<b>30 June 2020</b>	<b>69,400</b>	<b>7,024</b>	<b>76,424</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 32.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 25. Provisions

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - short term benefit	15,856	15,680	-	-
Annual leave - long term benefit	5,165	3,348	-	-
Long service leave consequential on-costs	4,112	3,738	-	-
Provision for other employee benefits	1,321	730	-	-
Provision for personnel services liability	-	-	26,454	23,496
<b>Total current provisions</b>	<b>26,454</b>	<b>23,496</b>	<b>26,454</b>	<b>23,496</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	358	325	-	-
Provision for personnel services liability	-	-	358	325
<b>Total non-current provisions</b>	<b>358</b>	<b>325</b>	<b>358</b>	<b>325</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	26,454	23,496	-	-
Provisions - non-current	358	325	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 23)	4,013	4,786	-	-
Liability - purchase of personnel services	-	-	30,825	28,607
	<b>30,825</b>	<b>28,607</b>	<b>30,825</b>	<b>28,607</b>

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 25. Provisions (continued)

##### Recognition and Measurement

##### *Employee benefits and other provisions*

##### *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 18.52% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 18.5%). 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 Network does not expect to settle the liability within 12 months as the Network 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.

##### *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.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

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#### 25. Provisions (continued)

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.

#### **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.

#### **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. When the Network expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Network has a detailed formal plan, and the Network has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

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**26. Contingent liabilities and assets**

**PARENT AND CONSOLIDATION**

The Network is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.



## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 27. Trust funds

##### PARENT AND CONSOLIDATION

The Network holds trust funds of \$1.1 million (2019: \$1.0 million) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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.

	1 July 2019			30 June 2020
	Opening			Closing
Category	equity	Revenue	Expense	equity
	\$'000	\$000	\$000	\$'000
Patient Trust	1,011	2,142	(2,042)	1,111
Refundable Deposits	-	13	-	13
<b>Total trust funds</b>	<b>1,011</b>	<b>2,155</b>	<b>(2,042)</b>	<b>1,124</b>

	1 July 2018			30 June 2019
	Opening			Closing
Category	equity	Revenue	Expense	equity
	\$'000	\$000	\$000	\$'000
Patient Trust	830	1,845	(1,664)	1,011
Refundable Deposits	60	1	(61)	-
<b>Total trust funds</b>	<b>890</b>	<b>1,846</b>	<b>(1,725)</b>	<b>1,011</b>

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 28. Reconciliation of cash flows from operating activities to net result

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Net cash used on operating activities	6,749	5,667	6,749	5,667
Depreciation and amortisation expense	(6,033)	(5,860)	(6,033)	(5,860)
Allowance for impairment	(306)	(410)	(306)	(410)
Decrease / (increase) in provisions	(2,988)	(1,827)	(2,988)	(1,827)
Increase / (decrease) in prepayments and other assets	1,365	(2,153)	1,365	(2,153)
Decrease / (increase) in payables	(812)	334	(812)	334
Decrease / (increase) in contract liabilities	-	-	-	-
Net gain / (loss) on sale of property, plant and equipment	(41)	(434)	(41)	(434)
<b>Net result</b>	<b>(2,066)</b>	<b>(4,683)</b>	<b>(2,066)</b>	<b>(4,683)</b>

#### 29. Non-cash financing and investing activities

	Consolidated 2020 \$000	Consolidated 2019 \$000	Parent 2020 \$000	Parent 2019 \$000
Property, plant and equipment acquired by a lease	205	-	205	-
	<b>205</b>	<b>-</b>	<b>205</b>	<b>-</b>

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 30. Adjusted budget review

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 budget entries in the financial statements are unaudited.

#### PARENT AND CONSOLIDATION

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 2019 are as follows:

	<b>\$000</b>
Initial allocation, 1 July 2019	224,657
General funding	1,672
Special projects	836
Creditor adjustments	2,496
COVID-19 budget relief	1,090
<b>Balance as per Statement of Comprehensive Income</b>	<b>230,751</b>

#### Net result

Actual Net Result was \$2.5 million unfavourable to budget, mainly due to COVID-19 related expenditures of \$2.9 million, partly funded by budget of \$1.1 million.

#### Assets and liabilities

Actual Net Assets for the year were \$2.5 million unfavourable to budget largely due to a deficit 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 \$20 million.

#### Cash flows

Actual net cash flows from the operating activities were favourable to budget by \$1.3 million mainly due to creditor management.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 31. Equity

##### **Accumulated Funds**

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

##### **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 19.

##### **Separate Reserves**

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

##### **Equity transfers effected in the 2019/20 year were:**

(a) Nil

##### **Equity transfers effected in the 2018/19 year were:**

(b) An equity transfer was 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.

##### **Equity transfers effected comprised:**

	2020	2019
	\$000	\$000
(a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities		(161)
	-	(161)

##### **Assets and Liabilities transferred are as follows:**

	2020	2019
	\$000	\$000
<b>Liabilities</b>		
(b) Annual Leave Provision		161
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	-	161

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 31. Equity (continued)

##### Recognition and Measurement

##### *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.

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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 32. 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

##### PARENT AND CONSOLIDATION

Class	Category	Carrying	Carrying
		Amount	Amount
		2020	2019
		\$000	\$000
<b>Financial Assets</b>			
Cash and cash equivalents (Note 16)	Amortised cost	2,349	1,284
Receivables (Note 17) <sup>1</sup>	Amortised cost	2,995	3,788
<b>Total Financial Assets</b>		<b>5,344</b>	<b>5,072</b>
<b>Financial Liabilities</b>			
Borrowings (Note 24)	Financial liabilities measured at amortised cost	76,424	71,593
Payables (Note 23) <sup>2</sup>	Financial liabilities measured at amortised cost	18,119	15,612
<b>Total Financial Liabilities</b>		<b>94,543</b>	<b>87,205</b>

##### Notes

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

The Network determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

#### (b) Derecognition 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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### 32. Financial instruments (continued)

#### (b) Derecognition of financial assets and financial liabilities (continued)

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's 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.

#### (c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (d) 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).

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.

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

The Network considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Network may also consider a financial asset to be in default when internal or external information indicates that the Network is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Network.

#### 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% in 2019-20 compared to 0% in the previous year.

#### Accounting policy for impairment of trade receivables and other financial assets

##### Receivables - trade receivables, other receivables and contract assets

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

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### (d) Financial risk (continued)

##### i. Credit risk (continued)

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

To measure the expected credit losses, trade receivables, other receivables and contract assets 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 identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets 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 receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2020</b>						
Expected credit loss rate	0.59%	23.44%	58.82%	44.32%	82.83%	28.25%
Estimated total gross carrying amount <sup>1</sup>	2,547	64	85	88	1,223	4,007
Expected credit loss	15	15	50	39	1,013	1,132
<b>30 June 2019 <sup>2</sup></b>						
Expected credit loss rate	0.31%	11.93%	21.95%	38.57%	97.97%	25.79%
Estimated total gross carrying amount <sup>1</sup>	2,896	109	123	70	1,037	4,235
Expected credit loss	9	13	27	27	1,016	1,092

#### Notes

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 17.

<sup>2</sup> Prior year balances have been restated to include other receivables.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.



## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 32. Financial instruments (continued)

##### (d) Financial risk (continued)

###### 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. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected 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.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

#### 32. Financial instruments (continued)

##### (d) Financial risk (continued)

##### ii. Liquidity risk (continued)

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*

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		18,119	-	-	18,119	18,119	-	-
Borrowings:								
- Lease liabilities	2.00	7,501	7,501	-	-	954	4,962	1,585
- Public Private Partnership	7.30	135,536	-	135,536	-	9,794	39,177	86,565
		<b>161,156</b>	<b>7,501</b>	<b>135,536</b>	<b>18,119</b>	<b>28,867</b>	<b>44,139</b>	<b>88,150</b>
<b>2019</b>								
Payables:								
- Creditors <sup>2</sup>		15,612	-	-	15,612	15,612	-	-
Borrowings:								
- Public Private Partnership	7.30	145,331	-	145,331	-	9,794	39,177	96,360
		<b>160,943</b>	<b>-</b>	<b>145,331</b>	<b>15,612</b>	<b>25,406</b>	<b>39,177</b>	<b>96,360</b>

#### Notes:

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

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

<sup>3</sup> Weighted Average Effective Interest Rate (EIR).

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 32. Financial instruments (continued)

#### 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. 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 2019. 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. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. 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:

	2020		2019	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	741	(741)	703	(703)
Equity	741	(741)	703	(703)

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

### 33. Related party transactions

#### PARENT AND CONSOLIDATION

##### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020	2019
	\$000	\$000
Short-term employee benefits	640	471
Post-employment benefits	58	43
Other long-term benefits	12	8
	<b>710</b>	<b>522</b>

During the financial year, Justice Health and Forensic Mental Health Network obtained key management personnel services from the immediate parent and incurred \$354 thousand (2019: \$365 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The Network's key management personnel comprise its board members and chief executive from time to time during the year.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW 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 NSW 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.

##### (b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2019: \$Nil).

##### (c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: \$Nil).

##### (d) Transactions the Network had with government related entities during the financial year

During the financial year and comparative year, the Network entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

*The following operating expenses were incurred with entities controlled by the [immediate/senior] parent:*

- Health Administration Corporation provides shared services for the majority of patient transport services, information management services, and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

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#### 33. Related party transactions

##### (d) Transactions the Network had with government related entities during the financial year (continued)

*The following operating expenses were incurred with entities controlled by the ultimate parent:*

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs

*The following revenues were earned from entities controlled by the immediate parent:*

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

*The following revenues were earned from entities controlled by the ultimate parent:*

- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from Corrective Services NSW
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions

#### 34. Events after the reporting period

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**