
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
<p data-bbox="217 539 790 584">Valuation of property, plant and equipment</p> <p data-bbox="217 584 790 629"><i>Refer to Note 25 Property, plant and equipment</i></p> <p data-bbox="217 629 790 719">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 data-bbox="217 719 790 831" style="list-style-type: none"> • \$24.2 billion - land and buildings • \$1.5 billion - plant and equipment • \$0.7 billion - infrastructure <p data-bbox="217 831 790 875">I considered this area a key audit matter due to the:</p> <ul data-bbox="217 875 790 1435" 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 data-bbox="264 1189 790 1435" 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 data-bbox="790 539 1359 584">To address the key audit matter, I:</p> <ul data-bbox="790 584 1359 1579" 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.
<p data-bbox="217 1585 790 1630">Existence and valuation of COVID-19 related inventories (including Rapid Antigen Tests)</p> <p data-bbox="217 1630 790 1675"><i>Refer to Note 22 Inventories</i></p> <p data-bbox="217 1675 790 1883">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 data-bbox="217 1883 790 2040">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 data-bbox="790 1585 1359 1630">To address the key audit matter, I:</p> <ul data-bbox="790 1630 1359 2040" 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	Consolidated Budget	Consolidated Actual Restated	Parent Actual	Parent Actual Restated
	Notes	2022 \$000	2022 \$000	2021 \$000	2022 \$000	2021 \$000
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

	Notes	Original Actual 2021 \$'000	Adjustment Actual 2021 \$'000	Restated Actual 2021 \$'000
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)	(85,973)	(63,439)	(85,973)
Other gains / (losses)	-	-	-	-	-	-	-	-	-	-	(65,755)	(867,163)	(65,755)	(867,163)
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
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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.

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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.

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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).

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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)

(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
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
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).

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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 (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).

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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)

(a) Total property, plant and equipment

PARENT

	Land and Buildings	Plant and Equipment	Infrastructure systems	Total
	\$000	\$000	\$000	\$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	Plant and Equipment	Infrastructure systems	Total
	\$000	\$000	\$000	\$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).

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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)

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

PARENT

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure systems \$000	Total \$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 \$000	Plant and Equipment \$000	Infrastructure systems \$000	Total \$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 \$000	Plant and Equipment \$000	Infrastructure systems \$000	Total \$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).

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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 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).

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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 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

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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)

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 car parks 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	<p>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.</p>				
Rights and obligations	<p>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.</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 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.

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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 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.

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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)

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.

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)

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.

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 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.

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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 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.

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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
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
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
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
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

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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

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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.

Ministry of Health

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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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

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

Ministry of Health

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.

Ministry of Health

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.

Ministry of Health

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

Ministry of Health

Notes to and forming part of the Financial Statements

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.

Ministry of Health

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.

Ministry of Health

Notes to and forming part of the Financial Statements

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.

Ministry of Health

Notes to and forming part of the Financial Statements

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.

Ministry of Health

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).

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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.

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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.

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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.

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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

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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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Notes to and forming part of the Financial Statements

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	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.

Ministry of Health

Notes to and forming part of the Financial Statements

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.

Ministry of Health

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

