
Financial Report

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INDEPENDENT AUDITOR'S REPORT

Ministry of Health (the Ministry) and the Consolidated Entity

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Ministry of Health (the Ministry) and the Consolidated Entity, which comprise the Statement by the Accountable Authority, the Statements of Comprehensive Income for the year ended 30 June 2022, the Statements of Financial Position as at 30 June 2022, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Ministry and the Consolidated Entity. The Consolidated Entity comprises the Ministry 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:

- have 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, financial performance and cash flows of the Ministry and the Consolidated Entity.

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 Ministry 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

| Key Audit Matter | How my audit addressed the matter |
|---|---|
| Valuation of property, plant and equipment | |
| <p><i>Refer to Note 25 Property, plant and equipment</i></p> <p>At 30 June 2022, the Consolidated Entity reported \$26.4 billion in infrastructure, property, plant and equipment measured at fair value comprised of:</p> <ul style="list-style-type: none"> • \$24.2 billion - land and buildings • \$1.5 billion - plant and equipment • \$0.7 billion - infrastructure <p>I considered this area a key audit matter due to the:</p> <ul style="list-style-type: none"> • financial significance, geographical distribution and specialised or unique nature of health and health infrastructure assets; • high degree of management judgement required in respect of classifying project costs as capital or expense; and • complexities associated with the application of AASB 13 <i>Fair Value Measurement</i> being dependent on assumptions that require significant judgement in areas such as: <ul style="list-style-type: none"> – identifying components of buildings and determining their current replacement cost – forecasting remaining useful lives – application of discount rates – assessment of the conditions of the assets – assessment of the financial impact of indicators of impairment. | <p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> • assessed the adequacy of management's review of the valuation process; • assessed the competence, capabilities and objectivity of management's valuers; • reviewed the scope and instructions provided to the valuers and obtained an understanding of the methodology used and its appropriateness with reference to relevant Australian Accounting Standards and Treasurer's Directions; • assessed the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practice; • tested a sample of costs allocated to work in progress to assess the appropriateness of capitalisation; • evaluated whether the useful lives applied to the various asset classes were consistent with management's planned usage of those assets; • assessed the reasonableness and appropriateness of judgement used by management to assess non-financial assets for impairment. This included the process employed to monitor impairment indicators; and • assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions. |
| Existence and valuation of COVID-19 related inventories (including Rapid Antigen Tests) | |
| <p><i>Refer to Note 22 Inventories</i></p> <p>At 30 June 2022 the Consolidated Entity reported a total net inventory balance of \$845.0 million (COVID-19 related inventories balance: \$817.9 million). This was comprised of a total gross inventory balance of \$1.1 billion, offset by a total impairment provision of \$258.0 million (COVID-19 related balance: \$246.7 million)</p> <p>At 30 June 2022 the Consolidated Entity also reported COVID-19 vaccines received from the Commonwealth for nil consideration at \$130.0 million and distributed to the public free of charge at \$116.8 million. An impairment provision for unused</p> | <p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> • reviewed and verified the key components of management's approach to valuing COVID-19 inventory lines relevant for the 2021–22 financial reporting period; • obtained an understanding of the systems and processes to management vaccine flows; and • tested a sample of transactions verifying quantities back to source documentation. |

Key Audit Matter**How my audit addressed the matter**

vaccines at year end was recognised for \$11.3 million.

I considered this area a key audit matter due to the:

- complexities of the procurement and distribution processes with the Commonwealth;
- complexities associated in obtaining a reliable measurement basis of the vaccine; and
- evolving nature of the systems and processes in place to manage, track and account for physical inventory movements across a variety of distribution centres spread around NSW.

Recognition and measurement of Commonwealth grants and contributions revenue

Refer to Note 11 Grants and Other Contributions

During the year, over \$9 billion was received in Commonwealth grants and contributions through the National Health Reform Agreement (NHRA) and the National Partnership Agreement (NPA) in 2021–22.

I considered this area a key audit matter due to the:

- significance of the balance relative to the Consolidated Entity's Statement of Comprehensive Income;
- different types of performance obligations attached to each revenue stream;
- continuous funding received over more than one financial reporting period; and
- evolving nature of the funding arrangements in response to the emerging COVID-19 pandemic.

To address the key audit matter, I:

- documented and understood the nature of the key revenue streams relating to the NHRA and NPA;
- reviewed the terms and conditions contained within the key funding agreements entered with the Commonwealth;
- assessed the key accounting treatments applied to each type of grant funding stream; and
- reviewed a sample of transactions to ensure the appropriate accounting treatment had been applied

Health worker appreciation payments

Refer to Note 34 Provisions

At 30 June 2022, the Consolidated Entity reported a \$426.2 million provision in relation to the \$3,000 health worker appreciation payments.

The NSW State Government announced in June 2022 a \$3,000 payment (inclusive of superannuation) to all eligible health employees who were employed on 1 April 2022 and continued to be employed on 30 June 2022. This is in recognition of their work on the frontline of the COVID-19 pandemic.

I considered this area a key audit matter due to the:

- significance of the balance relative to the Consolidated Entity's total provision balance; and
- complexities regarding inputs used in calculating the pro-rata balance.

To address the key audit matter, I

- obtained and understood management's process involved in calculating the provision balance;
- tested the reasonableness of the provision balance by comparing to actual payments made post 30 June 2022; and
- performed detailed testing on a sample of payments to ensure these were made in accordance with the eligibility criteria.

Leases accounting

Refer to Note 26 Leases

At 30 June 2022, the Consolidated Entity reported \$612.7 million in right of use assets under leases. The Consolidated Entity has applied AASB 16 Leases (AASB 16). Under AASB 16, a contract is a lease, or contains a lease component, if it conveys the right to

To address the key audit matter, I:

- obtained and understood management's process to identify and account for lease arrangements;

- the lessee to control the use of an identified assets for a period of time in exchange for consideration.
- I considered this area a key audit matter due to the:
- changes in the substantive rights of substitution during 2021–22 for certain properties administered by Property NSW;
 - number and importance of lease contracts on the operations of the Consolidated Entity;
 - judgement required in determining the validity of the assumptions applied; and
 - complexities in reviewing and recognising changing arrangements as the response to the COVID-19 pandemic evolves.
- assessed the relevance of the methods used to determine the main assumptions supporting the valuation of the right of use assets and lease liabilities;
 - reviewed the reasonableness of the derecognition of those leasing arrangements with respect to Property NSW; and
 - tested, on a sample basis, the data contained within the Consolidated Entity's leasing calculations compared to the underlying contracts.

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 Regulation 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 Ministry 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/ar5.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Ministry 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.



Margaret Crawford
Auditor-General for NSW

20 October 2022
SYDNEY

Ministry of Health

Statement by the Accountable Authority

for the year ended 30 June 2022



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

1. The financial statements of the Ministry of Health for the year ended 30 June 2022 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Ministry of Health's financial position as at 30 June 2022 and the financial performance and cash flows for the year then ended.
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'Susan Pearce'.

Susan Pearce
Secretary, NSW Health

18 October 2022

A handwritten signature in black ink, appearing to read 'Andrew Monk'.

Andrew Monk
**Acting Deputy Secretary, Finance and Asset Management and
Chief Financial Officer, NSW Health**

18 October 2022

Ministry of Health

Statement of Comprehensive Income for the year ended 30 June 2022

| | | Consolidated Actual | Consolidated Budget | Consolidated Actual Restated | Parent Actual | Parent Actual Restated |
|--|-------|------------------------|------------------------|------------------------------------|-------------------|------------------------------|
| | Notes | 2022 \$000 | 2022 \$000 | 2021 \$000 | 2022 \$000 | 2021 \$000 |
| Continuing operations | | | | | | |
| Expenses excluding losses | | | | | | |
| Employee related expenses | 2 | 16,185,112 | 16,145,588 | 15,101,149 | 237,324 | 222,660 |
| Operating expenses | 3 | 9,675,515 | 7,918,460 | 7,759,401 | 1,425,965 | 1,051,052 |
| Depreciation and amortisation | 4 | 1,215,765 | 1,322,613 | 1,146,015 | 38,067 | 35,629 |
| Grants and subsidies | 5 | 2,004,750 | 1,603,846 | 1,671,671 | 24,805,558 | 22,933,804 |
| Finance costs | 6 | 129,624 | 139,260 | 124,342 | 13,019 | 12,486 |
| Total expenses excluding losses | | 29,210,766 | 27,129,767 | 25,802,578 | 26,519,933 | 24,255,631 |
| Revenue | | | | | | |
| Appropriations | 8 | 17,135,207 | 15,786,794 | 15,016,407 | 17,135,207 | 15,016,407 |
| Acceptance by the Crown ¹ of employee benefits and other liabilities | 12 | (81,253) | 476,729 | (1,527) | 660 | 2,008 |
| Sale of goods and services from contracts with customers | 9 | 2,517,515 | 2,817,099 | 2,806,080 | 187,150 | 129,783 |
| Investment revenue | 10 | 5,894 | 33,141 | 22,430 | 857 | 1,220 |
| Grants and other contributions | 11 | 10,498,607 | 8,940,321 | 9,148,196 | 9,660,037 | 8,451,322 |
| Other income | 13 | 76,376 | 158,244 | 103,897 | 18,054 | 13,838 |
| Total revenue | | 30,152,346 | 28,212,328 | 27,095,483 | 27,001,965 | 23,614,578 |
| Operating result | | 941,580 | 1,082,561 | 1,292,905 | 482,032 | (641,053) |
| Gains / (losses) on disposal | 14 | 127,658 | 3,415 | (33,815) | 113,000 | (94) |
| Impairment losses on financial assets | 20 | (63,439) | - | (85,973) | - | - |
| Other gains / (losses) | 15 | (65,755) | (10,283) | (867,163) | - | (93,105) |
| Net result from continuing operations | | 940,044 | 1,075,693 | 305,954 | 595,032 | (734,252) |
| Net result from discontinued operations | | - | - | - | - | - |
| Net result | | 940,044 | 1,075,693 | 305,954 | 595,032 | (734,252) |

Ministry of Health

Statement of Comprehensive Income for the year ended 30 June 2022 (continued)

| | | Consolidated Actual 2022 \$000 | Consolidated Budget 2022 \$000 | Consolidated Actual Restated 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual Restated 2021 \$000 |
|--|-------|---|---|---|-----------------------------------|---|
| | Notes | | | | | |
| Other comprehensive income | | | | | | |
| <i>Items that will not be reclassified to net result in subsequent periods</i> | | | | | | |
| Changes in revaluation surplus of property, plant and equipment | 25 | 2,169,321 | - | 307,817 | 23,648 | (1,202) |
| Total other comprehensive income | | 2,169,321 | - | 307,817 | 23,648 | (1,202) |
| TOTAL COMPREHENSIVE INCOME | | 3,109,365 | 1,075,693 | 613,771 | 618,680 | (735,454) |

¹Crown represents 'The Crown in right of the State of New South Wales'.

See Note 17 for details regarding restated prior year balances for the consolidated and parent entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Financial Position as at 30 June 2022

| | | Consolidated Actual 2022 \$000 | Consolidated Budget 2022 \$000 | Consolidated Actual Restated 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual Restated 2021 \$000 |
|-------------------------------------|-------|---|---|---|-----------------------------------|---|
| | Notes | | | | | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 19 | 2,887,006 | 1,513,804 | 2,031,071 | 614,647 | 160,068 |
| Receivables | 20 | 1,462,370 | 988,063 | 1,249,015 | 648,384 | 443,849 |
| Contract assets | 21 | 1,307 | 2,031 | 1,794 | 363 | 276 |
| Inventories | 22 | 845,077 | 290,512 | 635,787 | 39,898 | 31,777 |
| Financial assets at fair value | 23 | 98,475 | 149,061 | 161,750 | - | - |
| Other financial assets | 24 | 77 | 16,172 | 3,073 | 500,800 | 308,232 |
| | | 5,294,312 | 2,959,643 | 4,082,490 | 1,804,092 | 944,202 |
| Non-current assets held for sale | 28 | 3,304 | 9,087 | 2,835 | - | - |
| Total current assets | | 5,297,616 | 2,968,730 | 4,085,325 | 1,804,092 | 944,202 |
| Non-current assets | | | | | | |
| Receivables | 20 | 22,696 | 113,793 | 35,441 | - | - |
| Financial assets at fair value | 23 | 9,911 | 24,958 | 32,122 | - | - |
| Other financial assets | 24 | 86,413 | - | 84,369 | 3,028 | 7,205 |
| Property, plant and equipment | | | | | | |
| - Land and buildings | 25 | 24,152,287 | 23,293,931 | 21,521,208 | 172,288 | 179,658 |
| - Plant and equipment | 25 | 1,484,798 | 1,750,094 | 1,377,023 | 26,222 | 3,922 |
| - Infrastructure systems | 25 | 711,766 | 502,047 | 617,435 | 988 | 864 |
| Total property, plant and equipment | | 26,348,851 | 25,546,072 | 23,515,666 | 199,498 | 184,444 |
| Right-of-use assets | 26 | 612,731 | 1,295,950 | 1,114,697 | 17,671 | 488,103 |
| Intangible assets | 27 | 697,217 | 790,717 | 689,554 | 3,208 | 3,129 |
| Other non-current assets | | - | 85,766 | - | - | - |
| Total non-current assets | | 27,777,819 | 27,857,256 | 25,471,849 | 223,405 | 682,881 |
| Total assets | | 33,075,435 | 30,825,986 | 29,557,174 | 2,027,497 | 1,627,083 |

Ministry of Health

Statement of Financial Position as at 30 June 2022 (continued)

| | | Consolidated Actual 2022 \$000 | Consolidated Budget 2022 \$000 | Consolidated Actual Restated 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual Restated 2021 \$000 |
|--------------------------------------|-------|---|---|---|-----------------------------------|---|
| | Notes | | | | | |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Payables | 31 | 2,376,208 | 1,891,560 | 1,881,948 | 874,999 | 526,108 |
| Contract liabilities | 32 | 56,030 | 53,103 | 70,587 | 1,670 | 24,100 |
| Borrowings | 33 | 168,040 | 224,602 | 185,131 | 11,007 | 19,465 |
| Provisions | 34 | 3,466,486 | 2,564,218 | 2,851,737 | 42,718 | 25,694 |
| Other current liabilities | 35 | 91,209 | 91,481 | 136,045 | 3,000 | - |
| Total current liabilities | | 6,157,973 | 4,824,964 | 5,125,448 | 933,394 | 595,367 |
| Non-current liabilities | | | | | | |
| Contract liabilities | 32 | 1,081 | 97 | - | - | - |
| Borrowings | 33 | 1,503,033 | 2,170,059 | 2,124,812 | 6,482 | 572,839 |
| Provisions | 34 | 59,886 | 45,555 | 62,674 | 659 | 713 |
| Other non-current liabilities | 35 | 334,404 | 289,299 | 334,547 | - | - |
| Total non-current liabilities | | 1,898,404 | 2,505,010 | 2,522,033 | 7,141 | 573,552 |
| Total liabilities | | 8,056,377 | 7,329,974 | 7,647,481 | 940,535 | 1,168,919 |
| Net assets | | 25,019,058 | 23,496,012 | 21,909,693 | 1,086,962 | 458,164 |
| EQUITY | | | | | | |
| Reserves | | 9,701,661 | 7,996,955 | 7,544,820 | 151,210 | 132,542 |
| Accumulated funds | | 15,317,397 | 15,499,057 | 14,364,873 | 935,752 | 325,622 |
| Total equity | | 25,019,058 | 23,496,012 | 21,909,693 | 1,086,962 | 458,164 |

See Note 17 for details regarding restated prior year balances for the consolidated and parent entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Changes in Equity for the year ended 30 June 2022

| CONSOLIDATED | Notes | Accumulated Funds \$000 | Asset Revaluation Surplus \$000 | Total \$000 |
|--|--------------|--|--|------------------------|
| Balance at 1 July 2021 | | 14,364,733 | 7,544,820 | 21,909,553 |
| Correction of error - warehouse lease | 17 | 140 | - | 140 |
| Restated balance at 1 July 2021 | | 14,364,873 | 7,544,820 | 21,909,693 |
| Net result for the year | | 940,044 | - | 940,044 |
| Other comprehensive income: | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 25 | - | 2,169,321 | 2,169,321 |
| Total other comprehensive income | | - | 2,169,321 | 2,169,321 |
| Total comprehensive income for the year | | 940,044 | 2,169,321 | 3,109,365 |
| Transfer of asset revaluation surplus to accumulated funds on disposal of assets | | 12,480 | (12,480) | - |
| Balance at 30 June 2022 | | 15,317,397 | 9,701,661 | 25,019,058 |
| Balance at 1 July 2020 | | 14,140,412 | 7,256,629 | 21,397,041 |
| Restated net result for the year | | 305,954 | - | 305,954 |
| Other comprehensive income: | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 25 | - | 307,817 | 307,817 |
| Total other comprehensive income | | - | 307,817 | 307,817 |
| Total restated comprehensive income for the year | | 305,954 | 307,817 | 613,771 |
| Transfer of asset revaluation surplus to accumulated funds on disposal of assets | | 19,626 | (19,626) | - |
| Transactions with owners in their capacity as owners | | | | |
| Increase / (decrease) in net assets from equity transfers | 36 | (101,119) | - | (101,119) |
| Restated balance at 30 June 2021 | | 14,364,873 | 7,544,820 | 21,909,693 |

See Note 17 for details regarding restated prior year balances for the consolidated entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Changes in Equity for the year ended 30 June 2022 (continued)

| PARENT | Notes | Accumulated Funds \$000 | Asset Revaluation Surplus \$000 | Total \$000 |
|--|-------|-------------------------------|--|------------------|
| Balance at 1 July 2021 | | 325,482 | 132,542 | 458,024 |
| Correction of error - warehouse lease | 17 | 140 | - | 140 |
| Restated balance at 1 July 2021 | | 325,622 | 132,542 | 458,164 |
| Net result for the year | | 595,032 | - | 595,032 |
| Other Comprehensive Income | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 25 | - | 23,648 | 23,648 |
| Total other comprehensive income | | - | 23,648 | 23,648 |
| Total comprehensive income for the year | | 595,032 | 23,648 | 618,680 |
| Transfer of asset revaluation surplus to accumulated funds on disposal of assets | | 4,980 | (4,980) | - |
| Transactions with owners in their capacity as owners | | | | |
| Increase / (decrease) in net assets from equity transfers | 36 | 10,118 | - | 10,118 |
| Balance at 30 June 2022 | | 935,752 | 151,210 | 1,086,962 |
| Balance at 1 July 2020 | | 1,048,565 | 133,744 | 1,182,309 |
| Restated net result for the year | | (734,252) | - | (734,252) |
| Other comprehensive income | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 25 | - | (1,202) | (1,202) |
| Total other comprehensive income | | - | (1,202) | (1,202) |
| Total restated comprehensive income for the year | | (734,252) | (1,202) | (735,454) |
| Transactions with owners in their capacity as owners | | | | |
| Increase / (decrease) in net assets from equity transfers | 36 | 11,309 | - | 11,309 |
| Restated balance at 30 June 2021 | | 325,622 | 132,542 | 458,164 |

See Note 17 for details regarding restated prior year balances for the parent entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Cash Flows for the year ended 30 June 2022

| | Notes | Consolidated Actual 2022 \$000 | Consolidated Budget 2022 \$000 | Consolidated Actual Restated 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual Restated 2021 \$000 |
|---|-------|---|---|---|-----------------------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Payments | | | | | | |
| Employee related | | (16,017,031) | (15,691,157) | (15,210,590) | (240,411) | (226,352) |
| Suppliers for goods and services | | (10,416,343) | (9,108,869) | (8,695,392) | (1,132,254) | (1,118,688) |
| Grants and subsidies | | (1,921,670) | (1,603,846) | (1,870,469) | (24,911,141) | (23,043,024) |
| Finance costs | | (126,386) | (139,260) | (121,039) | (13,008) | (12,476) |
| Total payments | | (28,481,430) | (26,543,132) | (25,897,490) | (26,296,814) | (24,400,540) |
| Receipts | | | | | | |
| Appropriations | | 17,135,207 | 15,786,794 | 15,016,407 | 17,135,207 | 15,016,407 |
| Reimbursements from the Crown ¹ | | 266,380 | - | 209,925 | 5,076 | 4,413 |
| Sale of goods and services | | 2,536,109 | 2,749,458 | 2,824,371 | 176,921 | 122,934 |
| Interest received | | 14,088 | 31,325 | 12,201 | 857 | 1,220 |
| Grants and other contributions | | 10,100,072 | 8,940,321 | 8,865,522 | 9,417,131 | 8,014,767 |
| Other | | 1,129,002 | 1,562,320 | 891,014 | 220,440 | 245,367 |
| Total receipts | | 31,180,858 | 29,070,218 | 27,819,440 | 26,955,632 | 23,405,108 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 41 | 2,699,428 | 2,527,086 | 1,921,950 | 658,818 | (995,432) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from sale of property, plant and equipment and intangibles | | 16,284 | 68,200 | 28,244 | 10,133 | 11,336 |
| Proceeds from sale of financial assets | | 132,365 | 3,234 | 127,763 | - | - |
| Purchases of property, plant and equipment and intangibles | | (1,751,079) | (2,563,940) | (2,505,356) | (6,511) | (6,110) |
| Purchases of financial assets | | (42,949) | - | (26,071) | - | - |
| Other | | 75 | (223,889) | 18 | (188,391) | 439,811 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | (1,645,304) | (2,716,395) | (2,375,402) | (184,769) | 445,037 |

Ministry of Health

Statement of Cash Flows for the year ended 30 June 2022 (continued)

| | Notes | Consolidated Actual 2022 \$000 | Consolidated Budget 2022 \$000 | Consolidated Actual Restated 2021 \$000 | Parent Actual 2022 \$000 | Parent Actual Restated 2021 \$000 |
|--|-------|---|---|---|-----------------------------------|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Proceeds from borrowings and advances | | - | - | 14,500 | - | - |
| Repayment of borrowings and advances | | (23,200) | (190,265) | (18,857) | - | - |
| Payment of principal portion of service concession financial liability | | (1,359) | - | (1,274) | - | - |
| Payment of principal portion of lease liabilities | | (173,761) | - | (168,251) | (19,470) | (17,329) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | (198,320) | (190,265) | (173,882) | (19,470) | (17,329) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| Opening cash and cash equivalents | | 855,804 | (379,574) | (627,334) | 454,579 | (567,724) |
| Effects of exchange rate changes on cash and cash equivalents | | 2,031,071 | 1,893,378 | 2,658,959 | 160,068 | 728,371 |
| | | 131 | - | (554) | - | (579) |
| CLOSING CASH AND CASH EQUIVALENTS | 19 | 2,887,006 | 1,513,804 | 2,031,071 | 614,647 | 160,068 |

¹Crown represents 'The Crown in right of the State of New South Wales'.

See Note 17 for details regarding restated prior year balances for the consolidated and parent entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

(a) Reporting entity

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

The Ministry and its controlled entities are collectively referred to as the consolidated entity.

The Ministry controls the Local Health Districts established from 1 January 2011, as well as other controlled entities constituted under the *Health Services Act 1997* which include:

- Agency for Clinical Innovation
- Albury Base Hospital
- Albury Wodonga Health Employment Division
- Bureau of Health Information
- Cancer Institute NSW
- Central Coast Local Health District
- Clinical Excellence Commission
- Far West Local Health District
- Graythwaite Charitable Trust (per Supreme Court order)
- Health Administration Corporation
- Health Education and Training Institute
- Hunter New England Local Health District
- Illawarra Shoalhaven Local Health District
- Justice Health and Forensic Mental Health Network
- Mid North Coast Local Health District
- Murrumbidgee Local Health District
- Nepean Blue Mountains Local Health District
- Northern NSW Local Health District
- Northern Sydney Local Health District
- South Eastern Sydney Local Health District
- South Western Sydney Local Health District
- Southern NSW Local Health District
- Sydney Local Health District
- The Sydney Children's Hospitals Network
- Western NSW Local Health District
- Western Sydney Local Health District

The Health Administration Corporation includes the operations of:

- Ambulance Service of NSW
- eHealth NSW
- Health Infrastructure
- Health System Support Group
- HealthShare NSW
- NSW Health Pathology

The consolidated financial statements also include results for the parent entity thereby capturing the central administrative function of the Ministry.

These consolidated financial statements for the year ended 30 June 2022 have been authorised for issue by the Secretary, NSW Health on the date the accompanying statement was signed.

(b) 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies (continued)

(c) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared on an accruals 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.

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

The consolidated entity has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409*. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

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

The Novel Coronavirus (COVID-19) pandemic continues to impact NSW Health's public health system. Throughout 2022 a number of variants of COVID-19 emerged which required ongoing COVID-19 support from our public health system. Since the pandemic started, critical resources have been reassigned to test, treat, vaccinate and manage the various surges of COVID-19 cases. As a result, NSW Health continues to incur additional costs in response to COVID-19.

The 2022-23 NSW State Budget includes funding for the ongoing health costs of the continued management of COVID-19 including fever clinics, long COVID-19 clinics, and infection prevention. A National Partnership Agreement (NPA) in response to COVID-19 between the Commonwealth and States and Territories has also been extended through until 31 December 2022. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

The 2022-23 Ministry of Health budget included over \$33.5 billion in expense and capital for the NSW Health Cluster. Appropriation revenue of \$18.7 billion was enshrined in legislation on 21 June 2022 in Part 2, Division 4 and Part 3 of the *Appropriation (Parliament) Bill 2022*.

Despite the impact of COVID-19, these statements have been prepared on a going concern basis.

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

(d) Statement of Compliance

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

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies (continued)

(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 consolidated and parent entity 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).

(g) Comparative information

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

Certain comparative information has been restated as a result of a correction of a prior period error (refer to Note 17) or reclassified to ensure alignment with current year presentation.

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

(i) Effective for the first time in FY2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of the consolidated entity.

(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 consolidated entity 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 consolidated entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies (continued)

(i) Impact of COVID-19 on financial reporting for 2021-22

The COVID-19 pandemic has resulted in significant changes in the consolidated and parent entity's activity and in the way the services are being delivered. The COVID-19 pandemic has also impacted financial reporting in 2021-22 and increased disclosures are presented in the following notes:

- Note 1(c) Basis of preparation
- Note 3 Operating expenses
- Note 5 Grants and subsidies
- Note 9 Sale of goods and services from contracts with customers
- Note 11 Grants and other contributions
- Note 15 Other gains / (losses)
- Note 22 Inventories
- Note 26 Leases
- Note 34 Provisions
- Note 43 Budget review

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

2. Employee related expenses

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Salaries and wages (including annual leave and ADOs) | 14,679,244 | 13,546,425 | 178,563 | 160,572 |
| Superannuation - defined benefit plan | 63,602 | 66,824 | 802 | 790 |
| Superannuation - defined contribution plan | 1,354,373 | 1,183,998 | 14,784 | 13,031 |
| Long service leave | (203,946) | 29,935 | (777) | 2,431 |
| Redundancies | 9,781 | 16,555 | - | 442 |
| Workers' compensation insurance | 270,337 | 246,029 | 33,111 | 34,970 |
| Payroll tax and fringe benefits tax | 11,721 | 11,383 | 10,841 | 10,424 |
| | 16,185,112 | 15,101,149 | 237,324 | 222,660 |

Refer to Note 34 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$37.2 million (2021: \$24.7 million) (parent entity: \$Nil (2021: \$Nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

The long service leave in 2021 and 2022 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown for the consolidated and parent entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

3. Operating expenses

| | Consolidated 2022 \$000 | Consolidated ^{1,2} 2021 \$000 | Parent 2022 \$000 | Parent ^{1,2} 2021 \$000 |
|--|-------------------------------|--|-------------------------|--|
| Ambulance transportation costs | 126,209 | 117,487 | 87 | 102 |
| Auditor's remuneration | 5,298 | 5,030 | 984 | 724 |
| Blood and blood products | 182,809 | 170,738 | 42,598 | 45,479 |
| Capital project expense | 70,690 | 57,972 | 4,610 | 2,213 |
| Consultants | 22,264 | 31,143 | 3,705 | 6,372 |
| Contractors | 295,481 | 229,800 | 21,618 | 40,645 |
| Domestic supplies and services | 242,651 | 171,826 | 1,245 | 1,515 |
| Electricity, gas and water | 171,580 | 167,773 | 669 | 734 |
| Food Supplies | 130,005 | 123,561 | - | - |
| Information management expenses | 366,519 | 332,981 | 26,700 | 28,347 |
| Insurance | 349,890 | 334,187 | 311,074 | 302,151 |
| Interstate patient outflows | 325,430 | 271,469 | 325,430 | 271,469 |
| Legal services | 15,808 | 13,611 | 4,435 | 2,676 |
| Maintenance (see (a) below) | 722,751 | 739,930 | 2,631 | 3,424 |
| Medical and surgical supplies | 1,361,142 | 1,135,138 | 190,388 | 6,986 |
| Motor vehicle expenses | 45,193 | 45,349 | 65 | 48 |
| Office expenses | 109,005 | 104,096 | 5,046 | 4,434 |
| Expenses relating to short-term leases | 54,270 | 29,013 | 68 | 3 |
| Expenses relating to leases of low-value assets | 36,215 | 19,330 | 810 | 787 |
| Variable lease payments, not included in lease liabilities | 13 | 1,144 | - | - |
| Other management services | 313,578 | 164,647 | 76,749 | 56,263 |
| Outsourced patient care | 787,444 | 642,758 | 60,605 | 94,960 |
| Pharmaceutical supplies | 1,083,289 | 891,272 | 148,517 | 115,255 |
| Specialised health services | 1,139,237 | 593,137 | 2,863 | 114 |
| Staff related costs | 212,482 | 163,003 | 7,826 | 6,229 |
| Travel expenses | 65,420 | 46,823 | 1,043 | 709 |
| Viability payments to private hospitals | 150,122 | (37,054) | 150,122 | (37,054) |
| Visiting medical officers | 1,005,718 | 962,339 | - | - |
| Warehousing expenses | 31,115 | 39,906 | 17,476 | 39,906 |
| General expenses | 253,887 | 190,992 | 18,601 | 56,561 |
| | 9,675,515 | 7,759,401 | 1,425,965 | 1,051,052 |

¹ Other management services has been restated to be \$6.41 million lower in the consolidated and parent entity in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

² Warehousing expenses has been disaggregated from other management services in the current year. The prior year balance has been restated with a decrease in other management services of \$39.91 million and increase in warehouse expenses of \$39.91 million in the consolidated and parent entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

3. Operating expenses (continued)

During the current year, the consolidated and parent entity made a 50 per cent contribution of \$103.58 million (2021: \$Nil) towards providing rapid antigen tests to concession card holders. The contribution was made in agreement with National Cabinet to support the concession card holders to obtain access to subsidised rapid antigen tests through pharmacies. The amounts are disclosed under medical and surgical supplies.

Medical and surgical supplies also includes \$76.97 million (2021: \$Nil) of the cost of personal protective equipment sold to the Commonwealth government for inclusion in the national medical stockpile.

Pharmaceutical supplies includes \$116.83 million (2021: \$17.12 million) of COVID-19 vaccinations administered by vaccination clinics within the consolidated entity. Refer to Note 22 for further details on COVID-19 vaccines.

Specialised health services includes \$489.49 million (2021: \$31.61 million) of COVID-19 polymerase chain reaction (PCR) tests and rapid antigen tests provided by private pathology clinics, saliva testing costs and sewerage surveillance monitoring within the consolidated entity.

Apart from the above-mentioned items, the majority of the costs in relation to food supplies, medical and surgical supplies and pharmaceutical supplies relate to the consumption of inventory held by the consolidated entity.

In 2021, the negative expense for viability payments to private hospitals was due to \$64.2 million of refunds received from the private hospitals for the overpayment in the previous year. The arrangement with the private hospitals was also paused for a period of time throughout 2021 as a result of minimal COVID-19 infections and community transmission at the time. In July 2021, the viability payments recommenced as a result of a new variant of COVID-19 and no refunds were received in the current year relating to previous financial year.

General expenses of \$253.89 million (2021: \$190.99 million) includes advertising and marketing, courier and freight, taxes, rates and related charges, hosted services purchased from local health districts (for parent entity), isolated patient travel and accommodation assistance and security services.

(a) Reconciliation of total maintenance expense

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Maintenance contracts | 241,051 | 230,881 | 442 | 1,150 |
| New/replacement equipment under \$10,000 | 294,472 | 323,147 | 864 | 990 |
| Repairs maintenance/non contract | 186,657 | 185,322 | 1,323 | 1,281 |
| Other | 571 | 580 | 2 | 3 |
| Maintenance expense - contracted labour and other (non-employee related), as above | 722,751 | 739,930 | 2,631 | 3,424 |
| Employee related maintenance expense (Note 2) | 66,313 | 62,779 | - | - |
| Total maintenance expenses | 789,064 | 802,709 | 2,631 | 3,424 |

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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

3. Operating expenses (continued)

Recognition and Measurement (continued)

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 31.

Insurance

The consolidated entity'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 expenses

The consolidated entity 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.

4. Depreciation and amortisation

| | Consolidated 2022 \$000 | Consolidated ¹ 2021 \$000 | Parent 2022 \$000 | Parent ¹ 2021 \$000 |
|---|-------------------------------|--|-------------------------|--------------------------------------|
| Depreciation - buildings | 660,710 | 607,736 | 7,217 | 5,663 |
| Depreciation - plant and equipment | 243,810 | 235,588 | 774 | 357 |
| Depreciation - infrastructure systems | 31,862 | 29,214 | 104 | 97 |
| Depreciation - right-of-use land and buildings | 99,513 | 95,973 | 29,190 | 28,877 |
| Depreciation - right-of-use plant and equipment | 87,620 | 86,613 | 37 | 31 |
| Amortisation - intangible assets | 92,250 | 90,891 | 745 | 604 |
| | 1,215,765 | 1,146,015 | 38,067 | 35,629 |

¹ Depreciation - right-of-use land and buildings has been restated to be \$6.13 million higher in the consolidated and parent entity in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

Refer to Note 25 Property, plant and equipment, Note 26 Leases and Note 27 Intangible assets for recognition and measurement policies on depreciation and amortisation.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Grants and subsidies

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Payments to entities controlled by the Ministry | - | - | 23,327,142 | 21,788,338 |
| Payments to other Affiliated Health Organisations | 1,116,254 | 1,057,962 | 765,362 | 709,333 |
| Grants provided to support: | | | | |
| - Community packages | 22,639 | 30,598 | - | - |
| - Grants to research organisations | 121,436 | 141,506 | 90,641 | 110,951 |
| - Non-Government organisations | 177,977 | 172,211 | 90,549 | 87,511 |
| Grants to entities controlled by the ultimate parent | 281,416 | 57,060 | 279,190 | 50,174 |
| Other grants | 285,028 | 212,334 | 252,674 | 187,497 |
| | 2,004,750 | 1,671,671 | 24,805,558 | 22,933,804 |

Grants to entities controlled by the ultimate parent includes \$101.80 million (2021: \$50.17 million) of personal protective equipment and \$162.02 million (2021: \$Nil) of rapid antigen testing kits provided to entities controlled by ultimate parent by the consolidated and parent entity for nil consideration.

Other grants includes \$2.30 million (2021: \$Nil) of personal protective equipment the consolidated and parent entity granted to external third parties for nil consideration. Also included within the consolidated entity balance is \$0.39 million (2021: \$Nil) of COVID-19 vaccines granted to external third parties for nil consideration. Refer to Note 22 for further details on COVID-19 vaccines.

Other grants also includes \$204.34 million (2021: \$144.86 million) towards various mental health programs in the consolidated and parent entity.

Recognition and Measurement

Grants and subsidies generally comprise contributions in cash or in kind to controlled entities of the Ministry (from the parent entity), affiliated health organisations, 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

6. Finance costs

| | Consolidated 2022 \$000 | Consolidated ¹ 2021 \$000 | Parent 2022 \$000 | Parent ¹ 2021 \$000 |
|--|-------------------------------|--|-------------------------|--------------------------------------|
| Interest expense from lease liabilities | 29,741 | 25,609 | 13,007 | 12,476 |
| Interest expense from financial liabilities at amortised cost* | 96,604 | 95,382 | - | - |
| Other interest and charges | 3,279 | 3,351 | 12 | 10 |
| | 129,624 | 124,342 | 13,019 | 12,486 |

¹ Interest expense from lease liabilities has been restated to be \$0.13 million higher in the consolidated and parent entity in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

* Of the interest expense from financial liabilities at amortised cost, \$0.8 million (2021: \$0.8 million) related to financial liabilities relating to service concession arrangements. Refer to Note 25 for further details on service concession arrangements.

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Finance 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

7. 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 in Notes 8 to 13.

8. Appropriations and transfers to The Crown in right of the State of New South Wales (Crown)

Summary of compliance at a responsible minister level

| | 2022 | 2021 ¹ |
|---|---------------------|---------------------|
| | \$000 | \$000 |
| Original budget per <i>Appropriation Act</i> | 15,786,794 | 15,740,003 |
| Other appropriations / expenditure: | | |
| Variations made to appropriations during the financial year | | |
| - Section 4.11 GSF Act (variations of annual appropriations for Commonwealth grants) | 9,167 | (925) |
| - Section 4.13 GSF Act Exigency of Government | 1,247,904 | - |
| - COVID-19 pandemic and inflation (per section 34 of the Appropriations Act) | 162,313 | 46,000 |
| Total spending authority from parliamentary appropriations, other than deemed appropriations | 17,206,178 | 15,785,078 |
| Add: | | |
| The spending authority from deemed appropriations during the year | 13,864,773 | 12,561,458 |
| The unutilised spending authority from deemed appropriations in prior years | 320,636 | 1,292,968 |
| Total | 31,391,587 | 29,639,504 |
| Less: total expenditure out of ConFund | (30,391,738) | (28,550,197) |
| Variance | 999,849 | 1,089,307 |
| Less: | | |
| The spending authority from appropriations lapsed at 30 June | (70,971) | (768,671) |
| Deemed appropriations balance carried forward to following | 928,878 | 320,636 |
| | 2022 | 2021 |
| | \$000 | \$000 |
| Appropriations (per Statement of Comprehensive Income) | 17,135,207 | 15,016,407 |
| Total amount drawn down against Annual Appropriations: | 17,135,207 | 15,016,407 |

¹ Prior period amounts have been restated to align with revised disclosure requirements at a responsible minister level.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

8. Appropriations and transfers to The Crown in right of the State of New South Wales (Crown) (continued)

Summary of compliance at a responsible minister level (continued)

The *Appropriation Act 2021* (Appropriations Act) appropriates the sum of \$15,786.79 million to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2022. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, listed in Note 1 to the financial statements, with separate instruments of delegation issued to cluster agencies Mental Health Commission of New South Wales and Health Care Complaints Commission.

The responsible Minister for each entity above is taken to have been given an appropriation out of the Consolidated Fund under the authority of s4.7 of the *Government Sector Finance Act 2018*, at the time the entity receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the entity. The spending authority of the responsible Ministers from deemed appropriation money has been delegated or sub-delegated to officers of the entity that receives or recovers the deemed appropriation money for its own services.

The delegation/sub-delegations for 2022 and 2021, authorising officers to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the respective entities. However, as it relates to expenditure in reliance on a sum appropriated through an annual *Appropriations Act*, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant *Appropriations Act*. The individual transaction limits have been properly observed. The information in relation to the limit from the *Appropriations Act* is disclosed in the summary of compliance table above.

The summary of compliance has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of the entities listed above that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made.

Recognition and Measurement

Parliamentary appropriations other than deemed appropriations

Income from appropriations, other than deemed appropriations (of which the accounting treatment is based on the underlying transaction), does not contain enforceable and sufficiently specific performance obligations as defined by AASB 15. Therefore, except as specified below, appropriations (other than deemed appropriations) are recognised as income when the entity obtains control over the asset comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

Appropriations are not recognised as income in the following circumstances:

- Equity appropriations to fund payments to adjust a for-profit entity's capital structure are recognised as equity injections (i.e. contribution by owners) on receipt and equity withdrawals on payment to a for-profit entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

9. Sale of goods and services from contracts with customers

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Sale of goods | | | | |
| Sales and recoveries of pharmaceutical supplies | 401,375 | 411,036 | - | - |
| Sales of prostheses | 55,989 | 61,063 | - | - |
| Other | 69,865 | 43,781 | 38,483 | - |
| | 527,229 | 515,880 | 38,483 | - |
| Rendering of services | | | | |
| Patients | | | | |
| Ambulance transportation fees | 67,325 | 70,816 | - | - |
| Fees for clinical services | 52,236 | 52,371 | - | - |
| Fees for medical services rendered | 880,287 | 935,941 | 3,350 | 3,187 |
| Interstate patient inflows | 113,976 | 100,568 | 113,976 | 100,568 |
| Motor accident third party insurance covered | 134,825 | 169,818 | - | - |
| Other patient fees | 77,073 | 77,524 | - | - |
| General Community | | | | |
| Car parking fees | 23,699 | 33,334 | - | - |
| Commercial activities | 50,652 | 47,845 | - | - |
| Fees for non-medical services | 3,507 | 3,185 | - | - |
| Non-NSW Health entities | | | | |
| Services provided to non NSW Health organisations | 17,437 | 17,911 | - | - |
| Other | | | | |
| Fees for private usage of hospital's facilities | 383,323 | 463,817 | - | - |
| General user charges fees | 57,327 | 43,654 | 4,589 | 503 |
| Personnel service fees recharged | 26,622 | 25,408 | 26,622 | 25,408 |
| Hotel quarantine fees | 68,424 | 214,292 | - | - |
| Other services | 33,573 | 33,716 | 130 | 117 |
| | 1,990,286 | 2,290,200 | 148,667 | 129,783 |
| | 2,517,515 | 2,806,080 | 187,150 | 129,783 |

Sale of goods other in the consolidated and parent entity includes the sale of personal protective equipment of \$38.48 million (2021: \$Nil) sold to the Commonwealth for inclusion in the national medical stockpile.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement

Sales of goods

Revenue from sale of goods is recognised when the consolidated entity satisfies the 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 |
|---|---|---|
| Sales and recoveries of pharmaceutical supplies | The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, 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. |
| Sales of prostheses | Relates to revenue generated for surgically implanted prostheses and medical devices. The performance obligation of transferring these products is typically satisfied at the point in time when the products are implanted in the body of the patient, 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. |
| Other | 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. |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement (continued)

Rendering of services

Revenue from rendering of services is recognised when the consolidated entity 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 - Ambulance transportation, clinical and medical services, interstate patient flows and motor accident third party insurance | 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 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 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. |
| Non-patient services provided to the General community, non-NSW Health entities and entities controlled by the ultimate parent | Various non-patient related services are provided to the general community, non-NSW health entities and entities controlled by the ultimate 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. |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

9. 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 |
|---|---|--|
| Fees for private usage of hospital's facilities | 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 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. |
| Other | Various other services are provided for general user charges, hotel quarantine fees (revenue recognised for compulsory quarantine of all overseas travellers while overseas borders are closed to restrict transmission of COVID-19), personnel services recharged and other small services. The performance obligations for these services are satisfied by transferring the promised services to its respective customers. Prices are determined by the Ministry of Health and billed once services have been provided. 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. |

Refer to Note 32 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 consolidated entity expects to recognise the unsatisfied portion as revenue.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

10. Investment revenue

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Interest income from financial assets at amortised cost | 11,863 | 9,632 | 857 | 1,220 |
| Finance income on the net investment in the lease | 2,123 | 2,069 | - | - |
| Net gain / (loss) from TCorpIM Funds measured at fair value through profit or loss | (8,347) | 10,672 | - | - |
| Royalties | 231 | 47 | - | - |
| Dividends | 24 | 10 | - | - |
| | 5,894 | 22,430 | 857 | 1,220 |

Recognition and Measurement

Interest income

Interest revenue 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).

Royalties

Royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

Dividend income

Dividend revenue is recognised when the consolidated entity's right to receive the payment has been established.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

11. Grants and other contributions

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity | | | | |
| Grants to acquire / construct non-financial asset | 29,597 | 57,384 | - | - |
| Other grants with sufficiently specific performance obligations | | | | |
| Commonwealth National Health Reform Funding | 5,976,535 | 5,852,286 | 5,976,535 | 5,852,286 |
| Commonwealth National Partnership Agreement on COVID-19 ¹ | | | | |
| - Hospital services payment | 625,460 | 148,801 | 625,460 | 148,801 |
| - State public health payment | 1,514,279 | 967,043 | 1,514,279 | 967,043 |
| - Vaccination dose delivery payment | 37,829 | - | 37,829 | - |
| Commonwealth Government grants for community based services | 85,193 | 84,831 | - | - |
| Commonwealth Government grants - other | 28,467 | 24,807 | 2,160 | 1,362 |
| Clinical drug trials and research grants | 73,731 | 63,030 | - | - |
| Grants from entities controlled by the ultimate parent | 5,457 | 5,197 | - | - |
| Other grants | 75,169 | 73,821 | 1,500 | 925 |
| Grants without specific performance obligations | | | | |
| Commonwealth National Health Reform Funding | 1,167,225 | 1,211,113 | 1,167,225 | 1,211,113 |
| Commonwealth National Partnership Agreement on COVID-19 | | | | |
| - Fixed upfront vaccination payment | 32,000 | - | 32,000 | - |
| Commonwealth Government COVID-19 vaccines ² | 129,706 | 22,252 | - | - |
| Commonwealth Government grants - other ² | 319,746 | 183,709 | 217,410 | 166,219 |
| Clinical drug trials and research grants | 12,572 | 11,727 | - | - |
| Grants from entities controlled by the ultimate parent | 287,324 | 354,214 | 85,639 | 102,624 |
| Other grants | 46,704 | 42,216 | - | 949 |
| Donations | 51,613 | 45,765 | - | - |
| | 10,498,607 | 9,148,196 | 9,660,037 | 8,451,322 |

¹ Commonwealth National Partnership Agreement on COVID-19 presentation has been amended in the current year for the consolidated and parent entity. The funding streams of the Commonwealth National Partnership Agreement on COVID-19 are now being separately presented. The prior year balances have been restated for the consolidated and parent entity with an increase in the hospital service payment of \$148.80 million and state public health payment of \$967.04 million which was previously presented under the Commonwealth National Partnership Agreement on COVID-19.

² Commonwealth Government COVID-19 vaccines has been disaggregated from Commonwealth Government grants - other in the current year. The prior year balance has been restated with an increase in Commonwealth Government COVID-19 vaccines of \$22.25 million (parent entity: \$Nil) and a decrease in Commonwealth Government grant - other of \$22.25 million (parent entity: \$Nil).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

11. Grants and other contributions (continued)

The consolidated entity received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from external third parties. The total value of COVID-19 vaccines recognised was \$129.71 million (2021: \$22.25 million) under Commonwealth Government COVID-19 vaccines and \$0.32 million (2021: \$Nil) from external third parties under other grants. All COVID-19 vaccines were received for nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 22 for further details on COVID-19 vaccines.

Commonwealth government grants - other in the consolidated entity includes \$93.98 million (2021: \$7.31 million) of personal protective equipment, rapid antigen testing kits and COVID-19 pharmaceutical supplies received from the Commonwealth for nil consideration and recorded at current replacement cost at the time of receipt.

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the consolidated entity is recognised when the consolidated entity satisfies its obligations under the transfer. The consolidated entity 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 consolidated entity satisfies a performance obligation by transferring the promised goods or services.

The consolidated entity typically receives grants in respect of:

- Commonwealth government funded grant under the National Health Reform Agreement to improve the state's health outcomes and ensure sustainability of the health system;
- Commonwealth government funded grant under the National Partnership Agreement on COVID-19 Response which provides stability and certainty of funding while responding to the COVID-19 pandemic;
- Commonwealth government funded vaccinations, including COVID-19 vaccinations which are provided free of charge to the community. Refer to Note 22 for further details; and
- Other various grants in respect of research, clinical drug trials and other community, health and wellbeing related projects.

The consolidated entity 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 an agreed timetable or on achievement of different milestones set up in the contract. Revenue is recognised as follows:

- Commonwealth National Health Reform - consists of Activity Based Funding, Public Health Funding and Block Funding. Activity Based Funding is recognised under AASB 15 *Revenue from Contracts with Customers* (AASB 15), while Public Health and Block Funding is recognised under AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) due to lack of specific performance obligations. Revenue for Activity Based Funding is recognised when the hospital activities are performed. The revenue is calculated by the activity multiplied by the agreed National Weighted Activity Unit price. For 2021 and the current year, the Commonwealth has provided a funding guarantee to the states and territories. The Commonwealth undertakes an annual reconciliation of reported activity (revenue) against funding payments made for that year. Any differences arising from the reported activity (revenue) in previous years, is adjusted in the current year annual reconciliation.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

11. Grants and other contributions (continued)

Recognition and Measurement (continued)

Grants and other contributions (continued)

- Commonwealth National Partnership Agreement on COVID-19 - consists of four financial arrangements:

Schedule A - The Commonwealth shares the funding equally (pays for 50 per cent of costs) with the state government for hospitals and state public health authorities to assess, diagnose, treat and contain COVID-19. Revenue is recognised when the actual costs are incurred as either a hospital services payment or a state public health payment depending on the related activities.

Schedule B - The Commonwealth shares the funding equally (pays for 50 per cent of costs) with the state government to purchase private hospital service activities as needed and the Commonwealth provided 100 per cent of the funding for viability payments to identified private hospitals to ensure the state has access to private hospital beds, staffing and resources to support their ongoing response to the pandemic. Revenue is recognised when the actual costs are incurred for services purchased from private hospitals as a hospital service payment and viability payments as a state public health payment.

Schedule C - The Commonwealth government provided states and territories two payments for COVID-19 vaccinations, a fixed upfront payment to ensure funds were available to setup up state-run vaccination clinics regardless of the amount of vaccination activity delivered and a vaccination dose delivery payment of a 50 per cent contribution to the agreed price per vaccination dose delivered. Revenue is recognised when actual costs are incurred except for the fixed upfront vaccination payment which was recognised under AASB 1058 due to lack of specific performance obligations.

Schedule D - The Commonwealth provides 100 per cent of the funding to support aged care preparedness and response during COVID-19. This funding is targeted to ensure prevention, preparedness and response activities are in place to address outbreaks of COVID-19 in residential aged care facilities and to provide additional targeted training. Revenue is recognised when the actual costs are incurred as a state public health payment.

- Other grants and contributions - consist of various types of grants and contributions received. The performance obligations are typically satisfied when the specified activities / milestones agreed in the grant contract are completed/met. Where there are no specific performance obligations, revenue is recognised on receipt of funding under AASB 1058. The payments are typically made in advance or based on an agreed timetable.

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 32 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 consolidated entity obtains control over the granted assets (e.g. cash).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

11. Grants and other contributions (continued)

Recognition and Measurement (continued)

Grants and other contributions (continued)

Volunteer services

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. The consolidated entity receives volunteer services for the below activities:

- Chaplaincies and Pastoral Care
- Pink Ladies / Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Health Education
- Patient and Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Transport, Home Help and Patient Activities

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

12. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

The following liabilities and / or expenses have been assumed by the Crown or other government entities:

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Superannuation - defined benefit plan | 63,602 | 66,824 | 802 | 790 |
| Long service leave provision | (144,892) | (68,392) | (179) | 1,177 |
| Payroll tax | 37 | 41 | 37 | 41 |
| | (81,253) | (1,527) | 660 | 2,008 |

Significant fluctuations in the actuarial factors for the long service leave provision has resulted in negative or reduced revenue for 2021 and 2022 in the consolidated and parent entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. Other income

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Commissions | 2,113 | 2,470 | - | - |
| Discounts | 1,591 | 1,837 | - | - |
| Insurance refunds | 10,697 | 8,418 | 1,863 | 555 |
| Lease and rental income | | | | |
| - rental income from subleasing right-of-use assets | 13 | - | - | - |
| - other rental income | 33,673 | 31,959 | 11,417 | 10,691 |
| Revenue related to service concession arrangements* | 13,358 | 13,358 | - | - |
| Property not previously recognised | - | 12,712 | - | - |
| Other | 14,931 | 33,143 | 4,774 | 2,592 |
| | 76,376 | 103,897 | 18,054 | 13,838 |

* This revenue reflects the progressive unwinding of the 'grant of right to operate liability' (Note 35) over the remaining period of the arrangement. Refer to Note 25 for further details on service concession arrangements.

In 2021, the majority of the property not previously recognised balance related to a car park at Royal Prince Alfred Hospital. The consolidated entity obtained full possession of the car park during 2021 which was valued at \$11.88 million.

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.

Lease and 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

14. Gains / (losses) on disposal

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Gains / (losses) on disposal of: | | | | |
| Property, plant and equipment | | | | |
| Written down value of assets disposed | 68,478 | 57,886 | 11,226 | 11,430 |
| Less: Proceeds from disposal | 15,849 | 24,078 | 10,133 | 11,336 |
| Less: Non-cash consideration for disposal | 39,415 | - | - | - |
| Less: Proceeds received in advance for disposal | 15,546 | - | - | - |
| Net gains / (losses) on disposal | 2,332 | (33,808) | (1,093) | (94) |
| Right-of-use assets | | | | |
| Written down value of assets disposed | 646,231 | 8,996 | 441,970 | - |
| Less: lease liabilities extinguished | 771,746 | 8,681 | 556,110 | - |
| Less: Finance lease receivable | - | 214 | - | - |
| Net gains / (losses) on disposal* | 125,515 | (101) | 114,140 | - |
| Intangible assets | | | | |
| Written down value of assets disposed | 313 | 880 | 47 | - |
| Net gains / (losses) on disposal | (313) | (880) | (47) | - |
| Assets held for sale | | | | |
| Written down value of assets disposed | 311 | 3,192 | - | - |
| Less: Proceeds from disposal | 435 | 4,166 | - | - |
| Net gains / (losses) on disposal | 124 | 974 | - | - |
| Financial assets | | | | |
| Written down value of financial assets | 132,365 | 127,763 | - | - |
| Less: Proceeds from sale of financial assets | 132,365 | 127,763 | - | - |
| Net gains / (losses) on disposal | - | - | - | - |
| Total gains / (losses) on disposal | 127,658 | (33,815) | 113,000 | (94) |

* \$125.30 million (parent entity: \$114.14 million) of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$640.39 million (parent entity: \$441.95 million) and lease liability of \$765.69 million (parent entity: \$556.09 million) with Property NSW, an entity of the ultimate parent as at 30 June 2022. Please refer to Note 26 for further details on the derecognition.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

15. Other gains / (losses)

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Impairment losses on right-of-use assets | - | (99,201) | - | (92,526) |
| Inventory write down | (72,041) | (775,941) | - | - |
| Gains / (losses) on financial assets at fair value through profit or loss | 11,501 | - | - | - |
| Foreign exchange gains / (losses) | 350 | 8,060 | - | (579) |
| Other | (5,565) | (81) | - | - |
| | (65,755) | (867,163) | - | (93,105) |

Majority of the inventory write down consists of impairment and write-off of medical and surgical supplies and COVID-19 vaccines. \$775.79 million of impairment and write-off expenses were recognised for medical and surgical supplies items in 2021, which was partially reversed in 2022. The net loss from the reversal of impairment and write-off of medical and surgical supplies during 2022 was \$55.37 million. In respect of COVID -19 vaccines, \$11.31 million (2021: \$Nil) impairment loss was recognised in the current year, relating to vaccines not expected to be administered before their expiry dates. Additionally, \$5.36 million (2021: \$0.15 million) was written off in 2022 for vaccine wastages and expired vaccines.

Recognition and Measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the entity 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 20 Receivables
- Note 21 Contract assets
- Note 22 Inventories
- Note 25 Property, plant and equipment
- Note 26 Leases
- Note 27 Intangible assets

16. Conditions on restrictions on income of not-for-profit entities

The consolidated entity receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The consolidated entity 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 30 Restricted assets.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Prior period error

Warehouse lease

The Crown in right of the State of New South Wales, represented by NSW Police who signed a logistics agreement with Linfox Australia Pty Ltd (referred hereafter as "Linfox") in April 2020. The agreement was for Linfox to provide integrated logistics services to the NSW Government, including the consolidated entity. The services included a provision of warehousing services for personal protective equipment (PPE) stock purchased as part of the COVID-19 response. The initial term of the agreement was only 6 months, however this was subsequently extended to end in January 2023, with a 12 month extension option.

At the commencement of the agreement, the arrangement from the consolidated and parent entity perspective was concluded to be a service arrangement because the consolidated and parent entity did not have exclusive rights to use the Linfox warehouses, and therefore did not meet the definition of a lease under AASB 16 Leases.

In December 2020, a variation to the lease was signed, adding a minimum commitment of 50,000 pallets for the remaining term of the agreement. The minimum commitment allowed Linfox to procure a new warehouse in St Marys, which has since been exclusively used to store PPE for the consolidated and parent entity.

Although not explicitly mentioned in the variation letter, the exclusive use of St Marys warehouse was agreed between the parties, therefore qualifying for lease accounting under AASB 16 Leases. Management has incorrectly continued to treat the variation as a service arrangement during 2021 financial year.

The error has been identified and corrected during the current year, with retrospective adjustments made in the prior period in both the consolidated entity and the parent entity.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matters are shown below.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Prior period error (continued)

Warehouse lease (continued)

Statement of Comprehensive Income for the year ended 30 June 2021 (extract)

CONSOLIDATED

| | | Original Actual 2021 \$'000 | Adjustment Actual 2021 \$'000 | Restated Actual 2021 \$'000 |
|--|-------|--------------------------------------|--|--------------------------------------|
| | Notes | | | |
| Expenses excluding losses | | | | |
| Operating expenses | 3 | 7,765,807 | (6,406) | 7,759,401 |
| Depreciation and amortisation | 4 | 1,139,883 | 6,132 | 1,146,015 |
| Finance costs | 6 | 124,208 | 134 | 124,342 |
| Total expenses excluding losses | | 25,802,718 | (140) | 25,802,578 |
| Total revenue | | 27,095,483 | - | 27,095,483 |
| Operating result | | 1,292,765 | 140 | 1,292,905 |
| Net result from continuing operations | | 305,814 | 140 | 305,954 |
| Net result | | 305,814 | 140 | 305,954 |
| Total other comprehensive income | | 307,817 | - | 307,817 |
| TOTAL COMPREHENSIVE INCOME | | 613,631 | 140 | 613,771 |

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of an error.

Statement of Comprehensive Income for the year ended 30 June 2021 (extract)

PARENT

| | | Original Actual 2021 \$'000 | Adjustment Actual 2021 \$'000 | Restated Actual 2021 \$'000 |
|--|-------|--------------------------------------|--|--------------------------------------|
| | Notes | | | |
| Expenses excluding losses | | | | |
| Operating expenses | 3 | 1,057,458 | (6,406) | 1,051,052 |
| Depreciation and amortisation | 4 | 29,497 | 6,132 | 35,629 |
| Finance costs | 6 | 12,352 | 134 | 12,486 |
| Total expenses excluding losses | | 24,255,771 | (140) | 24,255,631 |
| Total revenue | | 23,614,578 | - | 23,614,578 |
| Operating result | | (641,193) | 140 | (641,053) |
| Net result from continuing operations | | (734,392) | 140 | (734,252) |
| Net result | | (734,392) | 140 | (734,252) |
| Total other comprehensive income | | (1,202) | - | (1,202) |
| TOTAL COMPREHENSIVE INCOME | | (735,594) | 140 | (735,454) |

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Prior period error (continued)

Warehouse lease (continued)

Statement of Financial Position as at 30 June 2021 (extract)

CONSOLIDATED

| | | Original Actual 2021 \$'000 | Adjustment Actual 2021 \$'000 | Restated Actual 2021 \$'000 |
|--------------------------------------|-------|--------------------------------------|--|--------------------------------------|
| | Notes | | | |
| ASSETS | | | | |
| Current assets | | | | |
| Non-current assets | | | | |
| Right-of-use assets | 26 | 1,086,934 | 27,763 | 1,114,697 |
| Total non-current assets | | 25,444,086 | 27,763 | 25,471,849 |
| Total assets | | 29,529,411 | 27,763 | 29,557,174 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Borrowings | 33 | 174,090 | 11,041 | 185,131 |
| Total current liabilities | | 5,114,407 | 11,041 | 5,125,448 |
| Non-current liabilities | | | | |
| Borrowings | 33 | 2,108,230 | 16,582 | 2,124,812 |
| Total non-current liabilities | | 2,505,451 | 16,582 | 2,522,033 |
| Total liabilities | | 7,619,858 | 27,623 | 7,647,481 |
| Net assets | | 21,909,553 | 140 | 21,909,693 |
| EQUITY | | | | |
| Accumulated funds | | 14,364,733 | 140 | 14,364,873 |
| Total equity | | 21,909,553 | 140 | 21,909,693 |

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Prior period error (continued)

Warehouse lease (continued)

Statement of Financial Position as at 30 June 2021 (extract)

PARENT

| | | Original Actual 2021 \$'000 | Adjustment Actual 2021 \$'000 | Restated Actual 2021 \$'000 |
|--------------------------------------|-------|--------------------------------------|--|--------------------------------------|
| | Notes | | | |
| ASSETS | | | | |
| Current assets | | | | |
| Non-current assets | | | | |
| Right-of-use assets | 26 | 460,340 | 27,763 | 488,103 |
| Total non-current assets | | 655,118 | 27,763 | 682,881 |
| Total assets | | 1,599,320 | 27,763 | 1,627,083 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Borrowings | 33 | 8,424 | 11,041 | 19,465 |
| Total current liabilities | | 584,326 | 11,041 | 595,367 |
| Non-current liabilities | | | | |
| Borrowings | 33 | 556,257 | 16,582 | 572,839 |
| Total non-current liabilities | | 556,970 | 16,582 | 573,552 |
| Total liabilities | | 1,141,296 | 27,623 | 1,168,919 |
| Net assets | | 458,024 | 140 | 458,164 |
| EQUITY | | | | |
| Accumulated funds | | 325,482 | 140 | 325,622 |
| Total equity | | 458,024 | 140 | 458,164 |

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Prior period error (continued)

Warehouse lease (continued)

Statement of Cash Flows as at 30 June 2021 (extract)

CONSOLIDATED

| | Original Actual 2021 \$'000 | Adjustment Actual 2021 \$'000 | Restated Actual 2021 \$'000 |
|---|--------------------------------------|--|--------------------------------------|
| Notes | \$'000 | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Suppliers for goods and services | (8,701,798) | 6,406 | (8,695,392) |
| Finance costs | (120,905) | (134) | (121,039) |
| Total payments | (25,903,762) | 6,272 | (25,897,490) |
| Total receipts | 27,819,440 | - | 27,819,440 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 1,915,678 | 6,272 | 1,921,950 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | (2,375,402) | - | (2,375,402) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of principal portion of lease liabilities | (161,979) | (6,272) | (168,251) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | (167,610) | (6,272) | (173,882) |
| NET INCREASE / (DECREASE) IN CASH AND CASH | (627,334) | - | (627,334) |
| CLOSING CASH AND CASH EQUIVALENTS | 2,031,071 | - | 2,031,071 |

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Prior period error (continued)

Warehouse lease (continued)

Statement of Cash Flows as at 30 June 2021 (extract)

PARENT

| | Original Actual 2021 \$'000 | Adjustment Actual 2021 \$'000 | Restated Actual 2021 \$'000 |
|---|--------------------------------------|--|--------------------------------------|
| Notes | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Suppliers for goods and services | (1,125,094) | 6,406 | (1,118,688) |
| Finance costs | (12,342) | (134) | (12,476) |
| Total payments | (24,406,812) | 6,272 | (24,400,540) |
| Total receipts | 23,405,108 | - | 23,405,108 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | (1,001,704) | 6,272 | (995,432) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 445,037 | - | 445,037 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of principal portion of lease liabilities | (11,057) | (6,272) | (17,329) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | (11,057) | (6,272) | (17,329) |
| NET INCREASE / (DECREASE) IN CASH AND CASH CLOSING CASH AND CASH EQUIVALENTS | (567,724) | - | (567,724) |
| 19 | 160,068 | - | 160,068 |

Note: The above table is an extract only, showing only those financial statement line items affected by the correction of an error.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

18. Outcomes of the consolidated entity

The NSW 2021-22 Budget Papers disaggregated the Ministry of Health's financial information by 'Outcome' as a way to identify each major activity undertaken by the entity during the financial year.

(a) Outcome statements of the consolidated entity

CONSOLIDATED

| | Outcome 1 * | | Outcome 2 * | | Outcome 3 * | | Outcome 4 * | | Outcome 5 * | | Not Attributable *** | | Total | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|----------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| CONSOLIDATED ENTITY EXPENSES AND INCOME | | | | | | | | | | | | | | |
| Continuing operations | | | | | | | | | | | | | | |
| Expenses excluding losses | | | | | | | | | | | | | | |
| Employee related expenses | 8,658,689 | 8,113,447 | 3,986,032 | 3,724,096 | 2,377,627 | 2,161,928 | 556,139 | 534,335 | 606,625 | 567,343 | - | - | 16,185,112 | 15,101,149 |
| Operating expenses | 5,196,551 | 4,312,239 | 2,363,512 | 1,933,921 | 1,131,992 | 956,949 | 732,325 | 342,918 | 261,135 | 213,374 | - | - | 9,675,515 | 7,759,401 |
| Depreciation and amortisation | 622,021 | 573,165 | 316,943 | 304,545 | 211,845 | 205,053 | 34,157 | 33,755 | 30,799 | 29,477 | - | - | 1,215,765 | 1,146,015 |
| Grants and subsidies | 819,568 | 684,246 | 705,655 | 666,345 | 93,956 | 84,768 | 194,702 | 32,721 | 190,869 | 203,591 | - | - | 2,004,750 | 1,671,671 |
| Finance costs | 65,870 | 64,449 | 34,613 | 34,308 | 20,968 | 17,434 | 2,730 | 2,757 | 5,443 | 5,394 | - | - | 129,624 | 124,342 |
| Total expenses excluding losses | 15,362,699 | 13,747,566 | 7,396,755 | 6,663,215 | 3,836,388 | 3,426,132 | 1,520,053 | 946,486 | 1,094,871 | 1,019,179 | - | - | 29,210,766 | 25,802,578 |
| Revenue | | | | | | | | | | | | | | |
| Appropriations *** | - | - | - | - | - | - | - | - | - | - | 17,135,207 | 15,016,407 | 17,135,207 | 15,016,407 |
| Acceptance by the Crown of employee benefits and other liabilities | (54,613) | (13,581) | (12,608) | 7,660 | (10,737) | 1,127 | (920) | 2,423 | (2,375) | 844 | - | - | (81,253) | (1,527) |
| Sale of goods and services from contracts with customers | 1,584,519 | 1,689,290 | 771,715 | 944,220 | 145,159 | 157,098 | 7,115 | 6,934 | 9,007 | 8,538 | - | - | 2,517,515 | 2,806,080 |
| Investment revenue | 3,601 | 13,703 | 1,402 | 5,336 | 525 | 1,998 | 166 | 633 | 200 | 760 | - | - | 5,894 | 22,430 |
| Grants and other contributions | 6,326,528 | 5,622,665 | 2,365,002 | 2,086,253 | 972,744 | 862,185 | 496,351 | 282,283 | 337,982 | 294,810 | - | - | 10,498,607 | 9,148,196 |
| Other income | 46,718 | 62,239 | 18,136 | 23,659 | 6,789 | 9,135 | 2,151 | 2,759 | 2,582 | 6,105 | - | - | 76,376 | 103,897 |
| Total revenue | 7,906,753 | 7,374,316 | 3,143,647 | 3,067,128 | 1,114,480 | 1,031,543 | 504,863 | 295,032 | 347,396 | 311,057 | 17,135,207 | 15,016,407 | 30,152,346 | 27,095,483 |
| Gains / (losses) on disposal | - | - | - | - | - | - | - | - | - | - | 127,658 | (33,815) | 127,658 | (33,815) |
| Impairment losses on financial assets | - | - | - | - | - | - | - | - | - | - | (63,439) | (65,973) | (63,439) | (65,973) |
| Other gains / (losses) | - | - | - | - | - | - | - | - | - | - | (65,755) | (67,163) | (65,755) | (67,163) |
| Net result from continuing operations | (7,455,946) | (6,373,250) | (4,253,108) | (3,596,087) | (2,721,908) | (2,394,589) | (1,015,190) | (651,454) | (747,475) | (708,122) | 17,133,671 | 14,029,456 | 940,044 | 305,954 |
| Net result from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net result | (7,455,946) | (6,373,250) | (4,253,108) | (3,596,087) | (2,721,908) | (2,394,589) | (1,015,190) | (651,454) | (747,475) | (708,122) | 17,133,671 | 14,029,456 | 940,044 | 305,954 |
| Other comprehensive income | | | | | | | | | | | | | | |
| Items that will not be reclassified to net result in subsequent periods | | | | | | | | | | | | | | |
| Changes in revaluation surplus of property, plant and equipment | 1,109,890 | 153,831 | 565,529 | 81,876 | 377,999 | 55,122 | 60,947 | 9,070 | 54,956 | 7,918 | - | - | 2,169,321 | 307,817 |
| Total other comprehensive income | (6,346,056) | (6,219,419) | (3,687,579) | (3,514,211) | (2,343,909) | (2,339,467) | (954,243) | (642,384) | (692,519) | (700,204) | 17,133,671 | 14,029,456 | 3,109,365 | 613,771 |

* The name and purpose of each outcome is summarised in Note 18 (b).

** Outcome balances have been restated in 2021. See Note 17 for details regarding restated prior year balances for the consolidated entity.

*** Appropriations are made on an entity basis and not to individual outcomes. Consequently, appropriations are included in the 'Not Attributable' column.

Ministry of Health
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18. Outcomes of the consolidated entity (continued)
(a) Outcome statements of the consolidated entity (continued)

CONSOLIDATED

| CONSOLIDATED ENTITY ASSETS AND LIABILITIES | Outcome 1 * | | Outcome 2 * | | Outcome 3 * | | Outcome 4 * | | Outcome 5 * | | Not Attributable | | Total | |
|--|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|------------------|---------|-------------------|-------------------|
| | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** | 2022 | 2021 ** |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| ASSETS | | | | | | | | | | | | | | |
| Current assets | | | | | | | | | | | | | | |
| Cash and cash equivalents | 1,518,352 | 1,082,137 | 731,048 | 524,447 | 379,164 | 289,755 | 150,232 | 74,522 | 108,210 | 80,210 | - | - | 2,887,006 | 2,031,071 |
| Receivables | 920,413 | 751,921 | 448,272 | 420,282 | 84,320 | 69,926 | 4,133 | 3,086 | 5,232 | 3,800 | - | - | 1,462,370 | 1,249,015 |
| Contract assets | 822 | 1,081 | 401 | 604 | 75 | 100 | 4 | 4 | 5 | 5 | - | - | 1,307 | 1,794 |
| Inventories | 453,876 | 353,330 | 205,560 | 158,391 | 98,870 | 78,491 | 63,963 | 28,109 | 22,808 | 17,466 | - | - | 845,077 | 635,787 |
| Financial assets at fair value | 51,791 | 86,178 | 24,936 | 41,766 | 12,933 | 21,483 | 5,124 | 5,935 | 3,691 | 6,388 | - | - | 98,475 | 161,750 |
| Other financial assets | 41 | 1,638 | 19 | 793 | 10 | 408 | 4 | 113 | 3 | 121 | - | - | 77 | 3,073 |
| Non-current assets held for sale | 1,690 | 1,416 | 861 | 754 | 576 | 508 | 93 | 84 | 84 | 73 | - | - | 3,304 | 2,835 |
| Total current assets | 2,946,985 | 2,277,701 | 1,411,097 | 1,147,037 | 575,948 | 440,671 | 223,553 | 111,853 | 140,033 | 108,063 | - | - | 5,297,616 | 4,085,325 |
| Non-current assets | | | | | | | | | | | | | | |
| Receivables | 14,285 | 21,335 | 6,957 | 11,926 | 1,309 | 1,984 | 64 | 88 | 81 | 108 | - | - | 22,696 | 35,441 |
| Financial assets at fair value | 5,212 | 17,114 | 2,510 | 8,294 | 1,302 | 4,266 | 516 | 1,179 | 371 | 1,269 | - | - | 9,911 | 32,122 |
| Other financial assets | 45,446 | 44,951 | 21,882 | 21,785 | 11,349 | 11,205 | 4,497 | 3,096 | 3,239 | 3,332 | - | - | 86,413 | 84,369 |
| Property, plant and equipment | | | | | | | | | | | | | | |
| - Land and buildings | 12,357,036 | 10,755,175 | 6,296,355 | 5,724,400 | 4,208,482 | 3,853,915 | 678,559 | 634,149 | 611,855 | 553,569 | - | - | 24,152,287 | 21,521,208 |
| - Plant and equipment | 759,667 | 688,163 | 387,078 | 366,273 | 258,723 | 246,591 | 41,715 | 40,576 | 37,615 | 35,420 | - | - | 1,484,798 | 1,377,023 |
| - Infrastructure systems | 364,161 | 308,562 | 185,553 | 164,231 | 124,024 | 110,567 | 19,997 | 18,193 | 18,031 | 15,882 | - | - | 711,766 | 617,435 |
| Right-of-use assets | 313,492 | 557,522 | 159,735 | 296,223 | 106,767 | 199,449 | 17,215 | 32,832 | 15,522 | 28,671 | - | - | 612,731 | 1,114,697 |
| Intangible assets | 356,718 | 344,602 | 181,760 | 183,414 | 121,488 | 123,482 | 19,588 | 20,319 | 17,663 | 17,737 | - | - | 697,217 | 689,554 |
| Total non-current assets | 14,216,017 | 12,737,424 | 7,241,830 | 6,776,546 | 4,833,444 | 4,551,459 | 782,151 | 750,432 | 704,377 | 655,988 | - | - | 27,777,819 | 25,471,849 |
| TOTAL ASSETS | 17,163,002 | 15,015,125 | 8,652,927 | 7,923,583 | 5,409,392 | 4,992,130 | 1,005,704 | 862,285 | 844,410 | 764,051 | - | - | 33,075,435 | 29,557,174 |
| LIABILITIES | | | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | | | |
| Payables | 1,276,219 | 1,045,866 | 577,999 | 468,842 | 278,006 | 232,337 | 179,852 | 83,202 | 64,132 | 51,701 | - | - | 2,376,208 | 1,881,948 |
| Contract liabilities | 33,764 | 43,384 | 12,622 | 16,097 | 5,191 | 6,653 | 2,649 | 2,178 | 1,804 | 2,275 | - | - | 56,030 | 70,587 |
| Borrowings | 88,378 | 98,637 | 42,551 | 47,808 | 22,069 | 24,582 | 8,744 | 6,791 | 6,298 | 7,313 | - | - | 168,040 | 185,131 |
| Provisions | 1,854,496 | 1,532,163 | 853,718 | 703,267 | 509,234 | 408,264 | 119,113 | 100,905 | 129,925 | 107,138 | - | - | 3,466,486 | 2,851,737 |
| Other current liabilities | 47,969 | 72,483 | 23,096 | 35,128 | 11,979 | 18,069 | 4,746 | 4,992 | 3,419 | 5,373 | - | - | 91,209 | 136,045 |
| Total current liabilities | 3,300,826 | 2,792,533 | 1,509,996 | 1,271,142 | 826,479 | 689,905 | 315,104 | 198,068 | 205,578 | 173,800 | - | - | 6,157,973 | 5,125,448 |
| Non-current liabilities | | | | | | | | | | | | | | |
| Contract liabilities | 651 | - | 244 | - | 100 | - | 51 | - | 35 | - | - | - | 1,081 | - |
| Borrowings | 790,485 | 1,132,096 | 380,598 | 548,708 | 197,400 | 282,138 | 78,214 | 77,942 | 56,336 | 83,928 | - | - | 1,503,033 | 2,124,812 |
| Provisions | 32,037 | 33,672 | 14,749 | 15,456 | 8,797 | 8,973 | 2,058 | 2,218 | 2,245 | 2,355 | - | - | 59,886 | 62,674 |
| Other non-current liabilities | 175,871 | 178,243 | 84,678 | 86,384 | 43,919 | 44,433 | 17,402 | 12,275 | 12,534 | 13,212 | - | - | 334,404 | 334,547 |
| Total non-current liabilities | 999,044 | 1,344,011 | 480,269 | 650,548 | 250,216 | 335,544 | 97,725 | 92,435 | 71,150 | 99,495 | - | - | 1,898,404 | 2,522,033 |
| TOTAL LIABILITIES | 4,299,870 | 4,136,544 | 1,990,265 | 1,921,690 | 1,076,695 | 1,025,449 | 412,829 | 290,503 | 276,728 | 273,295 | - | - | 8,056,377 | 7,647,481 |
| NET ASSETS | 12,863,132 | 10,878,581 | 6,662,672 | 6,001,893 | 4,332,697 | 3,966,681 | 592,875 | 571,782 | 567,682 | 490,756 | - | - | 25,019,058 | 21,909,693 |

* The name and purpose of each outcome is summarised in Note 18 (b).

** Outcome balances have been restated in 2021. See Note 17 for details regarding restated prior year balances for the consolidated entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

18. Outcomes of the consolidated entity (continued)

(b) Outcome name and purpose of the consolidated entity

| Outcome name | Outcome purpose |
|---|--|
| <p>Outcome 1 - People receive high-quality, safe care in our hospitals</p> | <p>This outcome reflects the state's responsibility to manage and administer public hospitals. When people are admitted to a hospital in NSW they can expect world-class medical and surgical care within clinically recommended timeframes.</p> |
| <p>Outcome 2 - People can access care in out of hospital settings to manage their health and wellbeing</p> | <p>This outcome reflects that healthcare extends beyond the hospital and needs to connect across settings to reduce the burden of chronic disease, assist people with conditions to live well and avoid complications, support people to recover from illness and injury, and prevent avoidable hospitalisations. NSW Health services funded to achieve this outcome include non-admitted and community based services, sub-acute services, hospital in the home, and dental services.</p> |
| <p>Outcome 3 - People receive timely emergency care</p> | <p>NSW Health often provides the first point of contact for those needing access to emergency healthcare and is responsible for managing and administering ambulance and emergency services.</p> |
| <p>Outcome 4 - Keeping people healthy through prevention and health promotion</p> | <p>This outcome reflects that preventive and population health is critical to keeping people healthier. It covers a range of functions NSW Health is responsible for including to protect and promote public health, control infectious diseases, reduce preventable diseases and death, help people manage their own health, and promote equitable health outcomes in the community.</p> |
| <p>Outcome 5 - Our people and systems are continuously improving to deliver the best health outcomes and experiences</p> | <p>A skilled workforce with access to world leading education and training, and a system that harnesses research and digital innovation essential to continuously improving outcomes and experiences of care across the system. These enablers are delivered by a range of statutory bodies and system managers.</p> |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

19. Cash and cash equivalents

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Cash at bank and on hand | 2,887,006 | 1,848,096 | 614,647 | 160,068 |
| Short-term deposits | - | 182,975 | - | - |
| | 2,887,006 | 2,031,071 | 614,647 | 160,068 |

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

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Cash and cash equivalents (per Statement of Financial Position) | 2,887,006 | 2,031,071 | 614,647 | 160,068 |
| | 2,887,006 | 2,031,071 | 614,647 | 160,068 |

Refer to Note 44 for details regarding credit risk and market risk arising from financial instruments.

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

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

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

20. Receivables

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Trade receivables from contracts with customers | 1,070,767 | 893,580 | 571,648 | 385,298 |
| Receivables from controlled health entities | - | - | 10,335 | 26,636 |
| Goods and Services Tax | 178,108 | 161,606 | 21,490 | 12,738 |
| Other receivables | 149,286 | 130,378 | 33,425 | 14,469 |
| | 1,398,161 | 1,185,564 | 636,898 | 439,141 |
| Less: allowance for expected credit losses* | | | | |
| - Trade receivables from contracts with customers | (131,560) | (102,130) | - | - |
| - Other receivables | (3,899) | (3,903) | - | - |
| | 1,262,702 | 1,079,531 | 636,898 | 439,141 |
| Prepayments | 199,668 | 169,484 | 11,486 | 4,708 |
| Current receivables | 1,462,370 | 1,249,015 | 648,384 | 443,849 |
| Non-current | | | | |
| Trade receivables from contracts with customers | 102 | 43 | - | - |
| Other receivables | 24 | 41 | - | - |
| | 126 | 84 | - | - |
| Less: allowance for expected credit losses* | | | | |
| - Trade receivables from contracts with customers | (100) | (40) | - | - |
| - Other receivables | (2) | (19) | - | - |
| | 24 | 25 | - | - |
| Prepayments | 22,672 | 35,416 | - | - |
| Non-current receivables | 22,696 | 35,441 | - | - |

* Movement in the allowance for expected credit losses

Trade receivables from contracts with customers and other receivables

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Balance at the beginning of the year | (106,092) | (67,902) | - | - |
| Amounts written off during the year | 33,970 | 47,783 | - | - |
| (Increase) / decrease in allowance recognised in net result ¹ | (63,439) | (85,973) | - | - |
| Balance at the end of the year | (135,561) | (106,092) | - | - |

¹ Includes impairment loss of \$62.0 million (2021: \$84.1 million) recognised on trade receivables from contracts with customers.

Allowance for expected credit losses of \$135.6 million (2021: \$106.1 million) includes an allowance on trade receivables from contracts with customers of \$131.7 million (2021: \$102.2 million) and other receivables of \$3.9 million (2021: \$3.9 million).

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 44.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

20. Receivables (continued)

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 consolidated entity 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 consolidated entity 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 consolidated entity expects to receive, discounted at the original effective interest rate.

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

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Contract assets

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|-----------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Contract assets | 1,307 | 1,794 | 363 | 276 |
| | 1,307 | 1,794 | 363 | 276 |

Recognition and Measurement

Contract assets relate to the consolidated entity's right to consideration in exchange for goods and services transferred to customers / works completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the consolidated entity issues an invoice to the customer. The balance of the contract assets relates to grants and other contributions for work completed but not yet invoiced as future work is required to be completed before the consolidated entity has the rights to invoice. Once all performance obligations are met and the consolidated entity has rights to invoice for the payment to be made, the contract asset is transferred to receivables.

The contract asset balance has slightly reduced during the year due to the varying billing arrangements from contracts existing at different reporting dates.

| | Consolidated 2022 \$000 | Consolidated ¹ 2021 \$000 | Parent 2022 \$000 | Parent ¹ 2021 \$000 |
|--|-------------------------------|--|-------------------------|--------------------------------------|
| Contract receivables (included in Note 20) | 1,070,868 | 893,622 | 581,984 | 411,935 |
| | 1,070,868 | 893,622 | 581,984 | 411,935 |

¹ The consolidated entity also reclassified a contract receivable balance to other receivables resulting in a reduction to the prior year balance of \$3.04 million.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Inventories

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Held-for-distribution | | | | |
| Drug supplies | 127,684 | 85,378 | 38,009 | 29,760 |
| Medical and surgical supplies | 866,030 | 1,102,267 | 1,889 | 2,017 |
| Food and hotel supplies | 2,762 | 3,138 | - | - |
| Other | 4,071 | 3,733 | - | - |
| | 1,000,547 | 1,194,516 | 39,898 | 31,777 |
| Current | | | | |
| Held-for-resale | | | | |
| Medical and surgical supplies | 102,540 | - | - | - |
| | 102,540 | - | - | - |
| Less: Allowance for impairment | | | | |
| - Drug supplies | (11,306) | - | - | - |
| - Medical and surgical supplies | (246,704) | (558,729) | - | - |
| | 845,077 | 635,787 | 39,898 | 31,777 |

The majority of the inventory held-for-distribution is held for consumption in the ordinary activities of the consolidated entity and upon consumption, are expensed in food supplies, medical and surgical supplies and pharmaceutical supplies (Note 3).

Medical and surgical supplies inventory held-for-resale consist of items the consolidated entity has agreed to resell to the Commonwealth for inclusion in the national medical stockpile.

Recognition and Measurement

Material inventories are held for distribution (consumed in the ordinary activities of the consolidated entity). 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. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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 consolidated entity made an allowance for impairment of medical and surgical supplies of \$558.73 million. The allowance for impairment was based on a consumption forecast model, on medical and surgical supply categories that are likely to expire before they are consumed or are in an unserviceable condition (does not meet the clinical requirements) and have no alternative use before they expire.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Inventories

Recognition and Measurement (continued)

The consolidated entity has reviewed the allowance for impairment in 2022, by taking into consideration the changes in the consumption level of the medical and surgical supplies through the different strains and stages of COVID-19 and the amount written-off. In 2022, the consolidated entity wrote-off \$367.4 million (2021: \$217.06 million) of medical and surgical supplies that had expired and were not fit for purpose. The write-off reduced the allowance for impairment by the same amount. An additional allowance for impairment of \$55.37 million was recognised in the Statement of Comprehensive Income due to inventory movements and changes in the consumption forecasts for medical and surgical supplies. Overall, the allowance for impairment reduced by \$312.03 million during the year.

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 consolidated entity 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 Ministry.

At the beginning of 2021, the rollout of the Commonwealth's COVID-19 vaccine program commenced, with the aim of providing free vaccines to all Australians. The consolidated entity played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumed the responsibility for procuring and distributing vaccines to all states and territories. The consolidated entity received COVID-19 vaccines for nil consideration and provided to the public free of charge. On the basis that the consolidated entity controls the inventory once it is received from the Commonwealth, the value of the inventory received, distributed and wasted were recognised by the consolidated entity.

The value attributable to each vaccine received was its fair value based on replacement cost. The consolidated entity was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the consolidated entity.

The value of the vaccines received, administered and granted during the financial year ended 30 June 2022 was \$130.02 million (2021: \$22.25 million), \$116.83 million (2021: \$17.12 million) and \$0.39 million (2021: \$Nil), respectively. \$5.36 million (2021: \$0.15 million) of vaccines were written-off during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$12.42 million (2021: \$4.98 million) which is included as part of drug supplies.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Financial assets at fair value

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Derivatives | 1,590 | - | - | - |
| TCorpIM Funds Investment facilities | 96,885 | 161,750 | - | - |
| | 98,475 | 161,750 | - | - |
| Non-current | | | | |
| Derivatives | 9,911 | - | - | - |
| TCorpIM Funds Investment facilities | - | 32,122 | - | - |
| | 9,911 | 32,122 | - | - |

Refer to Note 44 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

Classification and measurement

The consolidated entity's financial assets at fair value are classified, at initial recognition, at fair value through profit or loss.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9 *Financial Instruments* (AASB 9).

Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives are economic hedges classified as fair value through profit or loss unless they are designated as effective hedging instruments.

Derivative contracts are carried as financial assets when their fair value at the reporting date is positive. Derivative contracts maturing less than 12 months are classified as current and all other contracts as non-current.

The consolidated entity has elected not to apply hedge accounting to the economic hedges.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Financial assets at fair value (continued)

Recognition and Measurement (continued)

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains / (losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

24. Other financial assets

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Other loans and deposits | - | 3,000 | - | - |
| Receivables on finance leases as lessor (Note 26) | 77 | 73 | - | - |
| Intra health loans receivable | - | - | 500,800 | 308,232 |
| | 77 | 3,073 | 500,800 | 308,232 |
| Non-current | | | | |
| Receivables on finance leases as lessor (Note 26) | 86,413 | 84,369 | - | - |
| Intra health loans receivable | - | - | 3,028 | 7,205 |
| | 86,413 | 84,369 | 3,028 | 7,205 |

The current intra health loans receivable balance within the parent entity includes \$495.80 million (2021: \$303.23 million) of cash advances provided to HealthShare NSW to make all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the controlled entities.

Refer to Note 44 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement

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

Other financial assets are initially measured at fair value plus any transaction costs.

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Other financial assets (continued)

Impairment (continued)

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, the consolidated entity considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The consolidated entity's term deposits are issued by financial institutions that have strong credit ratings and are therefore considered to be low credit risk investments. Hence the consolidated entity measures the loss allowance for term deposits at an amount equal to a 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The consolidated entity uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

For lease receivables, the entity applies the simplified approach permitted by AASB 9 *Financial Instruments*, where the loss allowance is based on lifetime ECLs.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment

(a) Total property, plant and equipment

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|-------------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 28,838,975 | 2,828,680 | 997,922 | 32,665,577 |
| Less: accumulated depreciation and impairment | (8,920,544) | (1,560,533) | (487,846) | (10,968,923) |
| Net carrying amount | 19,918,431 | 1,268,147 | 510,076 | 21,696,654 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 19,918,431 | 1,268,147 | 510,076 | 21,696,654 |
| Additions | 2,091,179 | 408,929 | 42,290 | 2,542,398 |
| Reclassifications to intangibles | - | (2,294) | - | (2,294) |
| Reclassification to right-of-use assets | (427) | - | - | (427) |
| Reclassification from/(to) assets held for sale | 3,544 | - | (483) | 3,061 |
| Disposals | (45,123) | (11,770) | (993) | (57,886) |
| Equity transfers in/(out) ⁽ⁱⁱ⁾ | (99,749) | - | (1,370) | (101,119) |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 294,357 | 3 | 13,457 | 307,817 |
| Depreciation expense | (607,736) | (235,588) | (29,214) | (872,538) |
| Other reclassifications within property, plant and equipment | (33,268) | (50,404) | 83,672 | - |
| Net carrying amount at end of year | 21,521,208 | 1,377,023 | 617,435 | 23,515,666 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

(ii) Further details regarding equity transfers are disclosed in Note 36(a).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|-------------------|
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 31,219,657 | 3,041,014 | 1,146,858 | 35,407,529 |
| Less: accumulated depreciation and impairment | (9,698,449) | (1,663,991) | (529,423) | (11,891,863) |
| Net carrying amount | 21,521,208 | 1,377,023 | 617,435 | 23,515,666 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 21,521,208 | 1,377,023 | 617,435 | 23,515,666 |
| Additions | 1,361,314 | 302,751 | 2,120 | 1,666,185 |
| Reclassifications to intangibles | - | (1,375) | - | (1,375) |
| Reclassification from inventory | - | 4,694 | - | 4,694 |
| Reclassification from/(to) assets held for sale | (1,263) | - | 483 | (780) |
| Disposals | (57,430) | (10,469) | (579) | (68,478) |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 2,092,913 | - | 76,408 | 2,169,321 |
| Depreciation expense | (660,710) | (243,810) | (31,862) | (936,382) |
| Other reclassifications within property, plant and equipment | (103,745) | 55,984 | 47,761 | - |
| Net carrying amount at end of year | 24,152,287 | 1,484,798 | 711,766 | 26,348,851 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| At 30 June 2022 - fair value | | | | |
| Gross carrying amount | 35,667,258 | 3,241,263 | 1,331,840 | 40,240,361 |
| Less: accumulated depreciation and impairment | (11,514,971) | (1,756,465) | (620,074) | (13,891,510) |
| Net carrying amount | 24,152,287 | 1,484,798 | 711,766 | 26,348,851 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

The net carrying amount of service concession assets included in each class of property, plant and equipment as at 30 June 2022:

- land and buildings \$829.65 million (2021: \$765.88 million)
- plant and equipment \$25.77 million (2021: \$31.13 million)
- infrastructure systems \$24.82 million (2021: \$22.8 million)

During the current period, the net carrying amount of \$Nil (2021: \$0.76 million) for existing assets of the consolidated entity has been reclassified as service concession assets.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the consolidated entity

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|-------------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 28,573,580 | 2,828,680 | 997,922 | 32,400,182 |
| Less: accumulated depreciation and impairment | (8,785,021) | (1,560,533) | (487,846) | (10,833,400) |
| Net carrying amount | 19,788,559 | 1,268,147 | 510,076 | 21,566,782 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 19,788,559 | 1,268,147 | 510,076 | 21,566,782 |
| Additions | 2,038,334 | 408,929 | 42,290 | 2,489,553 |
| Reclassifications to intangibles | - | (2,294) | - | (2,294) |
| Reclassification to right-of-use assets | (427) | - | - | (427) |
| Reclassification from assets held for sale | 3,544 | - | (483) | 3,061 |
| Disposals | (45,123) | (11,770) | (993) | (57,886) |
| Equity transfers in/(out) ⁽ⁱⁱ⁾ | (99,749) | - | (1,370) | (101,119) |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 292,699 | 3 | 13,457 | 306,159 |
| Depreciation expense | (601,716) | (235,588) | (29,214) | (866,518) |
| Other reclassifications within property, plant and equipment | (40,009) | (50,404) | 83,454 | (6,959) |
| Net carrying amount at end of year | 21,336,112 | 1,377,023 | 617,217 | 23,330,352 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

(ii) Further details regarding equity transfers are disclosed in Note 36(a).

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the consolidated entity (continued)

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|-------------------|
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 30,895,464 | 3,041,014 | 1,146,387 | 35,082,865 |
| Less: accumulated depreciation and impairment | (9,559,352) | (1,663,991) | (529,170) | (11,752,513) |
| Net carrying amount | 21,336,112 | 1,377,023 | 617,217 | 23,330,352 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 21,336,112 | 1,377,023 | 617,217 | 23,330,352 |
| Additions | 1,360,034 | 302,751 | 2,120 | 1,664,905 |
| Reclassifications to intangibles | - | (1,375) | - | (1,375) |
| Reclassification from inventory | - | 4,694 | - | 4,694 |
| Reclassification from/(to) assets held for sale | (1,263) | - | 483 | (780) |
| Disposals | (57,430) | (10,469) | (579) | (68,478) |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 2,083,728 | - | 76,383 | 2,160,111 |
| Depreciation expense | (651,817) | (243,810) | (31,850) | (927,477) |
| Other reclassifications within property, plant and equipment | (126,281) | 55,984 | 47,761 | (22,536) |
| Net carrying amount at end of year | 23,943,083 | 1,484,798 | 711,535 | 26,139,416 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| At 30 June 2022 - fair value | | | | |
| Gross carrying amount | 35,279,171 | 3,241,263 | 1,331,310 | 39,851,744 |
| Less: accumulated depreciation and impairment | (11,336,088) | (1,756,465) | (619,775) | (13,712,328) |
| Net carrying amount | 23,943,083 | 1,484,798 | 711,535 | 26,139,416 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(c) Property, plant and equipment where the consolidated entity is the lessor under operating leases

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 265,395 | - | - | 265,395 |
| Less: accumulated depreciation and impairment | (135,523) | - | - | (135,523) |
| Net carrying amount | 129,872 | - | - | 129,872 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 129,872 | - | - | 129,872 |
| Additions | 52,845 | - | - | 52,845 |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 1,658 | - | - | 1,658 |
| Depreciation expense | (6,020) | - | - | (6,020) |
| Other reclassifications within property, plant and equipment | 6,741 | - | 218 | 6,959 |
| Net carrying amount at end of year | 185,096 | - | 218 | 185,314 |

⁽ⁱ⁾ Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(c) Property, plant and equipment where the consolidated entity is the lessor under operating leases (continued)

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 324,193 | - | 471 | 324,664 |
| Less: accumulated depreciation and impairment | (139,097) | - | (253) | (139,350) |
| Net carrying amount | 185,096 | - | 218 | 185,314 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 185,096 | - | 218 | 185,314 |
| Additions | 1,280 | - | - | 1,280 |
| Disposals | - | - | - | - |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 9,185 | - | 25 | 9,210 |
| Depreciation expense | (8,893) | - | (12) | (8,905) |
| Other reclassifications within property, plant and equipment | 22,536 | - | - | 22,536 |
| Net carrying amount at end of year | 209,204 | - | 231 | 209,435 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| At 30 June 2022 - fair value | | | | |
| Gross carrying amount | 388,087 | - | 530 | 388,617 |
| Less: accumulated depreciation and impairment | (178,883) | - | (299) | (179,182) |
| Net carrying amount | 209,204 | - | 231 | 209,435 |

⁽ⁱ⁾ Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(a) Total property, plant and equipment

PARENT

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 314,103 | 10,081 | 3,879 | 328,063 |
| Less: accumulated depreciation and impairment | (127,606) | (5,384) | (2,918) | (135,908) |
| Net carrying amount | 186,497 | 4,697 | 961 | 192,155 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 186,497 | 4,697 | 961 | 192,155 |
| Additions | 26 | 4,107 | - | 4,133 |
| Disposals | (11,036) | (394) | - | (11,430) |
| Transfers to NSW Health entities | - | (4,133) | - | (4,133) |
| Equity transfers in/(out) ⁽ⁱⁱ⁾ | 11,036 | 2 | - | 11,038 |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | (1,202) | - | - | (1,202) |
| Depreciation expense | (5,663) | (357) | (97) | (6,117) |
| Net carrying amount at end of year | 179,658 | 3,922 | 864 | 184,444 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

(ii) Further details regarding equity transfers are disclosed in Note 36(a).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

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

PARENT

| | Land and Buildings | Plant and Equipment | Infrastructure systems | Total |
|--|-----------------------|------------------------|---------------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 |
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 312,927 | 6,579 | 3,879 | 323,385 |
| Less: accumulated depreciation and impairment | (133,269) | (2,657) | (3,015) | (138,941) |
| Net carrying amount | 179,658 | 3,922 | 864 | 184,444 |
| | Land and Buildings | Plant and Equipment | Infrastructure systems | Total |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 179,658 | 3,922 | 864 | 184,444 |
| Additions | - | 5,640 | - | 5,640 |
| Disposals | (10,655) | (13) | (558) | (11,226) |
| Transfers to NSW Health entities | (5,030) | - | - | (5,030) |
| Equity transfers in/(out) ⁽ⁱⁱ⁾ | 9,559 | - | 558 | 10,117 |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 23,420 | - | 228 | 23,648 |
| Depreciation expense | (7,217) | (774) | (104) | (8,095) |
| Other reclassifications within property, plant and equipment | (17,447) | 17,447 | - | - |
| Net carrying amount at end of year | 172,288 | 26,222 | 988 | 199,498 |
| | Land and Buildings | Plant and Equipment | Infrastructure systems | Total |
| | \$000 | \$000 | \$000 | \$000 |
| As at 30 June 2022 | | | | |
| Gross carrying amount | 328,942 | 30,136 | 4,554 | 363,632 |
| Less: accumulated depreciation and impairment | (156,654) | (3,914) | (3,566) | (164,134) |
| Net carrying amount | 172,288 | 26,222 | 988 | 199,498 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

(ii) Further details regarding equity transfers are disclosed in Note 36(a).

The parent entity does not have any service concession assets for the periods ended 30 June 2022 and 30 June 2021. During the current period, no existing assets of the parent entity have been reclassified as service concession assets.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the parent entity

PARENT

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 200,215 | 10,081 | 3,879 | 214,175 |
| Less: accumulated depreciation and impairment | (52,204) | (5,384) | (2,918) | (60,506) |
| Net carrying amount | 148,011 | 4,697 | 961 | 153,669 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 148,011 | 4,697 | 961 | 153,669 |
| Additions | 26 | 4,107 | - | 4,133 |
| Disposals | (11,036) | (394) | - | (11,430) |
| Transfers to NSW Health entities | - | (4,133) | - | (4,133) |
| Equity transfers in/(out) ⁽ⁱⁱ⁾ | 11,036 | 2 | - | 11,038 |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | (1,202) | - | - | (1,202) |
| Depreciation expense | (3,226) | (357) | (97) | (3,680) |
| Other reclassifications within property, plant and equipment | 3,544 | - | - | 3,544 |
| Net carrying amount at end of year | 147,153 | 3,922 | 864 | 151,939 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

(ii) Further details regarding equity transfers are disclosed in Note 36(a).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the parent entity (continued)

PARENT

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 207,018 | 6,579 | 3,879 | 217,476 |
| Less: accumulated depreciation and impairment | (59,865) | (2,657) | (3,015) | (65,537) |
| Net carrying amount | 147,153 | 3,922 | 864 | 151,939 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 147,153 | 3,922 | 864 | 151,939 |
| Additions | - | 5,640 | - | 5,640 |
| Disposals | (10,655) | (13) | (558) | (11,226) |
| Transfers to NSW Health entities | (5,030) | - | - | (5,030) |
| Equity transfers in/(out) ⁽ⁱⁱ⁾ | 9,559 | - | 558 | 10,117 |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 15,403 | - | 228 | 15,631 |
| Depreciation expense | (4,712) | (774) | (104) | (5,590) |
| Other reclassifications within property, plant and equipment | (17,447) | 17,447 | - | - |
| Net carrying amount at end of year | 134,271 | 26,222 | 988 | 161,481 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| At 30 June 2022 - fair value | | | | |
| Gross carrying amount | 207,095 | 30,136 | 4,554 | 241,785 |
| Less: accumulated depreciation and impairment | (72,824) | (3,914) | (3,566) | (80,304) |
| Net carrying amount | 134,271 | 26,222 | 988 | 161,481 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

(ii) Further details regarding equity transfers are disclosed in Note 36(a).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(c) Property, plant and equipment where the parent entity is the lessor under operating leases

PARENT

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2020 - fair value | | | | |
| Gross carrying amount | 113,888 | - | - | 113,888 |
| Less: accumulated depreciation and impairment | (75,402) | - | - | (75,402) |
| Net carrying amount | 38,486 | - | - | 38,486 |
| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
| Year ended 30 June 2021 | | | | |
| Net carrying amount at beginning of year | 38,486 | - | - | 38,486 |
| Depreciation expense | (2,437) | - | - | (2,437) |
| Other reclassifications within property, plant and equipment | (3,544) | - | - | (3,544) |
| Net carrying amount at end of year | 32,505 | - | - | 32,505 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

(c) Property, plant and equipment where the parent entity is the lessor under operating leases (continued)

PARENT

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|---|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 1 July 2021 - fair value | | | | |
| Gross carrying amount | 105,909 | - | - | 105,909 |
| Less: accumulated depreciation and impairment | (73,404) | - | - | (73,404) |
| Net carrying amount | 32,505 | - | - | 32,505 |

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|------------------------------------|----------------|
| Year ended 30 June 2022 | | | | |
| Net carrying amount at beginning of year | 32,505 | - | - | 32,505 |
| Net revaluation increment less revaluation decrements ⁽ⁱ⁾ | 8,017 | - | - | 8,017 |
| Depreciation expense | (2,505) | - | - | (2,505) |
| Net carrying amount at end of year | 38,017 | - | - | 38,017 |

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 29(b).

| | Land and Buildings \$000 | Plant and Equipment \$000 | Infrastructure systems \$000 | Total \$000 |
|---|--------------------------------|---------------------------------|------------------------------------|----------------|
| At 30 June 2022 - fair value | | | | |
| Gross carrying amount | 121,847 | - | - | 121,847 |
| Less: accumulated depreciation and impairment | (83,830) | - | - | (83,830) |
| Net carrying amount | 38,017 | - | - | 38,017 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. 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 in Note 36).

Land and buildings which are owned by the Health Administration Corporation or the State and operated by the parent or its controlled entities are deemed to be controlled by the parent and its controlled entities and are recognised as such in the financial statements.

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Depreciation of property, plant and equipment

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 consolidated entity.

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

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:

| | Useful lives |
|------------------------------------|---------------------|
| Buildings | 40 years |
| Buildings - leasehold improvements | 3-40 years |
| Plant and equipment | 4-20 years |
| Infrastructure systems | 40 years |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Depreciation of property, plant and equipment (continued)

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 consolidated entity has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained at Note 26.

Service concession assets

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

AASB 1059 *Service Concession Arrangements* (AASB 1059) requires the grantor to recognise 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.

This note provides disclosures required under AASB 1059 and relates to the consolidated entity's service concession arrangements in place.

Based on the consolidated entity's assessment, the following arrangements fall in scope of AASB 1059:

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

| Description | Public Hospitals | | | | | | |
|---|--|----------------------------------|------------------------|---------------------------|------------------------|---------------------|------------------------|
| Name and description of the SCA | Northern Beaches Hospital and Hawkesbury Hospital are two public hospitals built under two separate Public Private Partnership (PPP) arrangements that are now treated as part of service concession arrangements. | | | | | | |
| Period of arrangement | <table border="0"> <tr> <td>Northern Beaches Public Hospital</td> <td>20 years (2018 - 2038)</td> </tr> <tr> <td>Northern Beaches Car Park</td> <td>40 years (2018 - 2058)</td> </tr> <tr> <td>Hawkesbury Hospital</td> <td>29 years (1994 - 2023)</td> </tr> </table> | Northern Beaches Public Hospital | 20 years (2018 - 2038) | Northern Beaches Car Park | 40 years (2018 - 2058) | Hawkesbury Hospital | 29 years (1994 - 2023) |
| Northern Beaches Public Hospital | 20 years (2018 - 2038) | | | | | | |
| Northern Beaches Car Park | 40 years (2018 - 2058) | | | | | | |
| Hawkesbury Hospital | 29 years (1994 - 2023) | | | | | | |
| Terms of the arrangement | The consolidated entity has contracted HealthScope (Operator for Northern Beaches Hospital) and St John of God Health Care (Operator for Hawkesbury Hospital) to build, operate and manage the hospitals and the car park for the duration of the arrangement. The construction of both hospitals was funded by the consolidated entity. Northern Beaches Hospital was paid upfront on completion of the construction works, while Hawkesbury Hospital was paid over time under a financing arrangement with the Operator. There are no remaining future construction payments. The Operator has fully funded the Northern Beaches car park, and the consolidated entity has granted rights to the Operator to operate and generate revenue from that car park. Annual service level agreements are entered into for the delivery of public health services at both hospitals with the Operator, which is funded by the consolidated entity, paid on a monthly basis. | | | | | | |
| Rights and obligations | The consolidated entity is obligated to provide both operators access to the hospital and the carpark. The operators are responsible for the delivery of health services to public patients at the hospital which the consolidated entity is obligated to pay for under the annual service agreements. At the end of the arrangement, the operators are obligated to return all assets back to the consolidated entity. For Northern Beaches Hospital, the consolidated entity will be sharing a portion of the hospital facilities with the private operator for an additional term of 20 years after the expiry of the concession period. The consolidated entity is required to issue a notice outlining what shared services will be provided by different parties. The consolidated entity has the right to extend the Northern Beaches Hospital arrangement for up to five years, by way of giving three years notice to the operator. For Hawkesbury Hospital, an extension of 18 months was negotiated with the Operator in 2022. The extension allows both parties to define and agree on the principles of a new service agreement, which will replace the existing service agreement. | | | | | | |
| Changes in arrangement occurring during 2021 | Nil | | | | | | |
| Changes in arrangement occurring during 2022 | An extension of 18 months was agreed for the Hawkesbury Hospital arrangement with the Operator. The change has no impact on the current accounting of this arrangement. | | | | | | |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

Carrying amounts of public hospital service concession assets

| | Land and buildings | Plant and equipment | Infrastructure Systems | Total |
|----------------------------------|-----------------------|------------------------|---------------------------|----------------|
| | 2021 | 2021 | 2021 | 2021 |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2021 | | | | |
| Northern Beaches Public Hospital | 542,852 | 27,524 | 22,051 | 592,427 |
| Northern Beaches Car Park | 49,381 | - | - | 49,381 |
| Hawkesbury Hospital | 58,404 | 3,609 | 709 | 62,722 |
| Net carrying amount | 650,637 | 31,133 | 22,760 | 704,530 |

| | Land and buildings | Plant and equipment | Infrastructure Systems | Total |
|----------------------------------|-----------------------|------------------------|---------------------------|----------------|
| | 2022 | 2022 | 2022 | 2022 |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2022 | | | | |
| Northern Beaches Public Hospital | 590,482 | 22,978 | 24,115 | 637,575 |
| Northern Beaches Car Park | 54,005 | - | - | 54,005 |
| Hawkesbury Hospital | 60,993 | 2,790 | 656 | 64,439 |
| Net carrying amount | 705,480 | 25,768 | 24,771 | 756,019 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

| Description | Hospital car parks | | | | | | | | |
|---|---|------------------|--------------------------|------------------|------------------------|-----------------------------------|------------------------|-----------------------------|------------------------|
| Name and description of the SCA | <p>Consist of three arrangements:</p> <ul style="list-style-type: none"> - Multi-storey carparks at Royal North Shore Hospital, RNSH P1 and RNSH P2 - Prince of Wales Hospital car parks - St George Hospital car parks | | | | | | | | |
| Period of arrangement | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">RNSH P1 car park</td> <td style="text-align: right;">26.5 years (2010 - 2036)</td> </tr> <tr> <td>RNSH P2 car park</td> <td style="text-align: right;">22 years (2014 - 2036)</td> </tr> <tr> <td>Prince of Wales hospital car park</td> <td style="text-align: right;">26 years (1997 - 2023)</td> </tr> <tr> <td>St George hospital car park</td> <td style="text-align: right;">25 years (1999 - 2024)</td> </tr> </table> | RNSH P1 car park | 26.5 years (2010 - 2036) | RNSH P2 car park | 22 years (2014 - 2036) | Prince of Wales hospital car park | 26 years (1997 - 2023) | St George hospital car park | 25 years (1999 - 2024) |
| RNSH P1 car park | 26.5 years (2010 - 2036) | | | | | | | | |
| RNSH P2 car park | 22 years (2014 - 2036) | | | | | | | | |
| Prince of Wales hospital car park | 26 years (1997 - 2023) | | | | | | | | |
| St George hospital car park | 25 years (1999 - 2024) | | | | | | | | |
| Terms of the arrangement | <p>The consolidated entity has contracted Infrashore (Operator) to build RNSH P2 car park and manage both RNSH P1 and P2 car parks for the duration of the arrangement. The construction of the RNSH P2 car park is funded by the consolidated entity, paid in instalments under a financing arrangement for the duration of the term. RNSH P1 car park was an existing carpark of the consolidated entity. The other two car parks (Prince of Wales hospital car park and St George hospital car park) were funded by the International Parking Group (Operator) which was contracted by the consolidated entity to build, manage and operate both car parks for the duration of the arrangement. For all these car parks, the consolidated entity has granted rights to the Operator to operate and generate revenue from the car parks. Upon grant of this right, the Operator has paid an upfront license fee to the consolidated entity.</p> | | | | | | | | |
| Rights and obligations | <p>The consolidated entity is obliged to provide the operators with access to the carparks and obligated to pay for the construction of the RNSH P2 car park under the financing arrangement with the Operator. The operators are responsible for operating the car parks and at the end of the arrangement, return all assets back to the consolidated entity. There are currently no provisions for extension of the term in the existing contract.</p> | | | | | | | | |
| Changes in arrangement occurring during 2021 | Nil | | | | | | | | |
| Changes in arrangement occurring during 2022 | Nil | | | | | | | | |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

Carrying amounts of hospital car park service concession assets

| | Land and buildings | Plant and equipment | Infrastructure Systems | Total |
|-----------------------------------|-----------------------|------------------------|---------------------------|----------------|
| | 2021 | 2021 | 2021 | 2021 |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2021 | | | | |
| RNSH P1 Car Park | 23,516 | - | - | 23,516 |
| RNSH P2 Car Park | 21,810 | - | - | 21,810 |
| St George Hospital Car Park | 9,771 | - | - | 9,771 |
| Prince of Wales Hospital Car Park | 50,364 | - | - | 50,364 |
| Net carrying amount | 105,461 | - | - | 105,461 |

| | Land and buildings | Plant and equipment | Infrastructure Systems | Total |
|-----------------------------------|-----------------------|------------------------|---------------------------|----------------|
| | 2022 | 2022 | 2022 | 2022 |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2022 | | | | |
| RNSH P1 Car Park | 24,485 | - | - | 24,485 |
| RNSH P2 Car Park | 23,614 | - | - | 23,614 |
| St George Hospital Car Park | 10,032 | - | - | 10,032 |
| Prince of Wales Hospital Car Park | 51,618 | - | - | 51,618 |
| Net carrying amount | 109,749 | - | - | 109,749 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

| Description | Hospital facilities | | | | |
|---|--|-------------------------------|------------------------|-------------------------|-------------------------|
| Name and description of the SCA | <p>Consist of two arrangements:</p> <p>Mental Health Recovery Centre - 10 bed residential Mental Health Sub-Acute Unit in Broken Hill that provides services to people across the Far West Local Health District. The Far West Mental Health Recovery Centre (Centre) is owned by the consolidated entity and operated by Neami Limited under a service agreement.</p> <p>Mercy Care Centre Young - 26 bed purpose-built sub-acute rehabilitation and palliative care unit in Young that provides services to the people of Young and surrounding regions. The Mercy Care Centre Young is owned by the consolidated entity and operated by Mercy Health under a 20 year lease agreement and annual service agreements.</p> | | | | |
| Period of arrangement | <table border="0"> <tr> <td>Mental Health Recovery Centre</td> <td>5 years (2019 to 2023)</td> </tr> <tr> <td>Mercy Care Centre Young</td> <td>20 years (2004 to 2024)</td> </tr> </table> | Mental Health Recovery Centre | 5 years (2019 to 2023) | Mercy Care Centre Young | 20 years (2004 to 2024) |
| Mental Health Recovery Centre | 5 years (2019 to 2023) | | | | |
| Mercy Care Centre Young | 20 years (2004 to 2024) | | | | |
| Terms of the arrangement | The consolidated entity has separately contracted Neami Limited (Operator for Mental Health Recovery Centre) and Mercy Health (Operator for Mercy Care Centre Young) to manage respective facilities for the duration of the arrangement. Separate funding arrangements have also been agreed to compensate the respective operators for managing the facilities. The capital assets associated with the arrangement have been provided by the consolidated entity to the operators. | | | | |
| Rights and obligations | The consolidated entity is obligated to provide both operators with access to the respective facilities. The operators are responsible for the delivery of specified services to patients at the respective facilities. The consolidated entity is obligated to pay for those services under the funding agreements. At the end of the arrangement, the operators are obliged to return all assets back to the consolidated entity. There is no provision for an extension of the terms, however they can be separately negotiated. | | | | |
| Changes in arrangement occurring during 2021 | Nil | | | | |
| Changes in arrangement occurring during 2022 | Nil | | | | |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

Carrying amounts of hospital facility service concession assets

| | Land and buildings | Plant and equipment | Infrastructure Systems | Total |
|--------------------------------|-----------------------|------------------------|---------------------------|--------------|
| | 2021 | 2021 | 2021 | 2021 |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2021 | | | | |
| Mental Health Recovery Centre | 4,885 | - | - | 4,885 |
| Mercy Care Centre Young | 4,899 | - | 38 | 4,937 |
| Net carrying amount | 9,784 | - | 38 | 9,822 |

| | Land and buildings | Plant and equipment | Infrastructure Systems | Total |
|--------------------------------|-----------------------|------------------------|---------------------------|---------------|
| | 2022 | 2022 | 2022 | 2022 |
| | \$000 | \$000 | \$000 | \$000 |
| Year ended 30 June 2022 | | | | |
| Mental Health Recovery Centre | 5,138 | - | - | 5,138 |
| Mercy Care Centre Young | 9,283 | - | 49 | 9,332 |
| Net carrying amount | 14,421 | - | 49 | 14,470 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Service concession assets (continued)

i. Initial recognition

For arrangements within the scope of AASB 1059, the entity recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* (AASB 13) principles.

Where the asset is an existing asset of the entity, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

ii. Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* (AASB 116) and AASB 136 *Impairment of Assets* (AASB 136).

iii. At the end of the arrangement

At the end of a service concession arrangement:

- the consolidated entity accounts for the asset in accordance with other AAS, with the entity reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the entity loses control of the asset in accordance with AASB 116.

Revaluations 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 21-09) and Treasurer's Direction, '*Valuation of Physical Non-Current Assets at Fair Value*' (TD 21-05). TD 21-05 and TPP 21-09 adopt fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

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

Fair value of property, plant and equipment is based on a market participant's perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 29 for further information regarding fair value.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Revaluations of property, plant and equipment (continued)

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 consolidated entity conducts a comprehensive revaluation at least every three years on a rotational basis 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 consolidated entity uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation for the parent entity was completed on 31 December 2021 and was based on an independent assessment.

Comprehensive revaluations are conducted annually in December on a rolling basis and are based on an independent assessment. A schedule of revaluations has been developed which rolls over every three years. Interim or out of schedule revaluations are conducted where cumulative changes to indicators suggest fair value may differ materially from carrying value.

Indices obtained from external professionally qualified valuers in 2022 indicated a material cumulative increase in market prices for land and a material increase in construction and labour costs for building and infrastructure from the last comprehensive revaluation. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment for land, building and infrastructure.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The consolidated entity 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 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Property, plant and equipment (continued)

Recognition and Measurement (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 consolidated entity 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 consolidated entity 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. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases

(a) Entity as a lessee

The consolidated entity leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 40 years (parent entity: 1 to 4 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 consolidated entity 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 consolidated entity 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 \$278.2 million (2021: \$297.85 million) (parent entity: \$Nil, 2021: \$2.5 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 \$0.2 million (2021: \$5.7 million) (parent entity: \$Nil, 2021: \$Nil).

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

The consolidated entity 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.

During financial year ended 30 June 2022, the consolidated entity has accepted changes in the office accommodation and warehouse arrangements with Property NSW (PNSW), an entity of the ultimate parent. The main change is the introduction of the 'substitution right' clause for PNSW to relocate the consolidated entity during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements with PNSW for office accommodation and warehouses are no longer accounted for as a lease within the scope of AASB 16 from the 30 June 2022. This change involves judgment that the 'substitution right' clause in the agreement provides PNSW with a substantive substitution right. Management has made a judgment that PNSW can obtain benefits from exercising the substitution right when it achieves office accommodation and warehouse efficiency at the whole-of-government level and/or its other service objectives. It is also considered practical for PNSW to exercise the substitution right due to the general nature of the relevant office accommodation and warehouses.

The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in 'Gains/(Losses) on disposal' (refer to Note 14). From 1 July 2022, the associated accommodation and warehouse charges will be recognised as expenses when incurred over the agreement duration.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

The consolidated entity continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the entity receives the economic benefits via using the fit-out or expected compensation from PNSW upon relocation. Therefore, the consolidated entity's accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation and warehouses remains unchanged.

Right-of-use assets under leases

The following table presents right-of-use assets that do not meet the definition of investment property.

There are no right-of-use assets that meet the definition of investment property.

CONSOLIDATED

| | Land and Buildings \$000 | Plant and Equipment \$000 | Total \$000 |
|--------------------------------|--------------------------------|---------------------------------|----------------|
| Balance at 1 July 2021 | 839,227 | 275,470 | 1,114,697 |
| Additions | 145,166 | 127,307 | 272,473 |
| Reassessments | 53,432 | 5,493 | 58,925 |
| Disposals* | (644,798) | (1,433) | (646,231) |
| Depreciation expense | (99,513) | (87,620) | (187,133) |
| Balance at 30 June 2022 | 293,514 | 319,217 | 612,731 |

* Disposal includes derecognition of the right-of-use assets of \$640.39 million with Property NSW as at the 30 June 2022.

| | Land and Buildings ¹ \$000 | Plant and Equipment \$000 | Total \$000 |
|--|---|---------------------------------|------------------|
| Balance at 1 July 2020 | 873,073 | 313,391 | 1,186,464 |
| Additions | 59,008 | 47,052 | 106,060 |
| Reassessments | 109,301 | 3,228 | 112,529 |
| Disposals | (7,408) | (1,588) | (8,996) |
| Depreciation expense | (95,973) | (86,613) | (182,586) |
| Impairment losses (recognised in 'Other gains / (losses)') | (99,201) | - | (99,201) |
| Reclassifications from property, plant and equipment | 427 | - | 427 |
| Balance at 30 June 2021 | 839,227 | 275,470 | 1,114,697 |

¹ Land and Buildings additions has been restated to be \$33.89 million higher and land and buildings depreciation expense has been restated to be \$6.13 million higher in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

Right-of-use assets under leases (continued)

PARENT

| | Land and Buildings \$000 | Plant and Equipment \$000 | Total \$000 |
|--------------------------------|--------------------------------|---------------------------------|----------------|
| Balance at 1 July 2021 | 488,036 | 67 | 488,103 |
| Additions | - | 86 | 86 |
| Reassessments | 679 | - | 679 |
| Disposals* | (441,951) | (19) | (441,970) |
| Depreciation expense | (29,190) | (37) | (29,227) |
| Balance at 30 June 2022 | 17,574 | 97 | 17,671 |

* Disposal includes derecognition of the right-of-use assets of \$441.95 million with Property NSW as at the 30 June 2022.

| | Land and Buildings ¹ \$000 | Plant and Equipment \$000 | Total \$000 |
|--|---|---------------------------------|----------------|
| Balance at 1 July 2020 | 511,160 | - | 511,160 |
| Additions | 33,895 | 80 | 33,975 |
| Reassessments | 72,181 | - | 72,181 |
| Depreciation expense | (28,877) | (31) | (28,908) |
| Impairment losses (recognised in 'Other gains / (losses)') | (92,526) | - | (92,526) |
| Equity transfers - transfers In / (out) ⁽ⁱ⁾ | (7,797) | 18 | (7,779) |
| Balance at 30 June 2021 | 488,036 | 67 | 488,103 |

(i) Further details regarding equity transfers are disclosed in Note 36(b).

¹ Land and Buildings additions has been restated to be \$33.89 million higher and land and buildings depreciation expense has been restated to be \$6.13 million higher in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases:

CONSOLIDATED

| | 2022 \$000 | 2021 ¹ \$000 |
|-------------------------------|----------------|----------------------------|
| Balance at 1 July | 1,238,328 | 1,197,742 |
| Additions | 272,271 | 104,989 |
| Interest expenses | 29,741 | 25,609 |
| Payments | (203,502) | (193,860) |
| Terminations / derecognition* | (771,746) | (8,681) |
| Other adjustments | 58,925 | 112,529 |
| Balance at 30 June | 624,017 | 1,238,328 |

¹ Additions, interest expenses and payments has been restated to be \$33.89 million, \$0.13 million and \$6.41 million, respectively higher in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

* Terminations / derecognition includes derecognition of lease liabilities of \$765.69 million with Property NSW as at 30 June 2022.

PARENT

| | 2022 \$000 | 2021 ¹ \$000 |
|--|---------------|----------------------------|
| Balance at 1 July | 592,304 | 511,526 |
| Additions | 86 | 33,975 |
| Interest expenses | 13,007 | 12,476 |
| Payments | (32,477) | (29,805) |
| Terminations / derecognition* | (556,110) | - |
| Equity transfers - transfers in / (out) ⁽ⁱ⁾ | - | (8,049) |
| Other adjustments | 679 | 72,181 |
| Balance at 30 June | 17,489 | 592,304 |

(i) Further details regarding equity transfers are disclosed in Note 36(b).

¹ Additions, interest expenses and payments has been restated to be \$33.89 million, \$0.13 million and \$6.41 million, respectively higher in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

* Terminations / derecognition includes derecognition of lease liabilities of \$556.09 million with Property NSW as at 30 June 2022.

In 2021, 'Other adjustments' in the consolidated entity and the parent entity represent lease reassessments as a result of a change in event or circumstance of a lease. The majority of the balance relates to a building lease at 1 Reserve Road St Leonards (parent entity) which was reassessed upwards by \$69.2 million.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

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

CONSOLIDATED

| | 2022 \$000 | 2021 ¹ \$000 |
|--|----------------|----------------------------|
| Depreciation expense of right-of-use assets | 187,133 | 182,586 |
| Interest expense on lease liabilities | 29,741 | 25,609 |
| Expenses relating to short-term leases | 54,270 | 29,013 |
| Expenses relating to leases of low-value assets | 36,215 | 19,330 |
| Variable lease payments not included in the measurement of lease liabilities | 13 | 1,144 |
| Income from subleasing right-of-use assets | (13) | - |
| (Gains) / losses on disposal* | (125,515) | 101 |
| Impairment of right-of-use assets | - | 99,201 |
| Total amount recognised in the statement of comprehensive income | 181,844 | 356,984 |

¹ Depreciation expense of right-of-use assets has been restated to be \$6.13 million higher and interest expense on lease liabilities has been restated to be \$0.13 million higher in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

* (Gains) / losses on disposal includes \$125.30 million of net gains on disposal as a result of the derecognition of leases with Property NSW as at 30 June 2022.

The consolidated entity had total cash outflows for leases of \$294.00 million for the year ending 30 June 2022 (2021: \$243.35 million).

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

PARENT

| | 2022 \$000 | 2021 ¹ \$000 |
|---|-----------------|----------------------------|
| Depreciation expense of right-of-use assets | 29,227 | 28,908 |
| Interest expense on lease liabilities | 13,007 | 12,476 |
| Expenses relating to short-term leases | 68 | 3 |
| Expenses relating to leases of low-value assets | 810 | 787 |
| (Gains) / losses on disposal* | (114,140) | - |
| Impairment of right-of-use assets | - | 92,526 |
| Total amount recognised in the statement of comprehensive income | (71,028) | 134,700 |

¹ Depreciation expense of right-of-use assets has been restated to be \$6.13 million higher and interest expense on lease liabilities has been restated to be \$0.13 million higher in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

* (Gains) / losses on disposal includes \$114.14 million of net gains on disposal as a result of the derecognition of leases with Property NSW as at 30 June 2022.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

The parent entity had total cash outflows for leases of \$33.36 million for the year ending 30 June 2022 (2021: \$30.6 million).

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

The consolidated entity entered into a number of leases, with lease terms ranging from 1 to 99 years with various organisations, including local councils, health charities, Catholic churches and other NSW State entities for the use of various community health buildings. There are also some leases for the use of various helipads across the state. These contracts generally specify lease payments of \$Nil or negligible amounts per annum, and the leased premises are used by the consolidated entity to provide different community health services and access to helipads. These community health buildings and helipads account for a small portion of similar assets used by the consolidated entity for the purposes of providing health services. Therefore, these lease arrangements do not have a significant impact on the consolidated entity's operations.

Recognition and measurement

The consolidated entity 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 consolidated entity 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.

i. Right-of-use assets

The consolidated entity 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:

| | Useful lives |
|------------------------------------|---------------------|
| Land and buildings | 1 to 40 years |
| Plant and machinery | 1 to 10 years |
| Motor vehicles and other equipment | 1 to 10 years |
| Aeromedical | 1 to 10 years |

If ownership of the leased asset transfers to the consolidated entity 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 consolidated entity 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 consolidated entity 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.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and measurement (continued)

i. Right-of-use assets (continued)

Impairment losses for right-of-use assets

The market rent for office accommodation leases in Sydney metropolitan and central business district areas were negatively impacted by COVID-19 in 2021, indicating the carrying amount of right-of-use assets exceeded their recoverable amounts. Impairment losses of \$99.20 million in the consolidated entity and \$92.53 million in the parent entity were recognised for the impacted property leases.

In 2022, all leases that were previously impaired have been derecognised due to the change in contract terms of those leases. No new impairments were recognised on the remaining right-of-use assets due to improved office accommodation rental market conditions during the year and no other indicators of impairment were identified.

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

ii. Lease liabilities

At the commencement date of the lease, the consolidated entity 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 consolidated entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity 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 consolidated entity does not borrow funds in the market. Instead it receives an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the consolidated entity is using TCorp rates as its incremental borrowing rate. 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 consolidated entity's lease liabilities are included in borrowings in Note 33.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and measurement (continued)

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

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

(b) Entity as a lessor

The consolidated entity leases some retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

The consolidated entity also leases land and buildings to non-government organisations (NGO's) and universities under operating leases arrangements. Generally there are no rental payments as the consolidated entity provides market rental assistance grants which offset the rental payments.

The consolidated entity has also leased levels 5 and 6 in the Bright Alliance Building at South Eastern Sydney Local Health District's Randwick campus to the University of NSW for 40 years, which is treated as a finance lease. All lease payments have been paid upfront and the asset has been derecognised from non-current assets.

Although the consolidated entity is exposed to changes in the residual value at the end of the current lease, the consolidated entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance leases as at 30 June are, as follows:

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Within one year | 78 | 75 | - | - |
| One to two years | 47 | 78 | - | - |
| Two to three years | - | 47 | - | - |
| Total (excluding GST) | 125 | 200 | - | - |

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and measurement (continued)

Lessor for finance leases (continued)

Reconciliation of net investment in leases

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Future undiscounted rentals receivable | 125 | 200 | - | - |
| Unguaranteed residual amounts - undiscounted | 313,686 | 313,686 | - | - |
| Less: unearned finance income | (227,321) | (229,444) | - | - |
| Net investment in finance lease | 86,490 | 84,442 | - | - |

Leases that the consolidated entity transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, the consolidated entity recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Lessor for operating leases

Future minimum rental receivables (undiscounted) under non-cancellable operating leases as at 30 June are as follows:

PARENT AND CONSOLIDATION

| | Consolidated 2022 \$000 | Consolidated ¹ 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|------------------------------|-------------------------------|--|-------------------------|-------------------------|
| Within one year | 11,323 | 11,734 | 1,413 | 1,393 |
| One to two years | 8,491 | 8,918 | 1,071 | 1,042 |
| Two to three years | 7,897 | 7,766 | 1,024 | 1,067 |
| Three to four years | 7,638 | 7,237 | 988 | 1,074 |
| Four to five years | 7,162 | 6,969 | 1,016 | 1,049 |
| Later than five years | 89,843 | 93,662 | 7,495 | 9,165 |
| Total (excluding GST) | 132,354 | 136,286 | 13,007 | 14,790 |

¹ Prior period amounts in the consolidated entity have been restated lower by \$40.2 million as a payment was identified as being received for amounts previously disclosed as a receivable.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Leases (continued)

(b) Entity as a lessor (continued)

Recognition and measurement (continued)

Lessor for operating leases (continued)

An operating lease is a lease other than a finance lease. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 aircraft. Stage 2, which includes two additional aircraft, has not yet commenced operating and as a result, no right-of-use asset or liability has been recognised at the reporting date in respect of those two aircraft. Future cash outflows from the lease of these two aircraft is expected to be \$67.62 million.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Intangible assets

CONSOLIDATED

| | Software \$000 | Total \$000 |
|--|-------------------|----------------|
| At 1 July 2020 | | |
| Cost (gross carrying amount) | 1,210,616 | 1,210,616 |
| Less: accumulated amortisation and impairment | (494,730) | (494,730) |
| Net carrying amount | 715,886 | 715,886 |
| | Software \$000 | Total \$000 |
| Year ended 30 June 2021 | | |
| Net carrying amount at beginning of year | 715,886 | 715,886 |
| Additions | 63,145 | 63,145 |
| Reclassifications from property, plant and equipment | 2,294 | 2,294 |
| Disposals | (880) | (880) |
| Amortisation (recognised in depreciation and amortisation) | (90,891) | (90,891) |
| Net carrying amount at the end of the year | 689,554 | 689,554 |
| | Software \$000 | Total \$000 |
| At 1 July 2021 | | |
| Cost (gross carrying amount) | 1,265,650 | 1,265,650 |
| Less: accumulated amortisation and impairment | (576,096) | (576,096) |
| Net carrying amount | 689,554 | 689,554 |
| | Software \$000 | Total \$000 |
| Year ended 30 June 2022 | | |
| Net carrying amount at beginning of year | 689,554 | 689,554 |
| Additions | 98,851 | 98,851 |
| Reclassifications from property, plant and equipment | 1,375 | 1,375 |
| Disposals | (313) | (313) |
| Amortisation (recognised in depreciation and amortisation) | (92,250) | (92,250) |
| Net carrying amount at the end of the year | 697,217 | 697,217 |
| | Software \$000 | Total \$000 |
| At 30 June 2022 | | |
| Cost (gross carrying amount) | 1,363,369 | 1,363,369 |
| Less: accumulated amortisation and impairment | (666,152) | (666,152) |
| Net carrying amount | 697,217 | 697,217 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Intangible assets (continued)

PARENT

| | Software \$000 | Total \$000 |
|--|-------------------|----------------|
| At 1 July 2020 | | |
| Cost (gross carrying amount) | 3,023 | 3,023 |
| Less: accumulated amortisation and impairment | (1,267) | (1,267) |
| Net carrying amount | 1,756 | 1,756 |
| Year ended 30 June 2021 | | |
| Net carrying amount at beginning of year | 1,756 | 1,756 |
| Additions | 1,977 | 1,977 |
| Amortisation (recognised in depreciation and amortisation) | (604) | (604) |
| Net carrying amount at the end of the year | 3,129 | 3,129 |
| At 1 July 2021 | | |
| Cost (gross carrying amount) | 4,801 | 4,801 |
| Less: accumulated amortisation and impairment | (1,672) | (1,672) |
| Net carrying amount | 3,129 | 3,129 |
| Year ended 30 June 2022 | | |
| Net carrying amount at beginning of year | 3,129 | 3,129 |
| Additions | 871 | 871 |
| Disposals | (47) | (47) |
| Amortisation (recognised in depreciation and amortisation) | (745) | (745) |
| Net carrying amount at the end of the year | 3,208 | 3,208 |
| At 30 June 2022 | | |
| Cost (gross carrying amount) | 4,750 | 4,750 |
| Less: accumulated amortisation and impairment | (1,542) | (1,542) |
| Net carrying amount | 3,208 | 3,208 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Intangible assets (continued)

Recognition and Measurement

The consolidated entity recognises intangible assets only if it is probable that future economic benefits will flow to the consolidated entity 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. If there is no active market for the consolidated entity'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 consolidated entity's intangible assets are amortised using the straight-line method over a period of four years. Computer software developed or acquired by the consolidated entity 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.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

28. Non-current assets held for sale

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|-----------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Assets held for sale | | | | |
| Land and buildings | 3,304 | 2,352 | - | - |
| Infrastructure systems | - | 483 | - | - |
| | 3,304 | 2,835 | - | - |

Further details regarding the fair value measurement are disclosed in Note 29.

Recognition and Measurement

The consolidated entity 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.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. Fair value measurement of non-financial assets

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 consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

The consolidated entity 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

| CONSOLIDATED | Level 1 | Level 2 | Level 3 | Total Fair |
|--|---------|----------------|-------------------|-------------------|
| | \$000 | \$000 | \$000 | Value \$000 |
| 2022 | | | | |
| Land and buildings ⁽ⁱ⁾ | - | 737,098 | 19,280,285 | 20,017,383 |
| Infrastructure systems ⁽ⁱ⁾ | - | 232 | 694,834 | 695,066 |
| Non-current assets held for sale (Note 28) | - | 3,304 | - | 3,304 |
| | - | 740,634 | 19,975,119 | 20,715,753 |
| 2021 | | | | |
| Land and buildings ⁽ⁱ⁾ | - | 730,275 | 16,044,981 | 16,775,256 |
| Infrastructure systems ⁽ⁱ⁾ | - | 1,044 | 571,293 | 572,337 |
| Non-current assets held for sale (Note 28) | - | 2,835 | - | 2,835 |
| | - | 734,154 | 16,616,274 | 17,350,428 |

(i) Leasehold improvements, work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 25 will not reconcile with balances disclosed above.

There were no transfers between Level 1 and 2 during the year ended 30 June 2022 and 2021.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(a) Fair value hierarchy (continued)

| PARENT | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---------------------------------------|---------|--------------|----------------|------------------|
| | \$000 | \$000 | \$000 | \$000 |
| 2022 | | | | |
| Land and buildings | - | - | 172,288 | 172,288 |
| Infrastructure systems | - | - | 988 | 988 |
| | - | - | 173,276 | 173,276 |
| 2021 | | | | |
| Land and buildings ⁽ⁱ⁾ | - | 5,030 | 119,550 | 124,580 |
| Infrastructure systems ⁽ⁱ⁾ | - | - | 573 | 573 |
| | - | 5,030 | 120,123 | 125,153 |

(i) Leasehold improvements, work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 25 will not reconcile with balances disclosed above.

There were no transfers between Level 1 and 2 during the year ended 30 June 2022 and 2021.

(b) Valuation techniques, inputs and processes

The consolidated entity obtains independent valuations for its non-financial assets at least every three years. The valuer used by the consolidated entity is independent of the respective entities.

At the end of each reporting period, the consolidated entity updates its assessment of the fair value of each category of non-financial assets, taking into account the most recent independent valuations. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the consolidated entity considers information from other sources, such as the indices provided by independent external valuers. These fair value adjustments are reflected in Note 25 Total property, plant and equipment - reconciliation.

The valuations techniques used maximise the use of observable inputs where available and rely as little as possible on entity or asset specific estimates. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the measurement in its entirety. If significant inputs required to measure fair value of an asset are observable, the asset is included in level 2 of the fair value hierarchy. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3 of the fair value hierarchy. All resulting fair value estimates for non-financial assets are included in level 3 with the exception of some land and buildings and non-current assets held for sale included in level 2.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

The non-financial assets categorised in (a) above have been measured based on the following valuation techniques and inputs:

- **For land**, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre. All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs, although 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 systems**, 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 and commercial properties are valued on a market approach and are included in level 2.
- **Non-current assets held for sale** are a non-recurring item that is measured at the lesser of its carrying amount or fair value less cost to sell. These assets are categorised as level 2 except when an asset was a level 3 asset prior to transfer to non-current assets held for sale, and continues to be recognised as a level 3 asset where the carrying amount is less than the fair value (less cost) to sell.

Level 3 disclosures:

The fair value of buildings computed by suitably qualified independent valuers using a methodology known as the depreciated replacement cost valuation technique. The following table highlights the key unobservable (level 3) inputs assessed during the valuation process, the relationship to the estimated fair value and the sensitivity to changes in unobservable inputs.

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

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for the year ended 30 June 2022

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

(c) Reconciliation of recurring Level 3 fair value measurements

CONSOLIDATED

| | Land and Buildings \$000 | Infrastructure Systems \$000 | Total Level 3 Recurring \$000 |
|--|--------------------------------|------------------------------------|-------------------------------------|
| 2022 | | | |
| Fair value as at 1 July 2021 | 16,044,981 | 571,293 | 16,616,274 |
| Additions* | 1,986,677 | 87,466 | 2,074,143 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' | 1,865,415 | 75,481 | 1,940,896 |
| Transfers from Level 2 | 23,830 | - | 23,830 |
| Transfers to Level 2 | (2,042) | (9,087) | (11,129) |
| Disposals | (13,755) | (97) | (13,852) |
| Depreciation expense | (625,077) | (30,447) | (655,524) |
| Reclassification | 256 | 225 | 481 |
| Fair value as at 30 June 2022 | 19,280,285 | 694,834 | 19,975,119 |

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

| | Land and Buildings \$000 | Infrastructure Systems \$000 | Total Level 3 Recurring \$000 |
|--|--------------------------------|------------------------------------|-------------------------------------|
| 2021 | | | |
| Fair value as at 1 July 2020 | 15,666,540 | 484,046 | 16,150,586 |
| Additions | 759,486 | 100,715 | 860,201 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' | 292,905 | 13,681 | 306,586 |
| Transfers from Level 2 | 46,468 | - | 46,468 |
| Transfers to Level 2 | (7,689) | (483) | (8,172) |
| Disposals | (46,047) | (517) | (46,564) |
| Depreciation expense | (567,603) | (28,289) | (595,892) |
| Equity transfers in/(out) - Note 36 (a) | (99,749) | (1,370) | (101,119) |
| Reclassification | 670 | 3,510 | 4,180 |
| Fair value as at 30 June 2021 | 16,044,981 | 571,293 | 16,616,274 |

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

PARENT

| | Land and Buildings \$000 | Infrastructure Systems \$000 | Total Level 3 Recurring \$000 |
|--|--------------------------------|------------------------------------|-------------------------------------|
| 2022 | | | |
| Fair value as at 1 July 2021 | 119,550 | 573 | 120,123 |
| Additions* | 37,631 | 291 | 37,922 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' | 23,419 | 228 | 23,647 |
| Disposals | (4,623) | (76) | (4,699) |
| Depreciation expense | (7,217) | (104) | (7,321) |
| Equity transfers in/(out) - Note 36 (a) | 3,528 | 76 | 3,604 |
| Fair value as at 30 June 2022 | 172,288 | 988 | 173,276 |

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

| | Land and Buildings \$000 | Infrastructure Systems \$000 | Total Level 3 Recurring \$000 |
|---|--------------------------------|------------------------------------|-------------------------------------|
| 2021 | | | |
| Fair value as at 1 July 2020 | 123,478 | 655 | 124,133 |
| Disposals | (8,142) | - | (8,142) |
| Depreciation expense | (3,928) | (82) | (4,010) |
| Equity transfers in/(out) - Note 36 (a) | 8,142 | - | 8,142 |
| Fair value as at 30 June 2021 | 119,550 | 573 | 120,123 |

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Restricted assets

The financial statements include the following assets which are restricted 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 2022.

| CONSOLIDATED | 30 June 2021 | | | 30 June 2022 |
|---|-------------------------|------------------|------------------|-------------------------|
| | Opening equity \$000 | Revenue \$000 | Expense \$000 | Closing equity \$000 |
| Category | | | | |
| Community welfare ¹ | 16,919 | 13,963 | (14,999) | 15,883 |
| Facility improvements | 619,730 | 325,519 | (100,860) | 844,389 |
| Hold Funds in Perpetuity | 14,711 | 1,372 | (1,392) | 14,691 |
| Patient welfare | 87,998 | 20,484 | (24,648) | 83,834 |
| Private practice disbursements (No.2 Accounts) | 506,683 | 79,609 | (75,915) | 510,377 |
| Public contributions | 37,558 | 12,204 | (3,347) | 46,415 |
| Research | 225,227 | 118,015 | (77,232) | 266,010 |
| Section 19(2) primary care - exemption initiative | 901 | 5,407 | (1,990) | 4,318 |
| Staff welfare | 20,129 | 2,530 | (2,249) | 20,410 |
| Training and education including conferences | 92,812 | 12,333 | (11,933) | 93,212 |
| Other | 8,583 | 14 | - | 8,597 |
| Total Restricted Assets | 1,631,251 | 591,450 | (314,565) | 1,908,136 |

¹ Community welfare opening balance at 30 June 2021 has been restated \$0.90 million lower and Section 19(2) primary care - exemption initiative restated \$0.90 million higher as they have been separately disclosed from 30 June 2021. The balance of Section 19(2) primary care - exemption initiative was previously included in the Community welfare category.

| PARENT | 30 June 2021 | | | 30 June 2022 |
|--------------------------------|-------------------------|------------------|------------------|-------------------------|
| | Opening equity \$000 | Revenue \$000 | Expense \$000 | Closing equity \$000 |
| Category | | | | |
| Facility improvements | 35,785 | 15,701 | (8,094) | 43,392 |
| Research | - | 30,548 | - | 30,548 |
| Total Restricted Assets | 35,785 | 46,249 | (8,094) | 73,940 |

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Restricted assets (continued)

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. |
| Hold funds in perpetuity | Donor has explicitly requested funds be invested permanently and not otherwise expended. |
| Patient welfare | Improvements such as medical needs, financial needs and standards for patients' privacy and dignity. |
| Private practice disbursements | Staff specialists' private practice arrangements to improve the level of clinical services provided (No. 2 Accounts). |
| Public contributions | Donations, gifts, bequests or legacies received without any donor-specified conditions as to its use. Such contributions are restricted as a result of the requirements of the Accounts and Audit Determination for Public Health Entities in NSW. |
| Section 19(2) primary care - exemption initiative | Improving access to primary care in rural and remote areas under the Council of Australian Governments (COAG) s19(2) Exemptions Initiative. |
| 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. |
| Other | This does not meet the definition of any of the above categories. |

Unclaimed monies

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

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

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

31. Payables

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Accrued salaries, wages and on-costs | 260,745 | 311,768 | 2,484 | 2,061 |
| Salaries and wages deductions | 95,053 | 53,120 | 39 | 15 |
| Payroll tax and fringe benefits tax | 3,042 | 3,330 | 904 | 895 |
| Trade operating creditors | 948,037 | 761,847 | 364,937 | 297,744 |
| Interest | 14 | 16 | - | - |
| Other creditors | | | | |
| - Capital works | 225,590 | 223,201 | - | - |
| - Payables to controlled health entities | - | - | 372,048 | 153,047 |
| - Other | 843,727 | 528,666 | 134,587 | 72,346 |
| Total current payables | 2,376,208 | 1,881,948 | 874,999 | 526,108 |

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 44.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the consolidated entity 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.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

32. Contract liabilities

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|----------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Contract liabilities | 56,030 | 70,587 | 1,670 | 24,100 |
| | 56,030 | 70,587 | 1,670 | 24,100 |
| Non-current | | | | |
| Contract liabilities | 1,081 | - | - | - |
| | 1,081 | - | - | - |

Recognition and Measurement

Contract liabilities are in respect of consideration received in advance from the sale of goods and services from contracts with customers and grants and other contributions.

The balance of the contract liabilities at the 30 June 2022 was impacted by the timing of payments received for the sales of goods and services from contracts with customers and grants and other contributions. The satisfaction of the specific performance obligations within the contracts hadn't been met at the 30 June 2022. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The current contract liability for the consolidated and parent entity has decreased during the year because the specific performance obligations within the contracts were satisfied. The non-current contract liability has increased in both the consolidated and parent entity as some long term grants and contribution funds were received in which the performance obligations won't be met within the next financial year.

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 45,415 | 228,314 | 319 | 226,104 |
| Revenue recognised from performance obligations satisfied in previous periods | 3,391 | 2,329 | - | - |
| Transaction price allocated to the remaining performance obligations from contracts with customers | 158,057 | 206,847 | 17,253 | 70,700 |

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

32. Contract liabilities (continued)

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

CONSOLIDATED

| | 2023 | 2024 | 2025 | ≥ 2026 |
|---|---------------|---------------|---------------|--------------|
| Specific revenue class | \$000 | \$000 | \$000 | \$000 |
| Sales of goods and services from contracts with customers | 25,250 | 80 | - | - |
| Grants and other contributions | 72,447 | 38,131 | 16,230 | 5,919 |
| | 97,697 | 38,211 | 16,230 | 5,919 |

PARENT

| | 2023 | 2024 | 2025 | ≥ 2026 |
|--------------------------------|---------------|--------------|------------|------------|
| Specific revenue class | \$000 | \$000 | \$000 | \$000 |
| Grants and other contributions | 13,775 | 2,178 | 550 | 750 |
| | 13,775 | 2,178 | 550 | 750 |

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for the year ended 30 June 2022

33. Borrowings

| | Consolidated 2022 \$000 | Consolidated ¹ 2021 \$000 | Parent 2022 \$000 | Parent ¹ 2021 \$000 |
|--|-------------------------------|--|-------------------------|--------------------------------------|
| Current | | | | |
| Other loans and deposits | 7,349 | 7,437 | - | - |
| Lease liabilities (see Note 26) | 141,085 | 162,505 | 11,007 | 19,465 |
| Service concession financial liabilities* | 1,447 | 1,358 | - | - |
| Public, Private Partnerships (PPP) | | | | |
| Long Bay Forensic Hospital | 2,968 | 2,683 | - | - |
| Calvary Mater Newcastle Hospital | 2,557 | 2,169 | - | - |
| Orange Hospital & Associated Health Services | 3,503 | 2,779 | - | - |
| Royal North Shore Hospital Redevelopment | 9,131 | 6,200 | - | - |
| | 168,040 | 185,131 | 11,007 | 19,465 |
| Non-Current | | | | |
| Other loans and deposits | 38,170 | 47,146 | - | - |
| Lease liabilities (see Note 26) | 482,932 | 1,075,823 | 6,482 | 572,839 |
| Service concession financial liabilities* | 29,629 | 31,077 | - | - |
| Public, Private Partnerships (PPP) | | | | |
| Long Bay Forensic Hospital | 61,323 | 64,293 | - | - |
| Calvary Mater Newcastle Hospital | 62,365 | 64,922 | - | - |
| Orange Hospital & Associated Health Services | 150,415 | 153,917 | - | - |
| Royal North Shore Hospital Redevelopment | 678,199 | 687,634 | - | - |
| | 1,503,033 | 2,124,812 | 6,482 | 572,839 |

¹ Current lease liabilities has been restated to be \$11.04 million higher and non-current lease liabilities has been restated to be \$16.59 million higher in the prior year in the consolidated and parent entity. Refer to Note 17 for further details regarding the restatement as a result of an error.

* This relates to contractual payments made to the operator, refer to Note 25 for further details on the consolidated entity's service concession arrangements.

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

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 44.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

33. Borrowings (continued)

Recognition and Measurement

Borrowings represents interest bearing liabilities mainly through NSW Treasury Corporation, lease liabilities, service concessions arrangement liabilities and other interest bearing liabilities.

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.

Financial liabilities at fair value through profit or loss

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

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the consolidated entity's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

The consolidated and parent entity has not granted any financial guarantees.

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for the year ended 30 June 2022

33. Borrowings (continued)

Changes in liabilities arising from financing activities

CONSOLIDATED

| | Other loans and deposits \$000 | Leases ¹ \$000 | Service concession arrangements \$000 | Total liabilities from financing activities \$000 |
|---------------------|--------------------------------------|------------------------------|--|--|
| 1 July 2020 | 1,043,537 | 1,197,742 | 33,709 | 2,274,988 |
| Cash flows | (4,357) | (168,251) | (1,274) | (173,882) |
| New leases | - | 104,989 | - | 104,989 |
| Lease terminations | - | (8,681) | - | (8,681) |
| Lease reassessments | - | 112,529 | - | 112,529 |
| 30 June 2021 | 1,039,180 | 1,238,328 | 32,435 | 2,309,943 |
| 1 July 2021 | 1,039,180 | 1,238,328 | 32,435 | 2,309,943 |
| Cash flows | (23,200) | (173,761) | (1,359) | (198,320) |
| New leases | - | 272,271 | - | 272,271 |
| Lease terminations* | - | (771,746) | - | (771,746) |
| Lease reassessments | - | 58,925 | - | 58,925 |
| 30 June 2022 | 1,015,980 | 624,017 | 31,076 | 1,671,073 |

¹ 30 June 2021 cash flows from leases has been restated to be \$6.27 million higher and 30 June 2021 new leases has been restated to be \$33.89 million higher. Refer to Note 17 for further details regarding the restatement as a result of an error.

* Lease terminations include derecognition of lease liabilities of \$765.69 million with Property NSW as at the 30 June 2022. Please refer to Note 26 for further details on the derecognition.

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for the year ended 30 June 2022

33. Borrowings (continued)

Changes in liabilities arising from financing activities (continued)

PARENT

| | Leases ¹ | Total liabilities from financing activities |
|------------------------|---------------------|---|
| | \$000 | \$000 |
| 1 July 2020 | 511,526 | 511,526 |
| Cash flows | (17,329) | (17,329) |
| New leases | 33,975 | 33,975 |
| Lease reassessments | 72,181 | 72,181 |
| Non-cash changes other | (8,049) | (8,049) |
| 30 June 2021 | 592,304 | 592,304 |
| 1 July 2021 | 592,304 | 592,304 |
| Cash flows | (19,470) | (19,470) |
| New leases | 86 | 86 |
| Lease terminations* | (556,110) | (556,110) |
| Lease reassessments | 679 | 679 |
| 30 June 2022 | 17,489 | 17,489 |

¹ 30 June 2021 cash flows from leases has been restated to be \$6.27 million higher and 30 June 2021 new leases has been restated to be \$33.89 million higher. Refer to Note 17 for further details regarding the restatement as a result of an error.

* Lease terminations include derecognition of lease liabilities of \$556.09 million with Property NSW as at the 30 June 2022. Please refer to Note 26 for further details on the derecognition.

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. Provisions

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Employee benefits and related on-costs | | | | |
| Annual leave - obligations expected to be settled within 12 months | 1,429,119 | 1,362,843 | 13,157 | 12,293 |
| Annual leave - obligations expected to be settled after 12 months | 992,628 | 829,197 | 8,168 | 6,189 |
| Death and disability (ambulance officers) | 822 | 381 | - | - |
| Long service leave consequential on-costs - obligations expected to be settled within 12 months | 29,705 | 34,793 | 470 | 533 |
| Long service leave consequential on-costs - obligations expected to be settled after 12 months | 394,929 | 443,581 | 6,198 | 6,679 |
| Allocated days off | 83,260 | 75,046 | - | - |
| Sick leave | 192 | 230 | - | - |
| Provision for other employee benefits* | 387,989 | - | 3,321 | - |
| Other | 778 | 9,887 | - | - |
| | 3,319,422 | 2,755,958 | 31,314 | 25,694 |
| Other Provisions | | | | |
| Restoration costs | 11,784 | 10,323 | - | - |
| Other | 135,280 | 85,456 | 11,404 | - |
| | 147,064 | 95,779 | 11,404 | - |
| Total current provisions | 3,466,486 | 2,851,737 | 42,718 | 25,694 |
| Non-current | | | | |
| Employee benefits and related on-costs | | | | |
| Long service leave consequential on-costs | 41,997 | 47,312 | 659 | 713 |
| | 41,997 | 47,312 | 659 | 713 |
| Other Provisions | | | | |
| Restoration costs | 15,995 | 15,362 | - | - |
| Other | 1,894 | - | - | - |
| | 17,889 | 15,362 | - | - |
| Total non-current provisions | 59,886 | 62,674 | 659 | 713 |

* Provisions for other employee benefits includes a one-off payment to employees of \$387.99 million (2021: \$Nil) in the consolidated entity and \$3.32 million (2021: \$Nil) in the parent entity for the recognition of service during the COVID-19 pandemic.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. Provisions (continued)

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Aggregate employee benefits and related on-costs | | | | |
| Provisions - current | 3,319,422 | 2,755,958 | 31,314 | 25,694 |
| Provisions - non-current | 41,997 | 47,312 | 659 | 713 |
| Accrued salaries, wages and on-costs and salaries and wages deductions (Note 31) | 355,798 | 364,888 | 2,523 | 2,076 |
| | 3,717,217 | 3,168,158 | 34,496 | 28,483 |

Movements in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Restoration costs

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Carrying amount at beginning of year | 25,685 | 9,889 | - | - |
| - Additional provisions recognised | 3,275 | 19,596 | - | - |
| - Amounts used | (765) | (3,800) | - | - |
| - Unused amounts reversed | (416) | - | - | - |
| Carrying amount at end of year | 27,779 | 25,685 | - | - |

The majority of 'restoration costs' represent the expected cost to restore a leased asset at the end of the lease term. Lease end dates vary across the consolidated entity's lease portfolio and therefore the timing of the payments to restore the leased asset at the end of the term will vary. The majority of the 'restoration cost' provision is as per the lease contracts.

The remaining balance consists of site remediation costs with the majority of the payments not expected to be made until 2023.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. Provisions (continued)

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

Other

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Carrying amount at beginning of year | 85,456 | 112,547 | - | - |
| - Additional provisions recognised* | 112,542 | 68,887 | 11,404 | - |
| - Amounts used | (56,160) | (11,956) | - | - |
| - Unused amounts reversed | (4,664) | (84,022) | - | - |
| Carrying amount at end of year | 137,174 | 85,456 | 11,404 | - |

* Additional provisions recognised in 2022 includes a one-off payment to visiting medical officers of \$18.28 million (parent entity: \$Nil) and affiliated health organisations of \$19.89 million (parent entity: \$11.40 million) for the recognition of service during the COVID-19 pandemic.

The majority of the 'other' provision represent various contractual related obligations. The consolidated entity has recognised the provision amount by taking into consideration all available information at the reporting date and making the best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.

Recognition and Measurement

Employee benefits and related on-costs

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

Actuarial advice obtained by NSW Treasury, an entity controlled by the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% to 14.03% of nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The consolidated entity has assessed the actuarial advice based on the consolidated entity's circumstances to annual leave and ADOs and has determined that the effect of discounting is immaterial. All annual leave is classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

The majority of employee benefits and related on-cost balances have increased since the start of the COVID-19 pandemic. Management of the COVID-19 pandemic along with state and international border closures have adversely impacted the provision.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. Provisions (continued)

Recognition and Measurement (continued)

Long service leave and superannuation

The consolidated entity's liability for long service leave and defined benefit superannuation are assumed by The Crown in right of the State of New South Wales. The consolidated entity 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 of employee benefits and other liabilities'.

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 consolidated entity.

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 an 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 formula specified in the NSW Treasury's, an entity controlled by the ultimate parent entity, Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

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 payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Other provisions

Other provisions are recognised when the consolidated entity 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 consolidated entity 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 consolidated Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the consolidated entity has a detailed formal plan, and the entity 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Other liabilities

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Current | | | | |
| Unearned revenue | 46,937 | 110,760 | - | - |
| Grant of right to operate liability under service concessions* | 9,903 | 13,358 | - | - |
| Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity | 33,896 | 11,454 | 3,000 | - |
| Other | 473 | 473 | - | - |
| | 91,209 | 136,045 | 3,000 | - |
| Non-current | | | | |
| Unearned revenue | 102,089 | 101,120 | - | - |
| Grant of right to operate liability under service concessions* | 175,222 | 185,124 | - | - |
| Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity | 56,869 | 48,067 | - | - |
| Other | 224 | 236 | - | - |
| | 334,404 | 334,547 | - | - |

* This is the unearned revenue portion of the revenue from exchange of assets and is progressively reduced over the period of the arrangement. Refer to Note 13 and Note 25 for further information on service concession arrangements.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Other liabilities (continued)

CONSOLIDATED

Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the consolidated entity:

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$000 | \$000 |
| Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity | 59,521 | 65,084 |
| Add: receipt of cash during the financial year | 60,841 | 51,821 |
| Deduct: income recognised during the financial year | 29,597 | 57,384 |
| Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity | 90,765 | 59,521 |

PARENT

Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the parent entity:

| | 2022 | 2021 |
|---|--------------|----------|
| | \$'000 | \$'000 |
| Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity | - | - |
| Add: receipt of cash during the financial year | 3,000 | - |
| Deduct: income recognised during the financial year | - | - |
| Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity | 3,000 | - |

Refer to Note 11 for a description of the consolidated and parent entity's obligations under transfers received to acquire or construct non-financial assets to be controlled by the consolidated and parent entity.

The consolidated and parent entity expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1 to 2 financial years, as the related asset(s) are constructed. There are also some liabilities in relation to future replacement of capital assets, the timing of revenue recognition is mostly unknown at this stage.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 25.

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).

Increase / (decrease) in net assets from equity transfer

| | | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-----|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Transfer of property, plant and equipment | (a) | - | (101,119) | 10,118 | 11,038 |
| Transfer of leases | (b) | - | - | - | 271 |
| | | - | (101,119) | 10,118 | 11,309 |

(a) Transfer of property, plant and equipment

| | | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|--|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Carrying amount at transfer date | | | | | |
| Land & buildings | | - | 95,314 | 9,560 | 11,036 |
| Infrastructure | | - | 567 | 558 | - |
| Plant and equipment | | - | - | - | 2 |
| Fair value at transfer date | | - | 101,119 | 10,118 | 11,038 |

CONSOLIDATED

In 2021, the NSW Governor made the *Callan Park* (Special Provisions) (Vesting of Land) Proclamation 2020 to transfer Callan Park 'precinct 1', to the Centennial Park and Moore Park Trust, an entity controlled by the ultimate parent. The transfer was completed on the 16 December 2020 and was treated as an equity transfer. The carrying amount of the assets prior to the transfer was \$95.9 million, the fair value at transfer date was \$101.1 million.

PARENT

In 2022, in accordance with the Real Property Disposal Framework, the following assets were transferred from Ambulance Service of NSW, Illawarra Shoalhaven Local Health District, Mid North Coast Local Health District and Northern Sydney Local Health District, controlled entities to the Ministry of Health, at the fair value of the asset: Bulli Hospital, 29 Hospital Road Bulli \$5.0 million, Macksville Hospital, 14 - 22 Boundary Street Macksville \$1.6 million, Macquarie Hospital, 120 Coxs Road North Ryde \$2.9 million and Wagga Wagga ambulance station, 54 Johnston Street Wagga Wagga \$0.6 million.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. Equity (continued)

Increase / (decrease) in net assets from equity transfer (continued)

In 2021, in accordance with the Real Property Disposal Framework, the following assets were transferred from Ambulance Service of NSW and Northern Sydney Local Health District, controlled entities to the Ministry of Health, at the fair value of the asset: Griffith ambulance station \$1 million, Harden ambulance station \$0.2 million, Busby ambulance station \$1.7 million and 389 Pittwater Road, Queenscliff \$8.1 million.

In 2021, the NSW Multicultural Health Communication Service (MHCS), forming part of South Eastern Sydney Local District, an entity controlled by the immediate parent was co-located with the Ministry of Health in a property at Gladesville. Upon the MHCS vacating the property, a forklift at fair value of \$0.02 million was transferred to the Ministry of Health.

(b) Transfer of leases

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Carrying amount at transfer date | | | | |
| Right-of-use assets - land and buildings | - | - | - | (7,797) |
| Right-of-use assets - plant and equipment | - | - | - | 18 |
| Lease liabilities | - | - | - | 8,050 |
| Fair value at transfer date | - | - | - | 271 |

PARENT

In 2021, the following leases were transferred to / from Ministry of Health from / to controlled entities of the Ministry of Health at \$Nil consideration:

- two building property leases were transferred to eHealth NSW; and
- two motor vehicle leases were transferred from HealthShare NSW.

All corresponding right-of-use asset and lease liability balances were transferred across at the carrying amounts from the transferee to the transferor.

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 is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to 'accumulated funds'. This treatment is consistent with AASB 1004 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 and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

37. Commitments

(a) Capital commitments

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

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|---|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Within one year | 1,090,185 | 885,010 | - | - |
| Later than one year and not later than five years | 1,127,277 | 454,330 | - | - |
| Later than five years | 111,545 | 6,871 | - | - |
| Total (including GST) | 2,329,007 | 1,346,211 | - | - |

(b) Input tax receivable related to capital commitments for expenditure

The total of capital 'commitments' payable, i.e. \$2,329 million as at 30 June 2022, includes input tax credits of \$211.70 million that are expected to be recoverable from the Australian Taxation Office (2021: \$122.40 million).

Output tax payable related to commitments for revenue

The total of 'commitments' receivable, i.e. \$146 million as at 30 June 2022, includes input tax of \$13.20 million that is expected to be payable to the Australian Taxation Office (2021: \$13.60 million).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

38. Trust funds

CONSOLIDATED

The consolidated entity holds money in trust in relation to patient trusts, refundable deposits, private patient trust funds and third party funds. As the consolidated entity performs only a custodial role in respect of trust monies, they are excluded from the financial statements as the consolidated entity cannot use them for the achievement of its own objectives. The following is a summary of the transactions in the trust account.

| 2022 | Opening Cash Balance \$000 | Add: Receipts \$000 | Less: Expenditure \$000 | Closing Cash Balance \$000 |
|-----------------------------|----------------------------------|---------------------------|-------------------------------|----------------------------------|
| Patient Trust | 4,908 | 6,756 | (6,968) | 4,696 |
| Refundable Deposits | 11,759 | 6,106 | (4,067) | 13,798 |
| Private Patient Trust Funds | 11,951 | 502,479 | (508,730) | 5,700 |
| Third Party Funds | 40,960 | 72,464 | (72,249) | 41,175 |
| Total trust funds | 69,578 | 587,805 | (592,014) | 65,369 |

| 2021 | Opening Cash Balance \$000 | Add: Receipts \$000 | Less: Expenditure \$000 | Closing Cash Balance \$000 |
|-----------------------------|----------------------------------|---------------------------|-------------------------------|----------------------------------|
| Patient Trust | 5,451 | 7,908 | (8,451) | 4,908 |
| Refundable Deposits | 11,119 | 5,147 | (4,507) | 11,759 |
| Private Patient Trust Funds | 10,909 | 564,188 | (563,146) | 11,951 |
| Third Party Funds | 23,230 | 78,439 | (60,709) | 40,960 |
| Total trust funds | 50,709 | 655,682 | (636,813) | 69,578 |

PARENT

The parent entity holds money in a trust in relation to Nationally Funded Centres (NFC) and Health Chief Executives Forum (HCEF) formerly known as Australian Health Ministers' Advisory Council (AHMAC). As the parent entity performs only a custodial role in respect of trust monies, they are excluded from the financial statements as the parent entity cannot use them for the achievement of its own objectives. The following is a summary of the transactions in the trust account.

| 2022 | Opening Cash Balance \$000 | Add: Receipts \$000 | Less: Expenditure \$000 | Closing Cash Balance \$000 |
|--------------------------|----------------------------------|---------------------------|-------------------------------|----------------------------------|
| Third Party Funds | 16,141 | 10,537 | (15,453) | 11,225 |
| Total trust funds | 16,141 | 10,537 | (15,453) | 11,225 |

| 2021 | Opening Cash Balance \$000 | Add: Receipts \$000 | Less: Expenditure \$000 | Closing Cash Balance \$000 |
|--------------------------|----------------------------------|---------------------------|-------------------------------|----------------------------------|
| Third Party Funds | - | 16,141 | - | 16,141 |
| Total trust funds | - | 16,141 | - | 16,141 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

38. Trust funds (continued)

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

| Category | Purpose |
|-----------------------------|--|
| Patient Trust | The safe custody of patients' valuables including monies. |
| Refundable Deposits | A sum of money held in trust as a security deposit. |
| Private Patient Trust Funds | The revenue derived from private patient and other billable services provided by Staff Specialists. |
| Third Party Funds | A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries. |

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 45.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

39. Contingent liabilities and contingent assets

CONSOLIDATED

a) Contingent liabilities

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

b) Contingent assets

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

PARENT

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

40. Interests in associates

Set out below are the associates of Hunter New England Local Health District (HNELHD) as at 30 June 2022 which, in the opinion of management at HNELHD, are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

| Name of entity | Place of business and country of incorporation | Class of shares | Ownership interest | | Reporting Period | Measurement method | Carrying amount | |
|-----------------------------------|--|-----------------|--------------------|--------|------------------|--------------------|-----------------|------------|
| | | | 2022 % | 2021 % | | | 2022 \$000 | 2021 \$000 |
| Hunter Medical Research Institute | Australia | Not applicable | 25 | 25 | 31 December | Equity method | - | - |

Hunter Medical Research Institute is a company limited by guarantee, whose constitution prohibits the distribution of funds to its members. Accordingly the carrying amount has been equity accounted at \$Nil value and as such no financial information has been disclosed.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

41. 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 2022 \$000 | Consolidated ^{1,2} 2021 \$000 | Parent 2022 \$000 | Parent ^{1,2} 2021 \$000 |
|---|-------------------------------|--|-------------------------|--|
| Net cash used on operating activities | 2,699,428 | 1,921,950 | 658,818 | (995,432) |
| Depreciation and amortisation expense | (1,215,765) | (1,146,015) | (38,067) | (35,629) |
| Allowance for impairment | (135,480) | (861,914) | - | - |
| Effects of exchange rate changes | 131 | (554) | - | (579) |
| (Increase) / decrease in other liabilities | (1,059) | (13,639) | (3,000) | - |
| Decrease / (increase) in provisions | (611,962) | (309,889) | (16,970) | (3,045) |
| Increase / (decrease) in inventory | 286,025 | 489,793 | 8,121 | 5,973 |
| Increase / (decrease) in prepayments and other assets | 321,606 | (17,758) | 301,745 | 147,023 |
| Increase / (decrease) in contract assets | (487) | (237) | 87 | 276 |
| Decrease / (increase) in payables | (547,292) | 25,901 | (446,102) | (77,954) |
| Decrease / (increase) in contract liabilities | 13,476 | 328,236 | 22,430 | 321,868 |
| Increase / (decrease) in financial instruments at fair value | 929 | 8,359 | - | - |
| Impairment losses on right-of-use assets recognised in 'other gains / (losses)' | - | (99,201) | - | (92,526) |
| Net gain / (loss) on sale of property, plant and equipment | 2,143 | (33,714) | (1,140) | (94) |
| Net gain / (loss) on disposal of right-of-use assets | 125,515 | (101) | 114,140 | - |
| Assets donated or brought to account (Note 42) | 2,244 | 13,666 | (5,030) | (4,133) |
| Other | 592 | 1,071 | - | - |
| Net result | 940,044 | 305,954 | 595,032 | (734,252) |

¹ Net cash used on operating activities has been restated to be \$6.27 million lower and depreciation and amortisation expense has been restated to be \$6.13 million higher in the consolidated and parent entity in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

² Inventory and financial instruments at fair value has been disaggregated from prepayments and other assets in the current year. The prior year balance has been restated with an increases in inventories of \$489.79 million (parent entity: \$5.97 million), increase in financial instruments at fair value of \$8.36 million (parent entity: \$Nil) and decrease in prepayments and other assets of \$498.15 million (parent entity: \$5.97 million decrease in prepayments and other assets).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

42. Non-cash financing and investing activities

| | Consolidated 2022 \$000 | Consolidated ¹ 2021 \$000 | Parent 2022 \$000 | Parent ¹ 2021 \$000 |
|--|-------------------------------|--|-------------------------|--------------------------------------|
| Assets donated or brought to account | 2,244 | 13,666 | (5,030) | (4,133) |
| Property, plant and equipment acquired by a lease | 272,473 | 106,060 | 86 | 33,975 |
| Property, plant and equipment contributed by external organisation | 8,934 | 28,595 | - | - |
| | 283,651 | 148,321 | (4,944) | 29,842 |

¹ Property, plant and equipment acquired by a lease has been restated \$33.89 million higher in the prior year in the consolidated and parent entity. Refer to Note 17 for further details regarding the restatement as a result of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Budget Review - Consolidated

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

NET RESULT

The actual net result (\$940 million) is lower than the budgeted net result (\$1,076 million) by \$136 million for the year ended 30 June 2022.

A reconciliation of the movements between the actual and budgeted net result is presented below:

| | \$000 |
|---|------------------|
| Net result - actual | 940,044 |
| Employee related expenses were higher than budget due to increased staffing requirements to address COVID-19 operational impacts and the employee one-off recognition of service payments. These increases were offset by gains resulting from actuarial factor changes in the calculation for employee long service leave benefits assumed by the Crown. | 39,524 |
| Operating expenses were higher than budget for increased medical and surgical supplies, pharmaceutical supplies, specialised health services, and outsourced patient care expenses incurred for the ongoing COVID-19 response. | 1,757,055 |
| Depreciation and amortisation budget allocation exceeded the annual expense, noting the expense was also lower than anticipated due to the timing of new capital projects coming into service. | (106,848) |
| Grants and subsidies expenses were higher than expected given continual payments to affiliated health organisations and entities controlled by the ultimate parent were granted personal protective equipment (PPE) and rapid antigen tests (RATs) free of charge. | 400,904 |
| Appropriation funding was higher than budget resulting from additional funding approved to support expenditures in response to the COVID-19. | (1,348,413) |
| Income recognised for the acceptance by the Crown of employee benefits and other liabilities was lower than expected due to actuarial valuation decreases to long service leave benefits assumed by the Crown. | 557,982 |
| Sale of goods and services and other income were impacted by operational restrictions arising from current year COVID-19 events resulting in decreased revenue for the year. | 381,452 |
| Grants and other contributions revenue was higher than budget resulting from additional revenue recognised from National Partnership Agreement on COVID-19 for COVID-19 expenditures. In-kind revenues for COVID-19 vaccinations and PPE received free of charge were also higher than expected. | (1,558,286) |
| Investment revenue was less than expected resulting from reduced market returns on investments. | 27,247 |
| Gains / (losses) on disposal were higher than expected due to derecognition of leases held with Property NSW and other gains / (losses) were higher as a result of the reversal of PPE inventory impairment. | (68,771) |
| Impairment losses on financial assets included expected credit losses for receivables higher than budget. | 63,439 |
| Other minor variations. | (9,636) |
| Net result - budget | 1,075,693 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Budget Review - Consolidated (continued)

ASSETS AND LIABILITIES

The actual net assets (\$25,019 million) is higher than the budgeted net assets (\$23,496 million) by \$1,523 million as at 30 June 2022.

A reconciliation of the movements between significant assets and liabilities is presented below:

| | \$000 |
|--|-------------------|
| Net assets - actual | 25,019,058 |
| Cash and cash equivalents were higher than expected resulting from the timing of year end creditor and payroll payments and the divestment of TCorp investments into cash holdings. | (1,373,202) |
| Receivables were higher than budget under trade receivables from contract with customers as a result of increased debtor balances for the Commonwealth National Health Reform Funding and the Commonwealth National Partnership Agreement on COVID-19. | (383,210) |
| Inventories were higher than budget due to the continued higher operational requirements of medical and surgical supplies and additional rapid antigen tests that were held as a response measure to COVID-19. | (554,565) |
| Financial assets at fair value were less than budget primarily as a result of the divestment of a number of TCorpIM fund investments into cash holdings throughout the financial year. | 65,633 |
| Property, plant and equipment was higher than expected primarily due to increases resulting from revaluation adjustments not captured in the budget. This was offset by less than expected capital spend and depreciation. | (802,779) |
| Right-of-use assets were less than budget due to the derecognition of leases held with Property NSW. | 683,219 |
| Intangibles were lower than original budget primarily resulting from reduced capital spend. | 93,500 |
| Payables were higher than expected resulting from increased operating costs and trade creditors payable at year end. This increase was offset by reductions in accrued salaries, wages and on-costs due to timing differences. | 484,648 |
| Contract liabilities were higher than budget resulting from increased Commonwealth multi-year funding agreement grant revenue deferrals. | 3,911 |
| Borrowings were less than expected resulting from the derecognition of leases held with Property NSW. | (723,588) |
| Provisions were higher than expected primarily resulting from annual leave accrued, one-off payments to employees in recognition of service, and prior period error correction adjustment for superannuation on annual leave. | 916,599 |
| Other liabilities were higher than budget due primarily to the recognition of increased revenue deferrals associated with Commonwealth grant funding to acquire / construct non-financial assets. | 44,833 |
| Net movement across several asset classes due to other minor variations. | 21,955 |
| Net assets - budget | 23,496,012 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

43. Budget Review - Consolidated (continued)

CASH FLOWS

Operating activities net cash inflows were higher than budget by \$172 million attributable to receipts being higher than budget for appropriations and grants and other contributions. Similar to receipts, payments were higher than budget.

Investing activities net cash outflows were lower than budget by \$1,071 million attributable to decreases in purchases of property, plant and equipment and intangibles and other outflows, and increases in proceeds from financial assets sales.

Financing net cash outflows were higher than expected by \$8 million. This was attributable primarily to higher repayments of the principal portion of lease liabilities than budgeted.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments

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

The consolidated entity's main risks arising from financial instruments are outlined below, together with the consolidated entity'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 consolidated and parent entities, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

CONSOLIDATED

| Class | Note | Category | Carrying amount | |
|------------------------------------|------|--|------------------|------------------|
| | | | 2022 \$000 | 2021 \$000 |
| Financial Assets | | | | |
| Cash and cash equivalents | 19 | Amortised cost | 2,887,006 | 2,031,071 |
| Receivables ¹ | 20 | Amortised cost | 1,084,618 | 917,950 |
| Contract assets ² | 21 | Amortised cost | 1,307 | 1,794 |
| Financial assets at fair value | 23 | Fair value through profit or loss - mandatory classification | 108,386 | 193,872 |
| Other financial assets | 24 | Amortised cost | 86,490 | 87,442 |
| Total financial assets | | | 4,167,807 | 3,232,129 |
| Financial Liabilities | | | | |
| Payables ³ | 31 | Financial Liabilities (at amortised cost) | 2,373,166 | 1,878,618 |
| Borrowings | 33 | Financial Liabilities (at amortised cost) | 1,671,073 | 2,309,943 |
| Other liabilities ³ | 35 | Financial Liabilities (at amortised cost) | 697 | 709 |
| Total financial liabilities | | | 4,044,936 | 4,189,270 |

Notes

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

² While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 Financial Instruments: Disclosures for the purpose of the credit risk disclosures.

³ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(a) Financial instrument categories (continued)

PARENT

| Class | Note | Category | Carrying amount | |
|------------------------------------|------|---|------------------|------------------|
| | | | 2022 \$000 | 2021 \$000 |
| Financial Assets | | | | |
| Cash and cash equivalents | 19 | Amortised cost | 614,647 | 160,068 |
| Receivables ¹ | 20 | Amortised cost | 615,408 | 426,403 |
| Contract assets ² | 21 | Amortised cost | 363 | 276 |
| Other financial assets | 24 | Amortised cost | 503,828 | 315,437 |
| Total financial assets | | | 1,734,246 | 902,184 |
| Financial Liabilities | | | | |
| Payables ³ | 31 | Financial Liabilities (at amortised cost) | 874,095 | 525,213 |
| Borrowings | 33 | Financial Liabilities (at amortised cost) | 17,489 | 592,304 |
| Total financial liabilities | | | 891,584 | 1,117,517 |

Notes

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

² While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 Financial Instruments: Disclosures for the purpose of the credit risk disclosures.

³ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

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

(b) Derecognition of financial assets and financial liabilities

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

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

When the consolidated entity 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 consolidated entity 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 consolidated entity continuing involvement in the asset. In that case, the consolidated entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the consolidated entity could be required to repay.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

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

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 risks

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp IM Funds cash facility is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

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

Collectability of trade receivables, other receivables, contract assets and lease receivables 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 consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables, contract assets and lease receivables.

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

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables, contract assets and lease receivables (continued)

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 consolidated entity has not identified any relevant factors, and accordingly has not adjusted the historical loss rates.

Trade receivables, other receivables, contract assets and lease receivables 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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

i. Credit risk (continued)

The loss allowance for trade receivables, other receivables, contract assets and lease receivables as at 30 June 2022 and 2021 was determined as follows:

CONSOLIDATED

| 30 June 2022 | Current \$000 | <30 days \$000 | 30-60 days \$000 | 61-90 days \$000 | >91 days \$000 | Total \$000 |
|--|------------------|-------------------|---------------------|---------------------|-------------------|----------------|
| Expected credit loss rate | 1.32% | 7.29% | 15.54% | 24.69% | 30.81% | 10.36% |
| Estimated total gross carrying amount ¹ | 859,231 | 39,776 | 24,226 | 15,511 | 369,232 | 1,307,976 |
| Expected credit loss | 11,303 | 2,899 | 3,764 | 3,830 | 113,765 | 135,561 |

| 30 June 2021 | Current \$000 | <30 days \$000 | 30-60 days \$000 | 61-90 days \$000 | >91 days \$000 | Total \$000 |
|--|------------------|-------------------|---------------------|---------------------|-------------------|----------------|
| Expected credit loss rate | 1.11% | 7.15% | 10.81% | 17.20% | 55.38% | 9.56% |
| Estimated total gross carrying amount ¹ | 853,077 | 44,667 | 35,110 | 22,583 | 154,841 | 1,110,278 |
| Expected credit loss | 9,461 | 3,194 | 3,795 | 3,884 | 85,758 | 106,092 |

PARENT

| 30 June 2022 | Current \$000 | <30 days \$000 | 30-60 days \$000 | 61-90 days \$000 | >91 days \$000 | Total \$000 |
|--|------------------|-------------------|---------------------|---------------------|-------------------|----------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated total gross carrying amount ^{1,2} | 438,952 | 2,153 | 2,163 | 2,137 | 160,031 | 605,436 |
| Expected credit loss | - | - | - | - | - | - |

| 30 June 2021 | Current \$000 | <30 days \$000 | 30-60 days \$000 | 61-90 days \$000 | >91 days \$000 | Total \$000 |
|--|------------------|-------------------|---------------------|---------------------|-------------------|----------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated total gross carrying amount ^{1,2} | 394,988 | 237 | 7 | 6 | 4,805 | 400,043 |
| Expected credit loss | - | - | - | - | - | - |

Notes

¹ 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 20 and the contract assets total in Note 21.

² The estimated total gross carrying amount for the parent entity also excludes receivables from controlled health entities.

The consolidated entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022 and 30 June 2021.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

i. Credit risk (continued)

Other financial assets - Authority Deposits

The consolidated entity has placed funds on deposit with TCorp, which has been rated 'AA+' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The consolidated entity did not recognise a provision for expected credit losses on its other financial assets in 2022 (2021: \$Nil).

ii. Liquidity risk

Liquidity risk is the risk that the consolidated entity will be unable to meet its payment obligations when they fall due. The consolidated entity 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 effective management of cash, investments and liquid assets and liabilities.

The consolidated entity has negotiated no loan outside of arrangements with the Crown. During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral.

Liquidity risk is minimised by the use of service agreements between the Secretary of NSW Health and controlled health entities. The annual service agreements, requires controlled entities to manage their financial liquidity and in particular, meet benchmarks for the payment of creditors. Where the controlled entities fail to meet service agreement performance standards, the parent as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For a supplier, that has a correctly rendered invoice, 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 effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

ii. Liquidity risk (continued)

The following table summarises the maturity profile of the consolidated entity's financial liabilities together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities:

| | EIR ³ % | Interest Rate Exposure | | | | Maturity Dates | | |
|--|-----------------------|--------------------------------|---------------------------|------------------------------|------------------------------|------------------|------------------|------------------|
| | | Nominal Amount ¹ | Fixed Interest Rate | Variable Interest Rate | Non - Interest Bearing | < 1 Year | 1-5 Years | > 5 Years |
| | | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| CONSOLIDATED | | | | | | | | |
| 2022 | | | | | | | | |
| Payables ² | | 2,373,166 | - | - | 2,373,166 | 2,373,166 | - | - |
| Borrowings: | | | | | | | | |
| - Other loans and deposits | 2.52 | 49,225 | 49,225 | - | - | 8,403 | 30,644 | 10,178 |
| - Lease liabilities | 2.32 | 675,471 | 675,471 | - | - | 151,937 | 395,662 | 127,872 |
| - Service concession financial liabilities | 2.42 | 37,532 | 37,532 | - | - | 2,200 | 9,387 | 25,945 |
| - PPP | 9.67 | 2,004,302 | 109,215 | 1,895,087 | - | 123,991 | 526,048 | 1,354,263 |
| - Other | - | 46 | - | - | 46 | 46 | - | - |
| | | 5,139,742 | 871,443 | 1,895,087 | 2,373,212 | 2,659,743 | 961,741 | 1,518,258 |
| 2021 | | | | | | | | |
| Payables ² | | 1,878,618 | - | - | 1,878,618 | 1,878,618 | - | - |
| Borrowings: | | | | | | | | |
| - Other loans and deposits | 2.60 | 59,649 | 59,649 | - | - | 8,699 | 33,075 | 17,875 |
| - Lease liabilities ⁴ | 2.12 | 1,526,518 | 1,526,518 | - | - | 181,337 | 475,978 | 869,203 |
| - Service concession financial liabilities | 2.42 | 39,676 | 39,676 | - | - | 2,144 | 9,149 | 28,383 |
| - PPP | 9.21 | 2,097,591 | 117,397 | 1,980,194 | - | 119,683 | 507,068 | 1,470,840 |
| - Other | - | 48 | - | - | 48 | 48 | - | - |
| | | 5,602,100 | 1,743,240 | 1,980,194 | 1,878,666 | 2,190,529 | 1,025,270 | 2,386,301 |

Notes

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

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

³ Weighted Average Effective Interest Rate (EIR).

⁴ Lease liabilities has been restated in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

ii. Liquidity risk (continued)

Maturity analysis and interest rate exposure of financial liabilities:

| | EIR ³ % | Nominal Amount ¹ \$000 | Interest Rate Exposure | | | Maturity Dates | | |
|----------------------------------|-----------------------|---|------------------------------------|---------------------------------------|---------------------------------------|-------------------|--------------------|--------------------|
| | | | Fixed Interest Rate \$000 | Variable Interest Rate \$000 | Non - Interest Bearing \$000 | < 1 Year \$000 | 1-5 Years \$000 | > 5 Years \$000 |
| | | | | | | | | |
| PARENT | | | | | | | | |
| 2022 | | | | | | | | |
| Payables ² | | 874,095 | - | - | 874,095 | 874,095 | - | - |
| Borrowings: | | | | | | | | |
| - Lease liabilities | 0.84 | 17,641 | 17,641 | - | - | 11,111 | 6,366 | 164 |
| | | 891,736 | 17,641 | - | 874,095 | 885,206 | 6,366 | 164 |
| 2021 | | | | | | | | |
| Payables ² | | 525,213 | - | - | 525,213 | 525,213 | - | - |
| Borrowings: | | | | | | | | |
| - Lease liabilities ⁴ | 2.22 | 834,316 | 834,316 | - | - | 32,472 | 95,589 | 706,255 |
| | | 1,359,529 | 834,316 | - | 525,213 | 557,685 | 95,589 | 706,255 |

Notes

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

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

³ Weighted Average Effective Interest Rate (EIR).

⁴ Lease liabilities has been restated in the prior year. Refer to Note 17 for further details regarding the restatement as a result of an error.

The following table summarises the maturity profile of the consolidated entity's derivative financial liabilities. The maturity profile of the cash flows are matched to the anticipated settlement of the commercial contracts as forecasted by the consolidated entity.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

ii. Liquidity risk (continued)

Maturity analysis of derivative financial assets at fair value through profit and loss that are hedging foreign currency exposure:

| | Fair Value \$000 | Maturity Dates | | |
|--------------------------|---------------------|-------------------|--------------------|--------------------|
| | | < 1 Year \$000 | 1-5 Years \$000 | > 5 Years \$000 |
| CONSOLIDATED | | | | |
| 2022 | | | | |
| Financial assets: | | | | |
| - Derivatives - inflows | 11,501 | 30,574 | 30,352 | 83,612 |
| - Derivatives - outflows | | (28,937) | (26,991) | (79,183) |
| | 11,501 | 1,637 | 3,361 | 4,429 |

Notes

Cash outflows in foreign currencies are translated at prevailing spot rates on reporting dates.

The consolidated entity had no derivative financial assets or liabilities at fair value for the year ended 30 June 2021.

The parent entity had no derivative financial assets or liabilities at fair value for the year ended 30 June 2022 or 2021.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The consolidated entity's exposures to market risk are primarily through interest rate risk on the consolidated entity's borrowings, foreign currency risk and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The consolidated entity 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, foreign currency 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 consolidated entity 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 reporting date. The analysis was performed on the same basis for 2021. 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 consolidated entity's interest bearing liabilities.

However, controlled entities are not permitted to borrow external to the Ministry of Health (energy loans which are negotiated through NSW Treasury are excepted).

Both NSW Treasury and Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The consolidated entity 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 of 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 RBA 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.

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

| CONSOLIDATED | 2022 | | 2021 | |
|--------------|----------|--------|---------|-------|
| | \$'000 | | \$'000 | |
| | -1% | 1% | -1% | 1% |
| Net result | (14,101) | 14,101 | (17) | 17 |
| Equity | (14,101) | 14,101 | (17) | 17 |
| PARENT | 2022 | | 2021 | |
| | \$'000 | | \$'000 | |
| | -1% | 1% | -1% | 1% |
| Net result | (11,185) | 11,185 | (4,755) | 4,755 |
| Equity | (11,185) | 11,185 | (4,755) | 4,755 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (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 consolidated entity manages its foreign exchange risk by maintaining foreign currency denominated bank accounts or buying foreign currency from TCorp at the time of purchase commitment, or enters into derivative economic hedges with TCorp in accordance with the consolidated entity's risk management policies.

At year end, the consolidated entity did not hold any foreign currency denominated monetary assets and monetary liabilities, except for cash held in a 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.

The consolidated entity has outstanding forward foreign exchange contracts entered with TCorp to hedge foreign currency risks. The forward foreign exchange contracts enable the consolidated entity to exchange fixed foreign currency for fixed AUD at specified future date, enabling cash flow certainty.

The consolidated entity is exposed to foreign exchange risks associated with commercial contracts payments denominated in foreign currency. The consolidated entity's risk management strategy is to hedge foreign currency risks by maintaining foreign currency denominated bank accounts, buying foreign currencies from TCorp at the time of purchase commitment or entering into foreign exchange derivative contracts as approved within internal policies and guidelines set out under NSW Health's Procurement Policy and broader framework under *NSW Government Foreign Exchange Risk Policy* (TPP18-03). The forward foreign exchange derivative contracts are economic hedges which enables the consolidated entity to exchange a fixed amount of foreign currency for fixed AUD amount at a specified future settlement date, ensuring cash flow certainty.

A sensitivity analysis has been disclosed for the cash held in foreign currency bank account and outstanding derivative contracts at year end. 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.

CONSOLIDATED

| 2022 | +10% | | -10% | |
|------------------------|---------------------|-----------------|---------------------|-----------------|
| | Net result \$000 | Equity \$000 | Net result \$000 | Equity \$000 |
| Denominated US Dollars | 730 | (66) | 81 | 81 |
| Derivatives | 11,501 | (12,029) | 14,702 | 14,702 |
| 2021 | +10% | | -10% | |
| | Net result \$000 | Equity \$000 | Net result \$000 | Equity \$000 |
| Denominated US Dollars | 2,791 | (254) | 310 | 310 |

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

44. Financial instruments (continued)

(d) Financial risks (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds, which are held for strategic rather than trading purposes. The consolidated entity has no direct equity investments. The consolidated entity holds units in the following TCorpIM Funds trusts:

| Facility | Investment Sectors | Investment Horizon | 2022 \$000 | 2021 \$000 |
|---------------------------------|---|----------------------|---------------|---------------|
| TCorpIM Cash Fund | Cash and fixed income | Up to 1.5 years | - | 182,975 |
| TCorpIM Short Term Income Fund | Cash and fixed income | 1.5 years to 3 years | - | 130,732 |
| TCorpIM Medium Term Growth Fund | Cash and fixed income, credit, equities, alternative assets and real assets | 3 years to 7 years | 52,385 | 15,276 |
| TCorpIM Long Term Growth Fund | Cash and fixed income, credit, equities, alternative assets and real assets | 7 years and over | 44,500 | 47,865 |

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily. TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the TCorpIM Funds facilities limits the consolidated entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

TCorp provides sensitivity analysis information for each of the Investment facilities, which is used to demonstrate the impact on the funds' net assets as a result of a change in the unit price. This impact is based on a sensitivity rate of 10%, multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds statement). Actual movements in the price risk variables may differ to the sensitivity rate used due to a number of factors. The TCorpIM Funds are measured at fair value through profit or loss and therefore any change in unit price impacts directly on net results / equity.

| | Impact on net result / equity | | | |
|---------------------------------|-------------------------------|-----------|---------------|---------------|
| | Change in unit price | | | |
| | 2022 % | 2021 % | 2022 \$000 | 2021 \$000 |
| TCorpIM Cash Fund | +/- 10% | +/- 10% | - | 18,298 |
| TCorpIM Short Term Income Fund | +/- 10% | +/- 10% | - | 13,073 |
| TCorpIM Medium Term Growth Fund | +/- 10% | +/- 10% | 5,238 | 1,528 |
| TCorpIM Long Term Growth Fund | +/- 10% | +/- 10% | 4,450 | 4,786 |

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for the year ended 30 June 2022

44. Financial instruments (continued)

(e) Fair value measurement

i. Fair value compared to carrying amount

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.

The consolidated entity's fair value does not differ from the carrying amount.

ii. Fair value recognised in the Statement of Financial Position

Derivative economic hedges and TCorpIM Funds Investment Facilities are measured at fair value. Management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

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, the consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

| 2022 | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total \$000 |
|---------------------------------------|------------------|------------------|------------------|----------------|
| Financial assets at fair value | | | | |
| Derivatives | - | 11,501 | - | 11,501 |
| TCorpIM Funds Investment Facility | - | 96,885 | - | 96,885 |
| 2021 | | | | |
| 2021 | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total \$000 |
| Financial assets at fair value | | | | |
| TCorpIM Funds Investment Facility | - | 376,848 | - | 376,848 |

The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.

There were no transfers between Level 1, 2 or 3 during the year ended 30 June 2022 (2021: \$Nil).

The value of the TCorpIM Funds Investments is based on the consolidated entity's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds Investment facilities are valued using 'redemption' pricing.

The fair values of derivative economic hedges are determined using standard valuation technique based on the applicable market observable rates including spot rate and forward points.

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for the year ended 30 June 2022

45. Related party disclosures

(a) Key management personnel compensation

Key management personnel compensation is as follows:

| | Consolidated 2022 \$000 | Consolidated 2021 \$000 | Parent 2022 \$000 | Parent 2021 \$000 |
|------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------|
| Short-term employee benefits | 3,550 | 3,239 | 3,550 | 3,239 |
| Post-employment benefits | 72 | 71 | 72 | 71 |
| | 3,622 | 3,310 | 3,622 | 3,310 |

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

(b) Transactions and outstanding balances with key management personnel of the consolidated entity and its parent during the financial year

There were no material transactions or outstanding balances with key management personnel of the consolidated entity and its parent during the financial year.

(c) Transactions the consolidated entity had with government related entities during the financial year

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

Operating expenses incurred as follows:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Community support accommodation
- Cost for mobile radio network services
- Utilities, including electricity, gas and water expenses
- Property lease and maintenance expenses
- Insurance costs
- Legal and consultancy costs
- Records storage and retrieval expenses
- Grants and subsidies to health cluster agencies
- Personal protective equipment and rapid antigen tests granted to entities controlled by the ultimate parent
- Revenue collection services provided by Department of Customer Service
- Project management and advisory costs for capital works projects.
- Various grants and other contributions

Revenue earned as follows:

- Appropriations as per the Appropriations Act received from Consolidated Fund
- Motor Accident Third Party revenue is received from State Insurance Regulatory Authority and Lifetime Care and Support Authority of New South Wales
- Clinical services revenue was received from the NSW Police Force, Transport for NSW and Resilience NSW
- Various grants and other contributions

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Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

45. Related party disclosures (continued)

(c) Transactions the consolidated entity had with government related entities during the financial year (continued)

Revenue earned as follows (continued):

- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Contract revenue for the construction works
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit superannuation.

Assets and Liabilities as follows:

- Receivables / payables in respect of the above noted related party revenue and expense transactions
- Some sale proceeds for non-current property, plant and equipment assets
- Right-of-use assets and lease liabilities with Property NSW and Department of Customer Service
- Some funds are invested in TCorpIM Funds Investment facilities
- Forward foreign exchange derivative contracts are purchased through NSW Treasury Corporation
- Energy Efficient Government Program loans are held with the Crown.

Transactions the parent entity had with government related entities during the financial year

Further to the above transactions entered into by the consolidated entity, the parent entity entered into the following transactions within the normal course of business with entities it controlled which are consolidated as part of these financial statements:

Operating expenses incurred as follows:

- Grants and subsidies provided to health entities
- Information technology service charges.

Revenue earned as follows:

- Revenue from short term lease arrangements
- Recovery of outgoings from short term lease arrangements.

Assets and Liabilities as follows:

- Intra-health receivables and payables
- Receivable for advances made to health entities.

(d) Individually significant transactions with Government-related entities

Peppercorn Lease 1: Doonside Lease

NSW Land & Housing Corporation (LHC), an entity controlled by the ultimate parent, entered into a lease agreement with Western Sydney Local Health District (WSLHD) for the lease of the land at 32 Birdside Avenue, Doonside for a 99 year period commencing on 2 December 1991 and ending on 1 December 2090. WSLHD pay a lease rental of \$1 per year to the LHC.

Peppercorn Lease 2: Mt Druitt Lease

Department of Planning, Industry and Environment (DPIE), an entity controlled by the ultimate parent, has entered into a lease agreement with Western Sydney Local Health District (WSLHD) for lease of the land located at Lots 29 and 30 in Rooty Hill, Cumberland County for a 77 year period commencing from 4 November 1973 to 31 December 2050. WSLHD will pay \$1 per year to the DPIE.

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Notes to and forming part of the Financial Statements

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46. 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

