



## INDEPENDENT AUDITOR'S REPORT

### Health Administration Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Health Administration Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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 Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- has been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position of the Corporation and the consolidated entity as at 30 June 2021, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

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

#### Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (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 40. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Corporation. It also states that, unlike the requirements in AASB 1055 'Budgetary Reporting' to present original budget information, the Corporation's financial statements present adjusted budget information.

## **The Secretary's Responsibilities for the Financial Statements**

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary 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 Secretary is responsible for assessing the ability of the Corporation 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.

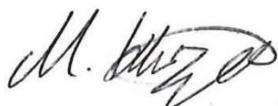
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

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



Michael Kharzoo  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 October 2021  
SYDNEY

# Health Administration Corporation

## Certification of the Financial Statements

for the year ended 30 June 2021



We state, pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ("the Act"):

1. The financial statements of the Health Administration Corporation for the year ended 30 June 2021 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
  - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly the Health Administration Corporation's financial position as at 30 June 2021 and the financial performance and cash flows for the year then ended; 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 "Elizabeth Koff".

Elizabeth Koff  
**Secretary, NSW Health**

26 October 2021

A handwritten signature in black ink, appearing to read "Alfa D'Amato".

Alfa D'Amato  
**Acting Deputy Secretary, Finance and Asset  
and Chief Financial Officer, NSW Health**

26 October 2021

# Health Administration Corporation

Statement of Comprehensive Income for the year ended 30 June 2021

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	1,976,776	1,961,743	1,944,671	-	-
Personnel services	3	-	-	-	1,971,755	1,848,236
Visiting medical officers	4	147	66	63	147	63
Other expenses	5	1,801,491	1,765,004	1,504,317	1,801,491	1,504,317
Depreciation and amortisation	6	256,405	253,177	246,571	256,405	246,571
Grants and subsidies	7	46,328	43,284	43,878	46,328	43,878
Finance costs	8	7,901	8,113	8,621	7,901	8,621
Payments to Affiliated Health Organisations	9	-	-	2,140	-	2,140
<b>Total expenses excluding losses</b>		<b>4,089,048</b>	<b>4,031,387</b>	<b>3,750,261</b>	<b>4,084,027</b>	<b>3,653,826</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	12	1,312,667	1,273,496	1,535,498	1,312,667	1,535,498
NSW Ministry of Health capital allocations	12	134,150	140,804	144,662	134,150	144,662
Acceptance by the Crown <sup>2</sup> of employee benefits and other liabilities	16	5,021	5,195	96,435	-	-
Sale of goods and services from contracts with customers	13	2,757,044	2,705,933	2,281,575	2,757,044	2,281,575
Investment revenue	14	2,598	3,590	3,191	2,598	3,191
Grants and other contributions	15	36,724	29,212	970,884	36,724	970,884
Other income	17	55,837	60,085	57,708	55,837	57,708
<b>Total revenue</b>		<b>4,304,041</b>	<b>4,218,315</b>	<b>5,089,953</b>	<b>4,299,020</b>	<b>4,993,518</b>
<b>Operating result</b>		<b>214,993</b>	<b>186,928</b>	<b>1,339,692</b>	<b>214,993</b>	<b>1,339,692</b>
Gains / (losses) on disposal	18	(2,489)	242	(5,357)	(2,489)	(5,357)
Impairment losses on financial assets	22	(34,331)	(14,352)	(16,504)	(34,331)	(16,504)
Other gains / (losses)	19	(773,828)	7,161	(8,614)	(773,828)	(8,614)
<b>Net result from continuing operations</b>		<b>(595,655)</b>	<b>179,979</b>	<b>1,309,217</b>	<b>(595,655)</b>	<b>1,309,217</b>
<b>Net result</b>		<b>(595,655)</b>	<b>179,979</b>	<b>1,309,217</b>	<b>(595,655)</b>	<b>1,309,217</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	24	(1,100)	-	3,811	(1,100)	3,811
<b>Total other comprehensive income</b>		<b>(1,100)</b>	<b>-</b>	<b>3,811</b>	<b>(1,100)</b>	<b>3,811</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(596,755)</b>	<b>179,979</b>	<b>1,313,028</b>	<b>(596,755)</b>	<b>1,313,028</b>

<sup>1</sup> Unaudited adjusted budget, see Note 40.

<sup>2</sup> Crown represents 'The Crown in right of the State of New South Wales'.

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Financial Position as at 30 June 2021**

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	21	846,099	1,341,384	1,102,299	846,099	1,102,299
Receivables	22	534,874	882,370	896,986	534,874	896,986
Inventories	23	493,599	784,371	789,821	493,599	789,821
		<b>1,874,572</b>	<b>3,008,125</b>	<b>2,789,106</b>	<b>1,874,572</b>	<b>2,789,106</b>
Non-current assets held for sale	27	1,254	2,079	2,079	1,254	2,079
<b>Total current assets</b>		<b>1,875,826</b>	<b>3,010,204</b>	<b>2,791,185</b>	<b>1,875,826</b>	<b>2,791,185</b>
<b>Non-current assets</b>						
Receivables	22	5,718	3,327	3,327	5,718	3,327
Property, plant & equipment	24					
- Land and buildings		636,182	634,450	622,985	636,182	622,985
- Plant and equipment		224,951	248,866	239,496	224,951	239,496
- Infrastructure systems		20,615	5,638	8,213	20,615	8,213
Total property, plant & equipment		881,748	888,954	870,694	881,748	870,694
Right-of-use assets	25	370,997	360,641	407,948	370,997	407,948
Intangible assets	26	644,916	650,260	670,806	644,916	670,806
<b>Total non-current assets</b>		<b>1,903,379</b>	<b>1,903,182</b>	<b>1,952,775</b>	<b>1,903,379</b>	<b>1,952,775</b>
<b>Total assets</b>		<b>3,779,205</b>	<b>4,913,386</b>	<b>4,743,960</b>	<b>3,779,205</b>	<b>4,743,960</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	30	604,797	560,661	527,425	604,797	527,425
Contract liabilities	31	2,355	4,983	4,983	2,355	4,983
Borrowings	32	384,099	821,512	819,736	384,099	819,736
Provisions	33	369,825	341,784	326,307	369,825	326,307
Other current liabilities	34	22,852	23,278	41,573	22,852	41,573
<b>Total current liabilities</b>		<b>1,383,928</b>	<b>1,752,218</b>	<b>1,720,024</b>	<b>1,383,928</b>	<b>1,720,024</b>
<b>Non-current liabilities</b>						
Borrowings	32	306,052	289,724	334,329	306,052	334,329
Provisions	33	13,667	15,386	13,528	13,667	13,528
<b>Total non-current liabilities</b>		<b>319,719</b>	<b>305,110</b>	<b>347,857</b>	<b>319,719</b>	<b>347,857</b>
<b>Total liabilities</b>		<b>1,703,647</b>	<b>2,057,328</b>	<b>2,067,881</b>	<b>1,703,647</b>	<b>2,067,881</b>
<b>Net assets</b>		<b>2,075,558</b>	<b>2,856,058</b>	<b>2,676,079</b>	<b>2,075,558</b>	<b>2,676,079</b>
<b>EQUITY</b>						
Reserves		186,728	189,893	189,796	186,728	189,796
Accumulated funds		1,888,830	2,666,165	2,486,283	1,888,830	2,486,283
<b>Total Equity</b>		<b>2,075,558</b>	<b>2,856,058</b>	<b>2,676,079</b>	<b>2,075,558</b>	<b>2,676,079</b>

<sup>1</sup> Unaudited adjusted budget, see Note 40.

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Changes in Equity for the year ended 30 June 2021**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Asset Total \$000
<b>Balance at 1 July 2020</b>		<b>2,486,283</b>	<b>189,796</b>	<b>2,676,079</b>
<b>Net result for the year</b>		<b>(595,655)</b>	<b>-</b>	<b>(595,655)</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	24	-	(1,100)	(1,100)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,968	(1,968)	-
<b>Total other comprehensive income</b>		<b>1,968</b>	<b>(3,068)</b>	<b>(1,100)</b>
<b>Total comprehensive income for the year</b>		<b>(593,687)</b>	<b>(3,068)</b>	<b>(596,755)</b>
<b>Transactions with owners in their capacity as owners</b>				
Decrease in net assets from equity transfers	41	(3,766)	-	(3,766)
<b>Balance at 30 June 2021</b>		<b>1,888,830</b>	<b>186,728</b>	<b>2,075,558</b>

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Asset Total \$000
<b>Balance at 1 July 2019</b>		<b>1,181,462</b>	<b>187,067</b>	<b>1,368,529</b>
<b>Net result for the year</b>		<b>1,309,217</b>	<b>-</b>	<b>1,309,217</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	24	-	3,811	3,811
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,082	(1,082)	-
<b>Total other comprehensive income</b>		<b>1,082</b>	<b>2,729</b>	<b>3,811</b>
<b>Total Comprehensive Income for the Year</b>		<b>1,310,299</b>	<b>2,729</b>	<b>1,313,028</b>
<b>Transactions with owners in their capacity as owners</b>				
Decrease in net assets from equity transfers	41	(5,478)	-	(5,478)
<b>Balance at 30 June 2020</b>		<b>2,486,283</b>	<b>189,796</b>	<b>2,676,079</b>

The accompanying notes form part of these financial statements.

# Health Administration Corporation

Statement of Cash Flows for the year ended 30 June 2021

Notes	Consolidated	Consolidated	Consolidated	Parent	Parent	
	Actual 2021 \$000	Budget <sup>1</sup> 2021 \$000	Actual 2020 \$000	Actual 2021 \$000	Actual 2020 \$000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related	(1,932,939)	(1,979,421)	(1,823,475)	-	-	
Suppliers for goods and services	(2,206,737)	(2,008,768)	(3,067,804)	(2,206,737)	(3,067,804)	
Grants and subsidies	(47,563)	(44,519)	(52,083)	(47,563)	(52,083)	
Finance costs	(7,901)	(8,113)	(8,620)	(7,901)	(8,620)	
Personnel services	-	-	-	(1,932,939)	(1,823,475)	
<b>Total payments</b>	<b>(4,195,140)</b>	<b>(4,040,821)</b>	<b>(4,951,982)</b>	<b>(4,195,140)</b>	<b>(4,951,982)</b>	
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations	1,312,667	1,273,496	1,535,498	1,312,667	1,535,498	
NSW Ministry of Health capital allocations	134,150	140,804	144,662	134,150	144,662	
Reimbursements from The Crown in right of the State of New South Wales	26,287	26,287	31,690	26,287	31,690	
Sale of goods and services	3,004,949	2,937,179	2,388,267	3,004,949	2,388,267	
Interest received	2,598	3,590	4,149	2,598	4,149	
Grants and other contributions	27,660	30,197	1,066,050	27,660	1,066,050	
Other	59,097	62,797	147,503	59,097	147,503	
<b>Total receipts</b>	<b>4,567,408</b>	<b>4,474,350</b>	<b>5,317,819</b>	<b>4,567,408</b>	<b>5,317,819</b>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>38</b>	<b>372,268</b>	<b>433,529</b>	<b>365,837</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment	738	(1,717)	3,009	738	3,009	
Proceeds from sale of financial assets	-	-	130,000	-	130,000	
Purchases of property, plant and equipment and intangibles	(109,932)	(113,533)	(192,984)	(109,932)	(192,984)	
Other	-	-	(8,614)	-	(8,614)	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(109,194)</b>	<b>(115,250)</b>	<b>(68,589)</b>	<b>(109,194)</b>	<b>(68,589)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowings and advances	304,318	304,318	739,176	304,318	739,176	
Repayment of borrowings and advances	(739,230)	(304,318)	(11,069)	(739,230)	(11,069)	
Payment of principal portion of lease liabilities	(84,387)	(79,194)	(78,606)	(84,387)	(78,606)	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(519,299)</b>	<b>(79,194)</b>	<b>649,501</b>	<b>(519,299)</b>	<b>649,501</b>	
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Opening cash and cash equivalents	(256,225)	239,085	946,749	(256,225)	946,749	
Effects of exchange rate changes on cash and cash equivalents	21 1,102,299	1,102,299	155,550	21 1,102,299	155,550	
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>	
	<b>21</b>	<b>846,099</b>	<b>1,341,384</b>	<b>1,102,299</b>	<b>846,099</b>	<b>1,102,299</b>

<sup>1</sup> Unaudited adjusted budget, see Note 40.

The accompanying notes form part of these financial statements.

# **Health Administration Corporation**

## **Notes to and forming part of the Financial Statements for the year ended 30 June 2021**

---

### **1. Statement of Significant Accounting Policies**

#### **a) Reporting entity**

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

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

- Public Health System Support (PHSS) which has three main groups comprising:
  - Health System Support Group (HSSG) which undertakes functions including Activity Based Funding Taskforce;
  - eHealth NSW which delivers information and communications technology services to NSW Health.
  - HealthShare NSW which provides financial, payroll, linen, food and other shared statewide services to NSW Health.
- Health Infrastructure which delivers and manages major NSW Health capital works projects across NSW Health.
- Ambulance Service of NSW which provides clinical and health related transport services across the State.
- NSW Health Pathology which provides public pathology, forensic and analytical services on behalf of NSW Health.

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

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Secretary, NSW Health on 26 October 2021.

#### **b) Basis of preparation**

The Corporation's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- \* applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- \* the requirements of the *Government Sector Finance Act 2018* (GSF Act); and
- \* Treasurer's Directions issued under the GSF Act.

The Novel Coronavirus (COVID-19) pandemic in late February 2020 saw a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries, to ensure increased public hospital capacity would be available. On-going critical resources in 2021 have been reassigned to treat, test and manage for surges of COVID-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders has commenced during 2021.

Despite the impact of COVID-19, the going concern assumption remains appropriate.

# **Health Administration Corporation**

## **Notes to and forming part of the Financial Statements for the year ended 30 June 2021**

---

### **1. Statement of Significant Accounting Policies**

#### **b) Basis of preparation (continued)**

Property, plant and equipment are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the Corporation's presentation and functional currency.

#### **c) Principles of consolidation**

The consolidated financial statements comprise the financial statements of the parent entity and its controlled entities, after elimination of all inter-entity transactions and balances. The controlled entities are consolidated from the date the parent entity obtained control and until such time as control passes.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity using uniform accounting policies for like transactions and other events in similar circumstances. As a result, no adjustments were required for any dissimilar accounting policies.

#### **d) Statement of Compliance**

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

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

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

#### **f) Foreign currency translation**

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

# **Health Administration Corporation**

## **Notes to and forming part of the Financial Statements for the year ended 30 June 2021**

---

### **1. Statement of Significant Accounting Policies**

#### **g) 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.

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

##### **(i) Effective for the first time in 2020-21**

The accounting policies applied in 2020-21 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 Corporation applied AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.
- \* Several other amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of the Corporation.

##### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for the Corporation from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: *Accounting for Privately Financed Projects* (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The Corporation has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

The adoption of AASB 1059 and the withdrawal of TPP 06-8 did not have an impact on the financial statements of the Corporation.

##### **(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 Corporation, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the Corporation.

#### **i) Impact of COVID-19 on Financial Reporting for 2020-21**

The COVID-19 pandemic has resulted in significant changes in the Corporation activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2020-21 and increased disclosures are presented in the following notes:

- \* Note 1b) Basis of preparation
- \* Note 12 NSW Ministry of Health allocations
- \* Note 22 Receivables
- \* Note 23 Inventories
- \* Note 25 Leases
- \* Note 28 Fair value measurement of non-financial assets

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**2. Employee related expenses**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	1,731,161	1,630,522	-	-
Superannuation - defined benefit plans	13,524	16,189	-	-
Superannuation - defined contribution plans	147,468	136,505	-	-
Long service leave	5,497	85,388	-	-
Redundancies	2,823	6,554	-	-
Workers' compensation insurance	64,692	57,456	-	-
Fringe benefits tax	(219)	763	-	-
Other staff related	11,830	11,294	-	-
	<b>1,976,776</b>	<b>1,944,671</b>	-	-

Employee related costs of \$15.73 million (2020: \$12.88 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

**3. Personnel services**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	1,731,161	1,630,522
Superannuation - defined contribution plans	-	-	147,468	136,505
Long service leave	-	-	14,000	5,142
Redundancies	-	-	2,823	6,554
Workers' compensation insurance	-	-	64,692	57,456
Fringe benefits tax	-	-	(219)	763
Other staff related	-	-	11,830	11,294
	<b>-</b>	<b>-</b>	<b>1,971,755</b>	<b>1,848,236</b>

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

Personnel services of \$15.73 million (2020: \$12.88 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

**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 Corporation's hospitals. VMO expenses of \$0.15 million (2020: \$0.06 million) represent part of the day-to-day running costs incurred in the normal operations of the Corporation. These costs are expensed as incurred.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**5. Other expenses**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	325	1,346	325	1,346
Auditor's remuneration - audit of financial statements	617	576	617	576
Blood and blood products	92	88	92	88
Work performed for entities controlled by the ultimate parent	-	78,719	-	78,719
Consultancies	4,462	2,256	4,462	2,256
Contractors	123,737	126,354	123,737	126,354
Domestic supplies and services	46,679	34,021	46,679	34,021
Drug supplies	7,897	7,875	7,897	7,875
Food supplies	101,152	90,018	101,152	90,018
Fuel, light and power	11,206	12,098	11,206	12,098
Patient transport costs	1,200	1,308	1,200	1,308
Information management expenses	249,009	188,521	249,009	188,521
Insurance	4,902	4,217	4,902	4,217
Maintenance (see Note 5 (b))	114,975	106,698	114,975	106,698
Medical and surgical supplies	86,123	43,384	86,123	43,384
Motor vehicle expenses	22,147	22,492	22,147	22,492
Postal and telephone costs	12,124	10,560	12,124	10,560
Printing and stationery	6,464	6,499	6,464	6,499
Rates and charges	2,863	2,725	2,863	2,725
Hosted services purchased from entities controlled by the immediate parent	1,995	2,092	1,995	2,092
Specialised services (dental, radiology, pathology and allied health)	215,273	155,148	215,273	155,148
Staff related costs	14,325	16,256	14,325	16,256
Travel related costs	7,792	13,405	7,792	13,405
Other (see Note 5 (a))	766,132	577,661	766,132	577,661
	<b>1,801,491</b>	<b>1,504,317</b>	<b>1,801,491</b>	<b>1,504,317</b>

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the Corporation.

# Health Administration Corporation

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2021

## 5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>(a) Other</b>				
Aircraft expenses (Ambulance)	111,869	110,364	111,869	110,364
Corporate support services	433,556	248,250	433,556	248,250
Courier and freight	14,802	11,945	14,802	11,945
Legal services	3,478	2,120	3,478	2,120
Membership/professional fees	2,634	2,647	2,634	2,647
Quality assurance / accreditation	3,917	3,792	3,917	3,792
Security services	2,191	1,172	2,191	1,172
Expenses relating to short-term leases	10,063	9,590	10,063	9,590
Expenses relating to leases of low-value assets	1,080	2,275	1,080	2,275
Variable lease payments, not included in lease liabilities	958	661	958	661
Other miscellaneous	181,584	184,845	181,584	184,845
	<b>766,132</b>	<b>577,661</b>	<b>766,132</b>	<b>577,661</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	35,956	36,187	35,956	36,187
New / replacement equipment under \$10,000	58,965	54,023	58,965	54,023
Repairs maintenance / non contract	19,483	15,948	19,483	15,948
Other	571	540	571	540
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>114,975</b>	<b>106,698</b>	<b>114,975</b>	<b>106,698</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	5,806	5,687	5,806	5,687
	<b>120,781</b>	<b>112,385</b>	<b>120,781</b>	<b>112,385</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**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 Corporation. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 30.

***Insurance***

The Corporation'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 Insurance and Care NSW (icare), an entity controlled by the ultimate parent, based on past claims experience. The TMF is operated by NSW Self Insurance Corporation (SiCorp), an entity controlled by the ultimate parent.

***Lease expense***

The Corporation 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.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**6. Depreciation and amortisation**

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Depreciation - buildings	21,573	22,549	21,573	22,549
Depreciation - plant and equipment	62,391	61,539	62,391	61,539
Depreciation - infrastructure systems	2,715	930	2,715	930
Depreciation - right-of-use buildings	39,382	40,899	39,382	40,899
Depreciation - right-of-use plant and equipment	47,643	44,650	47,643	44,650
Amortisation - intangible assets	82,701	76,004	82,701	76,004
	<b>256,405</b>	<b>246,571</b>	<b>256,405</b>	<b>246,571</b>

Refer to Note 24 Property, plant and equipment, Note 25 Leases, and Note 26 Intangible assets for recognition and measurement policies on depreciation and amortisation.

**7. Grants and subsidies**

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Non-government organisations	2,655	2,608	2,655	2,608
Community packages	30,598	32,197	30,598	32,197
Grants to research organisations	968	1,209	968	1,209
Grants paid to entities controlled by the immediate parent	11,973	7,740	11,973	7,740
Other grants	134	124	134	124
	<b>46,328</b>	<b>43,878</b>	<b>46,328</b>	<b>43,878</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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**8. Finance costs**

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Interest expense from lease liabilities	7,886	8,608	7,886	8,608
Interest expense from financial liabilities at amortised cost	3	1	3	1
Other interest charges	12	12	12	12
	<b>7,901</b>	<b>8,621</b>	<b>7,901</b>	<b>8,621</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.

**9. Payments to Affiliated Health Organisations**

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
(a) Recurrent sourced	-	500	-	500
	-	<b>500</b>	-	<b>500</b>
(b) Capital sourced	-	1,640	-	1,640
	-	<b>1,640</b>	-	<b>1,640</b>
	-	<b>2,140</b>	-	<b>2,140</b>

**Recognition and Measurement**

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

General operating expenses / revenues have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. Corporation is not deemed to own or control the various assets / liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2021

### 10. Revenue

#### Recognition and Measurement

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. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the *GSF Act 2018*, the Corporation's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

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

### 11. Summary of Compliance

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Total spending authority from parliamentary appropriations, other than own source revenue</b>	1,446,817	1,680,160	1,446,817	1,680,160
<b>Add:</b>				
Own source revenue on 1 July 2019	-	155,550	-	155,550
Own source money received during the year	3,425,646	4,509,844	3,425,646	4,509,844
Own source revenue balance brought forward from prior years	1,102,299	-	1,102,299	-
<b>Less: expenditure charged against own source revenue</b>	5,128,663	5,243,255	5,128,663	5,243,255
<b>Own source revenue balance carried forward to following years</b>	<b>846,099</b>	<b>1,102,299</b>	<b>846,099</b>	<b>1,102,299</b>

The table includes monies received from the Corporation's own-source income from other clusters who have different responsible ministers, as comprising part of the authority to spend.

There is some complexity and uncertainty in respect of the legal implication of monies received by the Corporation from an agency in another cluster who has a different responsible minister. Therefore, there is a technical risk that the actual expenditure exceeds the aggregate legal limit authorised for the receiving responsible minister(s) for the relevant reporting period; on the other hand, the paying responsible minister(s) may have unutilised legal spending authority.

The impact of this legal uncertainty means the balance of own source revenue brought forward and carried forward in the table will not necessarily be reflective of the appropriations authority available to the Corporation or its responsible ministers.

### 12. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the Corporation and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the Corporation 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 Corporation recognised additional NSW Ministry of Health recurrent allocations of \$89.5 million (2020: \$29.7 million) and NSW Ministry of Health capital allocations of \$36.6 million (2020: \$34.5 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

# Health Administration Corporation

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2021

## 13. Sale of goods and services from contracts with customers

### (a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale of small medical equipment and other merchandise	18,615	4,742	18,615	4,742
	<b>18,615</b>	<b>4,742</b>	<b>18,615</b>	<b>4,742</b>
<b>(b) Rendering of services comprise the following:</b>				
<b><i>Patients</i></b>				
Patient Fees:				
- Non inpatient fees	7	3,318	7	3,318
Department of Veterans' Affairs	18,826	18,422	18,826	18,422
Motor Accident Authority third party	51,560	36,739	51,560	36,739
Patient co-payments - program of appliances for disabled people	950	608	950	608
Patient transport fees	184,162	163,278	184,162	163,278
<b><i>Staff</i></b>				
Private use of motor vehicles	315	401	315	401
Salary packaging fee	486	573	486	573
<b><i>General community</i></b>				
Cafeteria / kiosk	3,153	3,401	3,153	3,401
Car parking	34	85	34	85
Clinical services (excluding clinical drug trials)	20,639	20,635	20,639	20,635
Commercial activities	724,317	495,911	724,317	495,911
Fees for conferences and training	149	629	149	629
Fees for medical records	220	208	220	208
Information retrieval	10	-	10	-
Meals on Wheels	309	289	309	289
<b><i>Non-NSW Health entities</i></b>				
Linen service revenues	5,105	4,868	5,105	4,868
Services to other organisations	650	5,962	650	5,962
<b><i>Entities controlled by the immediate parent</i></b>				
Hosted service revenues	2,570	-	2,570	-
Linen service revenues	87,773	84,337	87,773	84,337
Shared corporate service revenues	1,468,957	1,205,540	1,468,957	1,205,540
Use of ambulance facilities	6,730	6,447	6,730	6,447
<b><i>Entities controlled by the ultimate parent</i></b>				
Work performed reimbursed by entities controlled by the ultimate parent	-	78,719	-	78,719
<b><i>Other</i></b>				
Infrastructure fees - annual charge	13,156	8,414	13,156	8,414
Infrastructure fees - monthly facility charge	140,916	132,212	140,916	132,212
Other	7,435	5,837	7,435	5,837
	<b>2,738,429</b>	<b>2,276,833</b>	<b>2,738,429</b>	<b>2,276,833</b>
	<b>2,757,044</b>	<b>2,281,575</b>	<b>2,757,044</b>	<b>2,281,575</b>

# Health Administration Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2021

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

#### Recognition and Measurement (continued)

##### Sale of goods

Revenue from the sale of goods is recognised when the Corporation satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of small medical equipment and other merchandise	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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 the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

##### Rendering of services

Revenue from rendering of services is recognised when the Corporation satisfies the performance obligation by transferring the promised services.

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the NSW Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**13. Sale of goods and services from contracts with customers (continued)**

**Recognition and Measurement (continued)**

**Rendering of services (continued)**

Type of service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.
Infrastructure fees	Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health. The performance obligations for these services are typically satisfied when the hospital facilities are made available and used by the doctors and staff specialists. The payments are typically due when monies are collected from patient billings for services provided under the arrangement.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 31 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 Corporation expects to recognise the unsatisfied portion as revenue.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**14. Investment revenue**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest income from financial assets at amortised cost	2,598	3,191	2,598	3,191
	<b>2,598</b>	<b>3,191</b>	<b>2,598</b>	<b>3,191</b>

**Recognition and Measurement**

***Interest income***

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

# Health Administration Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2021

### 15. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity</b>				
<b>Other grants with sufficiently specific performance obligations</b>				
Grants from the Cancer Institute, an entity controlled by the immediate parent	339	300	339	300
Clinical trials and research grants	640	436	640	436
Commonwealth government grants other	3,652	13,147	3,652	13,147
Grants from entities controlled by the ultimate parent	514	2,080	514	2,080
Other grants from entities controlled by the immediate parent	43	14	43	14
Other grants	2,021	1,505	2,021	1,505
<b>Grants without specific performance obligations</b>				
Clinicals trial and research grants	711	51	711	51
Commonwealth government grants other	7,407	-	7,407	-
Grants from entities controlled by the ultimate parent	-	933,800	-	933,800
Other grants from entities controlled by the immediate parent	19,810	14,084	19,810	14,084
Other grants	3	31	3	31
Donations	1,584	5,436	1,584	5,436
	<b>36,724</b>	<b>970,884</b>	<b>36,724</b>	<b>970,884</b>

### Recognition and Measurement

#### **Grants and other contributions**

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Corporation are recognised when the Corporation satisfies its obligations under the transfer. The Corporation 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 are recognised when the Corporation satisfies a performance obligation by transferring the promised goods or services. The Corporation typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Corporation 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.

Refer to Note 31 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**16. Acceptance by The Crown in right of the State of New South Wales of employee benefits**

The following liabilities and / or expenses have been assumed by The Crown in right of the State of New South Wales:

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Superannuation - defined benefit plans	13,524	16,189	-	-
Long service leave provision*	(8,503)	80,246	-	-
	<b>5,021</b>	<b>96,435</b>	-	-

\* The long service leave provision assumed by The Crown in right of the State of New South Wales decreased in the current year due to a 18.7% decrease in the actuarial factor.

**17. Other income**

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Other income comprises the following:				
Bad debts recovered	153	94	153	94
Capital project management cost	42,860	46,014	42,860	46,014
Commissions	54	60	54	60
Discounts	162	55	162	55
Insurance refunds	2,004	881	2,004	881
Rental income	380	495	380	495
Property not previously recognised	90	1,825	90	1,825
Sponsorship	175	641	175	641
Unclaimed deposits	63	23	63	23
Other	9,896	7,620	9,896	7,620
	<b>55,837</b>	<b>57,708</b>	<b>55,837</b>	<b>57,708</b>

**Recognition and Measurement**

***Other Income***

Other income arises from varying arrangements. Income is generally recognised on an accrual basis and / or when the right to receive the income has been established in accordance with the substance of the relevant agreement.

Rental income is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**18. Gains / (losses) on disposal**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	3,067	7,651	3,067	7,651
Less: proceeds from disposal	738	2,241	738	2,241
<b>Net losses on disposal</b>	<b>(2,329)</b>	<b>(5,410)</b>	<b>(2,329)</b>	<b>(5,410)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	3,714	444	3,714	444
Less: lease liabilities extinguished	3,869	446	3,869	446
<b>Net gains on disposal</b>	<b>155</b>	<b>2</b>	<b>155</b>	<b>2</b>
<b>Intangible assets</b>				
Written down value of assets disposed	315	10	315	10
<b>Net losses on disposal</b>	<b>(315)</b>	<b>(10)</b>	<b>(315)</b>	<b>(10)</b>
<b>Assets held for sale</b>				
Written down value of assets disposed	-	707	-	707
Less: proceeds from disposal	-	768	-	768
<b>Net gains on disposal</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>61</b>
<b>Financial assets</b>				
Written down value of assets disposed	-	130,000	-	130,000
Less: proceeds from disposal	-	130,000	-	130,000
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total losses on disposal</b>	<b>(2,489)</b>	<b>(5,357)</b>	<b>(2,489)</b>	<b>(5,357)</b>

**19. Other gains / (losses)**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Impairment losses on right-of-use assets	(6,675)	-	(6,675)	-
Inventory write down	(775,792)	-	(775,792)	-
Foreign exchange gains / (losses)	8,639	(8,614)	8,639	(8,614)
	<b>(773,828)</b>	<b>(8,614)</b>	<b>(773,828)</b>	<b>(8,614)</b>

**Recognition and Measurement**

*Impairment losses on non-financial assets*

Impairment losses may arise on non-financial assets held by the Corporation from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 22 Receivables
- Note 23 Inventories
- Note 24 Property, plant and equipment
- Note 25 Leases
- Note 26 Intangible assets

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**20. Conditions and restrictions on income of not-for-profit entities**

The Corporation receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The Corporation determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 29 Restricted assets.

**21. Cash and cash equivalents**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	846,099	1,002,548	846,099	1,002,548
Short-term deposits	-	99,751	-	99,751
	<b>846,099</b>	<b>1,102,299</b>	<b>846,099</b>	<b>1,102,299</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:

Cash and cash equivalents (per Statement of Financial Position)	846,099	1,102,299	846,099	1,102,299
	<b>846,099</b>	<b>1,102,299</b>	<b>846,099</b>	<b>1,102,299</b>

Refer to Note 42 for details regarding credit risk and market risk arising from financial instruments.

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

HealthShare NSW makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of all health entities. These payments are reported as expenses and operating cash outflows in the financial statements of the health entities.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the health entities 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 health entities when HealthShare NSW makes these payments on behalf of the health entities.

Health Infrastructure receives payments directly from the NSW Ministry of Health and The Crown in right of the State of New South Wales, an entity controlled by the ultimate parent on behalf of the health entities to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations and grants and other contributions) and operating cash inflows in the financial statements of the health entities.

Health Infrastructure makes most payments to purchase property, plant and equipment on behalf of the health entities. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the health entities.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**22. Receivables**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Trade receivables from contracts with customers	102,694	93,610	102,694	93,610
Intra health receivables	320,784	291,140	320,784	291,140
Goods and Services Tax	43,885	51,231	43,885	51,231
Other receivables	23,096	76,654	23,096	76,654
<b>Sub total</b>	<b>490,459</b>	<b>512,635</b>	<b>490,459</b>	<b>512,635</b>
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(41,711)	(30,830)	(41,711)	(30,830)
- Other receivables	(277)	(824)	(277)	(824)
<b>Sub total</b>	<b>448,471</b>	<b>480,981</b>	<b>448,471</b>	<b>480,981</b>
Prepayments	86,403	416,005	86,403	416,005
	<b>534,874</b>	<b>896,986</b>	<b>534,874</b>	<b>896,986</b>

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

**Trade receivables from contracts with customers**

Balance at the beginning of the year	(30,830)	(28,877)	(30,830)	(28,877)
Amounts written off during the year	23,295	13,927	23,295	13,927
Increase in allowance recognised in the net result <sup>1</sup>	(34,176)	(15,880)	(34,176)	(15,880)
<b>Balance at the end of the year</b>	<b>(41,711)</b>	<b>(30,830)</b>	<b>(41,711)</b>	<b>(30,830)</b>

**Other receivables**

Balance at the beginning of the year	(824)	(294)	(824)	(294)
Amounts written off during the year	606	94	606	94
Amounts recovered during the year	96	-	96	-
Increase / (decrease) in allowance recognised in the net result	(155)	(624)	(155)	(624)
<b>Balance at the end of the year</b>	<b>(277)</b>	<b>(824)</b>	<b>(277)</b>	<b>(824)</b>
	<b>(41,988)</b>	<b>(31,654)</b>	<b>(41,988)</b>	<b>(31,654)</b>

**Non-current**

Prepayments	5,718	3,327	5,718	3,327
	<b>5,718</b>	<b>3,327</b>	<b>5,718</b>	<b>3,327</b>

<sup>1</sup> Includes total impairment loss of \$34.18 million (2020: \$15.88 million) recognised on receivables from contracts with customers.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**22. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - inpatient & other	67,057	49,693	67,057	49,693
	<b>67,057</b>	<b>49,693</b>	<b>67,057</b>	<b>49,693</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 42.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 22)	421,120	382,133	421,120	382,133
<b>Total contract receivables</b>	<b>421,120</b>	<b>382,133</b>	<b>421,120</b>	<b>382,133</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**

The Corporation 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 Corporation 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 Corporation expects to receive, discounted at the original effective interest rate.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**23. Inventories**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Medical and surgical supplies	1,049,169	627,371	1,049,169	627,371
Food and hotel supplies	3,138	3,767	3,138	3,767
Other including goods in transit	21	158,683	21	158,683
<b>Sub total</b>	<b>1,052,328</b>	<b>789,821</b>	<b>1,052,328</b>	<b>789,821</b>
Less: Allowance for impairment				
- Medical and surgical supplies	(558,729)	-	(558,729)	-
	<b>493,599</b>	<b>789,821</b>	<b>493,599</b>	<b>789,821</b>

**Recognition and Measurement**

The Corporation procures, stores and distributes inventory to all NSW health districts under their service delivery plan. Inventory is distributed to health districts at cost price plus service fee. During the year, the Corporation distributed \$379.2 million of inventory to health districts (2020: \$248.2 million). The cost of inventory distributed is reflected as other expenses in the statement of comprehensive income.

The increase in medical and surgical supplies for both 2020 and 2021 is a result of the Corporation's increased purchases to protect, test and treat suspected and confirmed COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed as part of the normal services provided by the Corporation.

All inventory held by the Corporation is for distribution to health districts for consumption in their ordinary activities.

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 or any loss of operating capacity due to obsolescence. 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.

In 2021, the Corporation has written-off \$217.1 million (2020: \$Nil) of inventories that expired and were not fit for purpose, and made an allowance for impairment of \$558.7 million (2020: \$Nil). The impairment allowance was based on the consumption forecast model, on inventory categories that are likely to expire before they are consumed and inventory categories that are in unserviceable condition (that is, does not meet the clinical requirements) and have no alternative use before they expire.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Corporation would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**24. Property, plant and equipment**

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

**PARENT AND CONSOLIDATION**

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2019 - fair value</b>				
Gross carrying amount	948,824	504,330	1,387	1,454,541
Less: accumulated depreciation and impairment	333,460	260,682	1,031	595,173
<b>Net carrying amount</b>	<b>615,364</b>	<b>243,648</b>	<b>356</b>	<b>859,368</b>
<b>Year ended 30 June 2020</b>				
Net carrying amount at beginning of year	615,364	243,648	356	859,368
Additions	39,108	60,632	4,166	103,906
Reclassification from intangibles	-	709	-	709
Reclassification to assets held for sale	1,815	-	-	1,815
Disposals	(4,325)	(3,326)	-	(7,651)
Equity transfers - transfers out	(5,478)	-	-	(5,478)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(768)	-	(768)
Net revaluation increments less revaluation decrements	3,700	-	111	3,811
Depreciation expense	(22,549)	(61,539)	(930)	(85,018)
Reclassifications	(4,650)	140	4,510	-
<b>Net carrying amount at end of year</b>	<b>622,985</b>	<b>239,496</b>	<b>8,213</b>	<b>870,694</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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

# Health Administration Corporation

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2021

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

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

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 1 July 2020 - fair value</b>				
Gross carrying amount	949,121	511,764	11,661	1,472,546
Less: accumulated depreciation and impairment	326,136	272,268	3,448	601,852
<b>Net carrying amount</b>	<b>622,985</b>	<b>239,496</b>	<b>8,213</b>	<b>870,694</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2021</b>				
Net carrying amount at beginning of year	622,985	239,496	8,213	870,694
Additions	41,316	62,253	2,726	106,295
Reclassification from intangibles	-	2,199	-	2,199
Reclassification to right-of-use assets	(427)	-	-	(427)
Reclassification from assets held for sale	825	-	-	825
Disposals	(418)	(2,649)	-	(3,067)
Equity transfers - transfers out	(3,475)	-	-	(3,475)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(3,517)	-	(3,517)
Net revaluation increments less revaluation decrements	(1,100)	-	-	(1,100)
Depreciation expense	(21,573)	(62,391)	(2,715)	(86,679)
Reclassifications	(1,951)	(10,440)	12,391	-
<b>Net carrying amount at end of year</b>	<b>636,182</b>	<b>224,951</b>	<b>20,615</b>	<b>881,748</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2021 - fair value</b>				
Gross carrying amount	976,440	536,461	27,069	1,539,970
Less: accumulated depreciation and impairment	340,258	311,510	6,454	658,222
<b>Net carrying amount</b>	<b>636,182</b>	<b>224,951</b>	<b>20,615</b>	<b>881,748</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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

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

#### PARENT AND CONSOLIDATION

The Corporation 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 Corporation.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**24. Property, plant and equipment (continued)**

**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 Standards.

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 41).

***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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**24. Property, plant and equipment (continued)**

***Depreciation of property, plant and equipment***

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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
Infrastructure Systems	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

'Infrastructure Systems' comprises public facilities which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

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

***Right-of-use assets acquired by lessees***

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

Further information on leases is contained in Note 25.

## **24. Property, plant and equipment (continued)**

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 28 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 Corporation conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. 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 Corporation uses an independent professionally qualified valuer for such revaluations.

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

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

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

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

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

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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**24. Property, plant and equipment (continued)**

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

***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 Corporation 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 Corporation 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.

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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**25. Leases**

**(a) Entity as a lessee**

The Corporation leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 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 Corporation 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 Corporation 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 \$251.1 million (2020: \$242.9 million) 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 \$Nil value (2020: \$Nil value).

AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Corporation 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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**25. Leases**

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

**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**

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	211,207	196,741	407,948
Additions	11,374	17,403	28,777
Reassessments	22,398	1,067	23,465
Disposals	(3,277)	(437)	(3,714)
Depreciation expense	(39,382)	(47,643)	(87,025)
Impairment losses (recognised in 'Other gains / (losses)')	(6,675)	-	(6,675)
Equity transfers - transfers in / (out)	7,797	(3)	7,794
Reclassifications	427	-	427
<b>Balance at 30 June 2021</b>	<b>203,869</b>	<b>167,128</b>	<b>370,997</b>

**PARENT AND CONSOLIDATION**

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	247,082	222,859	469,941
Additions	1,651	18,960	20,611
Reassessments	3,373	16	3,389
Disposals	-	(444)	(444)
Depreciation expense	(40,899)	(44,650)	(85,549)
<b>Balance at 30 June 2020</b>	<b>211,207</b>	<b>196,741</b>	<b>407,948</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**25. Leases (continued)**

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

**Lease liabilities**

The following table presents liabilities under leases.

**PARENT AND CONSOLIDATION**

	2021 \$000	2020 \$000
Balance at 1 July	414,889	469,941
Additions	27,705	20,611
Interest expenses	7,886	8,608
Payments	(92,273)	(87,214)
Terminations	(3,869)	(446)
Equity transfers - transfers in	8,084	-
Other adjustments	23,465	3,389
<b>Balance at 30 June</b>	<b>385,887</b>	<b>414,889</b>

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Corporation is the lessee:

**PARENT AND CONSOLIDATION**

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	87,025	85,549
Interest expense on lease liabilities	7,886	8,608
Expenses relating to short-term leases	10,063	9,590
Expenses relating to leases of low-value assets	1,080	2,192
Variable lease payments, not included in the measurement of lease liabilities	958	661
Losses on disposal	(155)	(2)
Other adjustments	6,675	-
<b>Total amount recognised in the statement of comprehensive income</b>	<b>113,532</b>	<b>106,598</b>

The Corporation had total cash outflows for leases of \$104.37 million for the year ended 30 June 2021 (2020: \$99.74 million).

**Leases at significantly below market terms and conditions principally to enable the entity to further its objectives**

The Corporation entered into a number of leases with lease terms ranging from one to ten years. The leases are with Sydney Ambulance Centre (Eveleigh), Gladesville Hospital (buildings 20, 22 and 37), Auburn, Bundeena, Culburra, Mona Vale and Perisher Valley ambulance stations and the Victoria Barracks helipad. The contracts specify lease payments of up to seven dollars per annum. The leased premises are used by the Corporation to provide community health services and access to the helipad. These do not have a significant impact on the Corporation's operations.

**Recognition and Measurement**

The Corporation 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 Corporation 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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**25. Leases (continued)**

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

*i. Right-of-use assets*

The Corporation 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	1 to 10 years
Plant and equipment	1 to 5 years
Motor vehicles and other equipment	1 to 10 years
Aeromedical	1 to 10 years

If ownership of the leased asset transfers to the Corporation 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 Corporation 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 Corporation 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.

*Impairment losses for right-of-use assets*

The market rent for some of the the Corporation's office accommodation property leases were negatively impacted by COVID-19, indicating the carrying amount of such lease right-of-use assets exceeded their recoverable amounts. Impairment losses of \$6.7 million (2020: \$Nil) were recognised during the year to write down the carrying amount of affected leases to its recoverable amount.

Impairment losses for right-of-use assets are included in 'Other gains / (losses)' in the Statement of Comprehensive Income.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**25. Leases (continued)**

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

*ii. Lease liabilities*

At the commencement date of the lease, the Corporation 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 Corporation; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

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 Corporation does not borrow funds in the market. Instead they receive an allocation of the appropriations from The Crown in right of the State of New South Wales (Crown) and where the the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Corporation is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

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 Corporation's lease liabilities are included in borrowings in Note 32.

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

The Corporation 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 Corporation to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

**Leases not yet commenced to which the lessee is committed**

Ambulance Service of NSW has entered into a 10 year contract with Pel-Air Aviation Pty Ltd to provide aeromedical services. The contract has a lease component for the right-to-use of the contracted aircrafts. The lease has not yet commenced and as a result, no right-of-use asset or liability has been recognised at the reporting date. On commencement, approximately \$111 million of right-of-use asset and lease liability is expected to be recognised by the Corporation.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**26. Intangible assets**

PARENT AND CONSOLIDATION	Total \$000
<b>At 1 July 2019</b>	
Cost (gross carrying amount)	1,033,338
Less: accumulated amortisation and impairment	372,257
<b>Net carrying amount</b>	<b>661,081</b>
	Total \$000
<b>Year ended 30 June 2020</b>	
Net carrying amount at beginning of year	661,081
Additions - acquired separately	86,448
Reclassifications to plant and equipment	(709)
Disposals	(10)
<u>Amortisation (recognised in depreciation and amortisation)</u>	(76,004)
<b>Net carrying amount at end of year</b>	<b>670,806</b>
	Total \$000
<b>At 1 July 2020</b>	
Cost (gross carrying amount)	1,116,804
Less: accumulated amortisation and impairment	445,998
<b>Net carrying amount</b>	<b>670,806</b>
	Total \$000
<b>Year ended 30 June 2021</b>	
Net carrying amount at beginning of year	670,806
Additions - acquired separately	59,325
Reclassifications to plant and equipment	(2,199)
Disposals	(315)
<u>Amortisation (recognised in depreciation and amortisation)</u>	(82,701)
<b>Net carrying amount at end of year</b>	<b>644,916</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**26. Intangible assets (continued)**

PARENT AND CONSOLIDATION	Total \$'000
<b>At 30 June 2021</b>	
Cost (gross carrying amount)	1,167,310
Less: accumulated amortisation and impairment	522,394
<b>Net carrying amount</b>	<b>644,916</b>

**Recognition and Measurement**

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. 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 Corporation'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 Corporation's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the Corporation are recognised as intangible assets. 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 with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

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

	Consolidated	Consolidated	Parent	Parent
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Assets held for sale</b>				
Land and buildings	1,254	2,079	1,254	2,079
	<b>1,254</b>	<b>2,079</b>	<b>1,254</b>	<b>2,079</b>

Assets held for sale consist of regional residences and ambulance stations that are surplus to the needs of the Ambulance Service of NSW and are being actively marketed for sale.

Further details regarding fair value measurement are disclosed in Note 28.

**Recognition and Measurement**

The Corporation has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**28. 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.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *Fair Value Measurement*, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation 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 Corporation 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 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
<b>2021</b>				
Property, plant and equipment (Note 24)				
- Land and buildings	-	184,439	346,165	530,604
- Infrastructure systems	-	-	18,934	18,934
Non-current assets held for sale (Note 27)	-	1,254	-	1,254
	-	<b>185,693</b>	<b>365,099</b>	<b>550,792</b>

There were no transfers between level 1 and 2 during the year ended 30 June 2021.

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 24.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total Fair Value \$000
<b>2020</b>				
Property, plant and equipment (Note 24)				
- Land and buildings	-	166,949	363,269	530,218
- Infrastructure systems	-	-	8,166	8,166
Non-current assets held for sale (Note 27)	-	2,079	-	2,079
	-	<b>169,028</b>	<b>371,435</b>	<b>540,463</b>

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 24.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

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

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

For land, buildings and infrastructure systems the Corporation obtains external valuations by independent valuers at least every three years. The valuer used by each controlled entity is an independent entity and is not an associated entity of the Corporation.

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 24 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.

The majority 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 and infrastructure, 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.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

# Health Administration Corporation

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2021

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

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

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
<b>2021</b>			
<b>Fair value as at 1 July 2020</b>	363,269	8,166	371,435
Additions	4,096	10,041	14,137
Transfers from Level 2	52	-	52
Transfers to Level 2	-	-	-
Disposals	(345)	-	(345)
Depreciation expense	(16,550)	(2,783)	(19,333)
Equity transfers - transfers out	(580)	-	(580)
Other reclassifications	(3,777)	3,510	(267)
<b>Fair value as at 30 June 2021</b>	<b>346,165</b>	<b>18,934</b>	<b>365,099</b>

There were no transfers between level 1 or 2 during the year ended 30 June 2021.

#### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
<b>2020</b>			
<b>Fair value as at 1 July 2019</b>	355,038	356	355,394
Additions	43,935	4,438	48,373
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	(11,442)	110	(11,332)
Transfers from Level 2	1,791	-	1,791
Transfers to Level 2	(926)	-	(926)
Disposals	(3,404)	-	(3,404)
Depreciation expense	(17,259)	(931)	(18,190)
Equity transfers - transfers out	(235)	-	(235)
Other reclassifications	(4,229)	4,193	(36)
<b>Fair value as at 30 June 2020</b>	<b>363,269</b>	<b>8,166</b>	<b>371,435</b>

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements for the year ended 30 June 2021

---

### 29. Restricted assets

#### PARENT AND CONSOLIDATION

The Corporation's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2021.

Category	1 July 2020 Opening \$000	Revenue \$000	Expense \$000	2021 Closing \$000
Community welfare	7	-	-	7
Facility improvements	90,538	236,599	24,383	302,754
Patient welfare	227	4	-	231
Private practice disbursements (No.2 Accounts)	112,451	20,620	16,079	116,992
Public contributions	11,198	1,471	1,401	11,268
Research	7,550	4,700	4,028	8,222
Staff welfare	13,995	489	60	14,424
Training and education including conferences	408	4	4	408
	<b>236,374</b>	<b>263,887</b>	<b>45,955</b>	<b>454,306</b>

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**30. Payables**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	91,066	49,041	-	-
Salaries and wages deductions	49,020	47,262	-	-
Payroll and fringe benefits tax	373	913	-	-
Accrued liability - purchase of personnel services	-	-	140,459	97,216
Creditors	101,840	153,987	101,840	153,987
Other creditors				
- Capital works	216,798	161,555	216,798	161,555
- Payables to entities controlled by the immediate parent	79,691	64,521	79,691	64,521
- Other	66,009	50,146	66,009	50,146
	<b>604,797</b>	<b>527,425</b>	<b>604,797</b>	<b>527,425</b>

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 42.

**Recognition and Measurement**

Payables represent liabilities for goods and services provided to the Corporation and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, 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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**31. Contract liabilities**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract liabilities	2,355	4,983	2,355	4,983
	<b>2,355</b>	<b>4,983</b>	<b>2,355</b>	<b>4,983</b>

**Recognition and Measurement**

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2021 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2021. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has decreased during the year because of the timing of payments received.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,983	4,410	4,983	4,410
Transaction price allocated to the remaining performance obligations from contracts with customers	2,886	5,044	2,886	5,044

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

Specific revenue class	2022 \$'000	2023 \$'000	2024 \$'000	≥ 2025 \$'000
Sales of goods and services from contracts with customers	977	-	-	-
Grants and other contributions	1,523	386	-	-
	<b>2,500</b>	<b>386</b>	<b>-</b>	<b>-</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**32. Borrowings**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Other loans and deposits	303,327	739,176	303,327	739,176
Lease liabilities (see Note 25)	80,772	80,560	80,772	80,560
	<b>384,099</b>	<b>819,736</b>	<b>384,099</b>	<b>819,736</b>
<b>Non-current</b>				
Other loans and deposits	937	-	937	-
Lease liabilities (see Note 25)	305,115	334,329	305,115	334,329
	<b>306,052</b>	<b>334,329</b>	<b>306,052</b>	<b>334,329</b>

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 42.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**32. Borrowings (continued)**

**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.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 42 (b) for derecognition policy.

*Financial liabilities at fair value through profit or loss*

The Corporation has not designated any financial liability as at fair value through profit or loss.

**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 2019</b>	11,069	-	11,069
Recognised on adoption of AASB 16	-	469,941	469,941
<b>Adjusted 1 July 2019</b>	<b>11,069</b>	<b>469,941</b>	<b>481,010</b>
Cash flows	728,107	(78,606)	649,501
New leases	-	20,611	20,611
Lease terminations	-	(446)	(446)
Lease reassessments	-	3,389	3,389
<b>30 June 2020</b>	<b>739,176</b>	<b>414,889</b>	<b>1,154,065</b>
<b>1 July 2020</b>	<b>739,176</b>	<b>414,889</b>	<b>1,154,065</b>
Cash flows	(434,912)	(84,387)	(519,299)
New leases	-	27,706	27,706
Lease terminations	-	(3,869)	(3,869)
Lease reassessments	-	23,464	23,464
Non-cash changes other	-	8,084	8,084
<b>30 June 2021</b>	<b>304,264</b>	<b>385,887</b>	<b>690,151</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

**33. Provisions**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	174,872	172,611	-	-
Annual leave - obligations expected to be settled after 12 months	109,425	84,636	-	-
Death and disability (Ambulance officers)	381	-	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	4,661	4,317	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	62,496	50,698	-	-
Provision for other employee benefits	9,085	9,215	-	-
Provision for personnel services liability	-	-	360,920	321,477
	<b>360,920</b>	<b>321,477</b>	<b>360,920</b>	<b>321,477</b>
<b>Other Provisions</b>				
Restoration costs	1,143	1,653	1,143	1,653
Other	7,762	3,177	7,762	3,177
	<b>8,905</b>	<b>4,830</b>	<b>8,905</b>	<b>4,830</b>
<b>Total current provisions</b>	<b>369,825</b>	<b>326,307</b>	<b>369,825</b>	<b>326,307</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Death and disability (Ambulance officers)	-	698	-	-
Long service leave consequential on-costs	6,642	4,784	-	-
Provision for personnel services liability	-	-	6,642	5,482
	<b>6,642</b>	<b>5,482</b>	<b>6,642</b>	<b>5,482</b>
<b>Other Provisions</b>				
Restoration costs	7,025	5,642	7,025	5,642
Other	-	2,404	-	2,404
	<b>7,025</b>	<b>8,046</b>	<b>7,025</b>	<b>8,046</b>
<b>Total non-current provisions</b>	<b>13,667</b>	<b>13,528</b>	<b>13,667</b>	<b>13,528</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	360,920	321,477	-	-
Provisions - non-current	6,642	5,482	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 30)	140,086	96,303	-	-
Liability - purchase of personnel services	-	-	507,648	423,262
	<b>507,648</b>	<b>423,262</b>	<b>507,648</b>	<b>423,262</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**33. Provisions (continued)**

**Movements in provisions (other than employee benefits)**

Movements in other provisions during the financial year, other than employee benefits, are set out below:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Restoration costs</b>				
Carrying amount at beginning of period	7,295	-	7,295	-
- Additional provisions recognised	873	7,295	873	7,295
<b>Carrying amount at end of period</b>	<b>8,168</b>	<b>7,295</b>	<b>8,168</b>	<b>7,295</b>
<b>Other</b>				
Carrying amount at beginning of period	5,581	-	5,581	-
- Additional provisions recognised	2,181	5,581	2,181	5,581
<b>Carrying amount at end of period</b>	<b>7,762</b>	<b>5,581</b>	<b>7,762</b>	<b>5,581</b>

**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 from 17.40% to 29.53% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were from 15.80 to 27.09%). The Corporation has assessed the actuarial advice based on the Corporation'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 Corporation does not expect to settle the liability within 12 months as the Corporation 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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**33. Provisions (continued)**

**Recognition and Measurement (continued)**

***Long service leave and superannuation***

The Corporation's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales (Crown), which is a controlled entity of the ultimate parent. The Corporation accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by The Crown in right of the State of New South Wales of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Corporation.

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 Aware 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 Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Corporation 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 Corporation has a detailed formal plan, and the Corporation 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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**34. Other liabilities**

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Unearned revenue	22,852	41,573	22,852	41,573
	<b>22,852</b>	<b>41,573</b>	<b>22,852</b>	<b>41,573</b>

In June 2021, 'Unearned revenue' includes \$22.9 million that was received in advance mainly from the South Eastern Sydney Local Health District which is an entity controlled by the immediate parent.

In June 2020, 'Unearned revenue' includes \$41.6 million that was received in advance from the Central Coast Local Health District (LHD), Hunter New England LHD, Northern Sydney LHD, South Eastern Sydney LHD and Western Sydney LHD which are entities controlled by the immediate parent.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**35. Commitments**

**(a) Capital commitments**

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	64,945	75,394	64,945	75,394
Later than one year and not later than five years	956	262	956	262
<b>Total (including GST)</b>	<b>65,901</b>	<b>75,656</b>	<b>65,901</b>	<b>75,656</b>

**(b) Contingent asset related to commitments for expenditure**

The total 'Capital expenditure commitments' of \$65.9 million as at 30 June 2021 includes input tax credits of \$6.0 million that are expected to be recoverable from the Australian Taxation Office (2020: \$6.9 million).

**36. Contingent liabilities and contingent assets**

**PARENT AND CONSOLIDATION**

**(a) Contingent liabilities**

A claim has been lodged against the Corporation for unspecified compensation in respect of alleged underpayment of employee award entitlements. The Corporation is defending the action. It is not practical to estimate the potential effect of these claims at the present time.

**(b) Contingent assets**

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

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**37. Trust funds**

**PARENT AND CONSOLIDATION**

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

Category	1 July 2020		30 June 2021	
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Private Patient Trust Funds	-	202,351	(202,351)	-
<b>Total trust funds</b>	<b>-</b>	<b>202,351</b>	<b>(202,351)</b>	<b>-</b>

Category	1 July 2019		30 June 2020	
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Private Patient Trust Funds	-	189,348	(189,348)	-
<b>Total trust funds</b>	<b>-</b>	<b>189,348</b>	<b>(189,348)</b>	<b>-</b>

NSW Health Pathology Private Patient Trust Funds contain revenue derived from private patient and other billable services provided by staff specialists.

# Health Administration Corporation

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2021

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

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	372,268	365,837	372,268	365,837
Depreciation and amortisation expense	(256,405)	(246,571)	(256,405)	(246,571)
Allowance for impairment	(810,123)	(16,504)	(810,123)	(16,504)
Effects of exchange rate changes	25	(8,614)	25	(8,614)
(Increase) / decrease in unearned revenue	18,721	(14,978)	18,721	(14,978)
Increase in provisions	(43,657)	(34,275)	(43,657)	(34,275)
Increase in prepayments and other assets	202,405	1,260,889	202,405	1,260,889
Decrease / (increase) in payables	(70,351)	7,632	(70,351)	7,632
Decrease / (increase) in contract liabilities	2,628	(574)	2,628	(574)
Impairment losses on right-of-use assets recognised in 'other gains / (losses)'	(6,675)	-	(6,675)	-
Net loss on sale of property, plant and equipment	(2,644)	(5,359)	(2,644)	(5,359)
Net gain on disposal of right-of-use assets	155	2	155	2
Assets donated or brought to account (Note 39)	(3,073)	1,305	(3,073)	1,305
Other	1,071	427	1,071	427
<b>Net result</b>	<b>(595,655)</b>	<b>1,309,217</b>	<b>(595,655)</b>	<b>1,309,217</b>

## 39. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Assets donated or brought to account	(3,073)	1,305	(3,073)	1,305
Property, plant and equipment acquired by a lease	28,777	20,611	28,777	20,611
	<b>25,704</b>	<b>21,916</b>	<b>25,704</b>	<b>21,916</b>

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**40. 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 Corporation'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 Corporation's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Corporation 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**

**Net result**

The actual net result was lower than the adjusted budget by \$775.6 million primarily due to COVID-19 related inventory write-downs and impairment for the whole of the State.

**Assets and liabilities**

Net assets were lower than the adjusted budget by \$780.5 million due to lower inventory, bank and receivables balances offset by lower borrowings due to a reduction in the amount owed to the Ministry of Health.

**Cash flows**

The actual net cash flows from operating activities were lower compared to the adjusted budget by \$61.3 million. This was mainly attributable to increased COVID-19 related purchases offset by lower employee related expenses and higher sales of goods and services.

The actual net cash flows from investing activities were favourable compared to budget by \$6.1 million. This was mainly due to property, plant and equipment purchases and sales.

# **Health Administration Corporation**

## **Notes to and forming part of the Financial Statements for the year ended 30 June 2021**

---

### **41. Equity**

#### ***Revaluation surplus***

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Corporation's policy on the revaluation of property, plant and equipment as discussed in Note 24.

#### ***Accumulated funds***

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

#### ***Reserves***

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

#### **Equity transfers effected in the 2020/21 year were:**

- (a) An increase of \$21 thousand in net assets occurred during the current year. This relates to the transfer of land at Cootamundra from Murrumbidgee Local Health District (LHD) to the Ambulance Service of NSW.
- (b) A decrease of \$0.2 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Harden from the Ambulance Service of NSW to the Ministry of Health.
- (c) A decrease of \$1.0 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Griffith from the Ambulance Service of NSW to the Ministry of Health.
- (d) A decrease of \$1.8 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Busby from the Ambulance Service of NSW to the Ministry of Health.
- (e) A decrease of \$0.3 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Randwick from the Ambulance Service of NSW to the South Eastern Sydney LHD
- (f) A decrease of \$0.3 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Blacktown from the Ambulance Service of NSW to the Western Sydney LHD.
- (g) In 2020-21 the following leases were transferred at \$Nil consideration:
  - two building property leases were transferred from the Ministry of Health to eHealth NSW.
  - a number of fleet leases were transferred to/from the Ambulance Service of NSW, eHealth NSW and HealthShare NSW. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

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

- (a) An increase of \$20 thousand in net assets occurred during the current year. This relates to the transfer of land at Tumbarumba from Murrumbidgee Local Health District to the Ambulance Service of NSW.
- (b) A decrease of \$0.6 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Kiama from the Ambulance Service of NSW to the Ministry of Health.
- (c) A decrease of \$0.1 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Molong from the Ambulance Service of NSW to the Ministry of Health.
- (d) A decrease of \$4.8 million in net assets occurred during the current year. This relates to the transfer of land at Liverpool from the Ambulance Service of NSW to the Ministry of Health.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**41. Equity (continued)**

**Equity transfers effected comprised:**

<b>Net assets transferred are as follows:</b>	<b>2021</b>
	<b>\$000</b>
(a) Land transfer from Murrumbidgee Local Health District to the Ambulance Service of NSW.	21
(b) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(183)
(c) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(961)
(d) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(1,750)
(e) Land and buildings transfer from the Ambulance Service of NSW to the South Eastern Sydney LHD.	(313)
(f) Land and buildings transfer from the Ambulance Service of NSW to the Western Sydney LHD.	(289)
(g) Transfer of right-of-use asset buildings from the Ministry of Health to eHealth NSW and transfer of motor vehicle fleet leases.	(291)
<b>Decrease in Net Assets From Equity Transfers</b>	<b>(3,766)</b>
<b>Net assets transferred are as follows:</b>	<b>2020</b>
	<b>\$000</b>
(a) Land transfer from Murrumbidgee Local Health District to the Ambulance Service of NSW.	20
(b) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(622)
(c) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(55)
(d) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(4,821)
<b>Decrease in Net Assets From Equity Transfers</b>	<b>(5,478)</b>

**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 Corporation recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Corporation does not recognise that asset.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**42. Financial instruments**

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

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

The Secretary of NSW Health has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, 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 2021 \$000	Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 21)	Amortised cost	846,099	1,102,299
Receivables (Note 22) <sup>1</sup>	Amortised cost	404,586	429,750
<b>Total financial assets</b>		<b>1,250,685</b>	<b>1,532,049</b>
<b>Financial liabilities</b>			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	690,151	1,154,065
Payables (Note 30) <sup>2</sup>	Financial liabilities measured at amortised cost	604,424	526,512
<b>Total financial liabilities</b>		<b>1,294,575</b>	<b>1,680,577</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 Corporation 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 Corporation 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 Corporation has transferred substantially all the risks and rewards of the asset; or
- The Corporation has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**42. Financial instruments (continued)**

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

When the Corporation 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 Corporation 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 Corporation's continuing involvement in the asset. In that case, the Corporation 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 Corporation 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 Corporation. 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 Corporation, including cash, receivables and authority deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees.

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

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

**Cash and cash equivalents**

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 0.95%) in 2020-21 compared to 1.94% (Restricted Funds Bank balance: 1.53%) in the previous year.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**42. Financial instruments (continued)**

**(d) Financial risk (continued)**

**i. Credit risk (continued)**

**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.

The Corporation 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 Corporation 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 2021 and 30 June 2020 was determined as follows:

**PARENT AND CONSOLIDATION**

	Current \$'000	<30 days \$'000	30-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
<b>30 June 2021</b>						
Expected credit loss rate	8.86%	32.29%	32.51%	58.07%	70.43%	33.38%
Estimated total gross carrying amount <sup>1</sup>	67,452	5,822	6,365	3,577	42,574	125,790
Expected credit loss	5,978	1,880	2,069	2,077	29,984	41,988
	Current \$'000	<30 days \$'000	30-60 days \$'000	61-90 days \$'000	>91 days \$'000	Total \$'000
<b>30 June 2020</b>						
Expected credit loss rate	0.58%	9.09%	15.26%	62.15%	60.01%	18.59%
Estimated total gross carrying amount <sup>1</sup>	93,596	18,004	13,031	4,843	40,790	170,264
Expected credit loss	541	1,636	1,988	3,010	24,479	31,654

**Notes**

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 22.

The Corporation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 30 June 2020.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**42. Financial instruments (continued)**

**(d) Financial risk (continued)**

**ii. Liquidity risk**

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows 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 loans and other advances.

The Corporation 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 Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The Corporation 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 Corporation fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. 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.

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**42. Financial instruments (continued)**

**(d) Financial risk (continued)**

**ii. Liquidity risk (continued)**

**PARENT AND CONSOLIDATION**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates				
	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Fixed Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000		
<b>2021</b>									
Payables:									
- Creditors <sup>2</sup>		604,424	-	604,424	604,424	-	-		
Borrowings:									
- Other loans and deposits		304,366	1,134	303,232	303,346	453	567		
- Lease liabilities	2.06%	410,752	410,752	-	86,676	244,560	79,516		
		<b>1,319,542</b>	<b>411,886</b>	<b>907,656</b>	<b>994,446</b>	<b>245,013</b>	<b>80,083</b>		
<b>2020</b>									
Payables:									
- Creditors <sup>2</sup>		526,512	-	526,512	526,512	-	-		
Borrowings:									
- Other loans and deposits		739,176	-	739,176	739,176	-	-		
- Lease liabilities	1.97%	430,713	430,713	-	85,678	239,357	105,677		
		<b>1,696,401</b>	<b>430,713</b>	<b>1,265,688</b>	<b>1,351,366</b>	<b>239,357</b>	<b>105,677</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 Corporation 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 AASB 7 *Financial Instruments: Disclosures*).

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

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**42. 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 Corporation's exposures to market risk are primarily through interest rate risk on the Corporation's borrowings and other price risks associated with the movement in the Hour Glass Investment Facilities. The Corporation 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 Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2020. 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 Corporation's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Corporation 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 the carrying value or interest paid/earned. 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 Corporation 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:

**PARENT AND CONSOLIDATION**

	2021		2020	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(1,559)	1,559	518	(518)
Equity	(1,559)	1,559	518	(518)

# **Health Administration Corporation**

## **Notes to and forming part of the Financial Statements for the year ended 30 June 2021**

### **42. Financial instruments (continued)**

#### **iii. Market risk (continued)**

##### *Foreign exchange risk*

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Corporation manages its foreign exchange risk by maintaining United States (US) dollar denominated bank accounts or buying US currencies from TCorp at the time of purchase commitment in accordance with the Corporation's risk management policies.

At year end, the Corporation did not hold any foreign currency denominated monetary assets and monetary liabilities, except for cash held in the US dollar denominated bank account. All funds held at year end in foreign currency are expected to be used to settle existing purchase commitments that are denominated in US currency. As a result, the Corporation is not exposed to foreign exchange rates fluctuations.

A sensitivity analysis has been disclosed, should the cash and currency held in US dollars not be used for future payment of US denominated inventory purchases and instead used to purchase Australian Dollars. A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against the US currency. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

#### **PARENT AND CONSOLIDATION**

2021			+10%	-10%		
		Net result \$000	Net result \$000	Equity \$000	Net result \$000	Equity \$000
			(254)	(254)		
Denominated US Dollars		2,791	(254)	(254)	310	310
2020			+10%	-10%		
		Net result \$000	Net result \$000	Equity \$000	Net result \$000	Equity \$000
			99,750	(9,068)	(9,068)	11,083
Denominated US Dollars						11,083

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**43. Related party disclosures**

**PARENT AND CONSOLIDATION**

**(a) Key management personnel compensation**

During the financial year, Health Administration Corporation obtained key management personnel services from the immediate parent and incurred \$2.0 million (2020: \$2.1 million) for these services.

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 this disclosure.

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 this disclosure.

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

There were no transactions with key management personnel and their close family members (2020: \$Nil).

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

There were no transactions with the ultimate parent during the financial period (2020: \$Nil).

**(d) Transactions the Corporation had with government related entities during the financial year**

During the financial year and comparative year, the Corporation 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 parent:*

- Health Administration Corporation provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services
- Health Administration Corporation provides some specialised services which includes pathology related costs
- Staff related costs in relation to secondments to other health entities
- Various grants and subsidies towards research and other projects
- Short term motor vehicle expenses

*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
- Rental costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects

**Health Administration Corporation**  
**Notes to and forming part of the Financial Statements**  
for the year ended 30 June 2021

---

**43. Related party disclosures (continued)**

**(d) Transactions the Corporation had with government related entities during the financial year (continued)**

*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
- Commercial activities revenue in respect of information technology, financial services and pathology charges
- Patient transport fees

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force
- Motor vehicle rebates
- Insurance refunds
- Revenue from the 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
- Energy Efficient Government Program loans are held with The Crown in right of the State of New South Wales
- Intra-health loans and advances

*Other transactions as follows:*

- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation

**44. 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**