



## INDEPENDENT AUDITOR'S REPORT

### Health Administration Corporation

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the Health Administration Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- 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 Corporation 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 Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Emphasis of Matter – Presentation of Budget Information**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 39. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Corporation. It also states that, unlike the requirements in AASB 1055 'Budgetary Reporting' to present original budget information, the Corporation's financial statements present adjusted budget information.

## **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 Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

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

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



Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 October 2022  
SYDNEY

# Health Administration Corporation

## 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 Health Administration Corporation for the year ended 30 June 2022 have been prepared in accordance with:
  - a. Australian Accounting Standards (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 Health Administration Corporation's financial position as at 30 June 2022 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read '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

# Health Administration Corporation

## Statement of Comprehensive Income for the year ended 30 June 2022

		Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual Restated 2021 \$000	Parent Actual 2022 \$000	Parent Actual Restated 2021 \$000
	Notes					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	2,170,022	2,138,253	1,976,776	-	-
Personnel services	3	-	-	-	2,174,653	1,971,755
Visiting medical officers	4	151	151	147	151	147
Other expenses	5	3,140,726	3,102,007	1,831,952	3,140,726	1,831,952
Depreciation and amortisation	6	259,523	258,723	256,405	259,523	256,405
Grants and subsidies	7	34,816	44,480	46,328	34,816	46,328
Finance costs	8	11,379	12,036	7,901	11,379	7,901
Payments to Affiliated Health Organisations	9	448	448	-	448	-
<b>Total expenses excluding losses</b>		<b>5,617,065</b>	<b>5,556,098</b>	<b>4,119,509</b>	<b>5,621,696</b>	<b>4,114,488</b>
<b>Revenue</b>						
Ministry of Health recurrent allocations	12	2,407,854	2,349,872	1,312,667	2,407,854	1,312,667
Ministry of Health capital allocations	12	193,603	218,213	134,150	193,603	134,150
Acceptance by the Crown <sup>2</sup> of employee benefits	16	(4,631)	(4,538)	5,021	-	-
Sale of goods and services from contracts with customers	13	3,265,578	3,273,267	2,757,044	3,265,578	2,757,044
Investment revenue	14	3,817	3,590	2,598	3,817	2,598
Grants and other contributions	15	133,425	88,671	67,185	133,425	67,185
Other income	17	48,327	58,969	55,837	48,327	55,837
<b>Total revenue</b>		<b>6,047,973</b>	<b>5,988,044</b>	<b>4,334,502</b>	<b>6,052,604</b>	<b>4,329,481</b>
<b>Operating result</b>		<b>430,908</b>	<b>431,946</b>	<b>214,993</b>	<b>430,908</b>	<b>214,993</b>
Gains / (losses) on disposal	18	7,669	(286)	(2,489)	7,669	(2,489)
Impairment losses on financial assets	22	(30,017)	(14,333)	(34,331)	(30,017)	(34,331)
Other gains / (losses)	19	(49,057)	115	(773,828)	(49,057)	(773,828)
<b>Net result from continuing operations</b>	40	<b>359,503</b>	<b>417,442</b>	<b>(595,655)</b>	<b>359,503</b>	<b>(595,655)</b>
<b>Net result</b>		<b>359,503</b>	<b>417,442</b>	<b>(595,655)</b>	<b>359,503</b>	<b>(595,655)</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	25	49,780	-	(1,100)	49,780	(1,100)
<b>Total other comprehensive income</b>		<b>49,780</b>	<b>-</b>	<b>(1,100)</b>	<b>49,780</b>	<b>(1,100)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>409,283</b>	<b>417,442</b>	<b>(596,755)</b>	<b>409,283</b>	<b>(596,755)</b>

<sup>1</sup> Unaudited adjusted budget, see Note 39.

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

See Note 20 for details regarding restated prior year balances for the Corporation.

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Financial Position as at 30 June 2022**

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	21	1,095,229	849,019	846,099	1,095,229	846,099
Receivables	22	863,305	722,004	534,874	863,305	534,874
Inventories	23	684,550	868,256	493,599	684,550	493,599
Financial assets at fair value	24	1,590	-	-	1,590	-
		<b>2,644,674</b>	<b>2,439,279</b>	<b>1,874,572</b>	<b>2,644,674</b>	<b>1,874,572</b>
Non-current assets held for sale	28	3,304	1,254	1,254	3,304	1,254
<b>Total current assets</b>		<b>2,647,978</b>	<b>2,440,533</b>	<b>1,875,826</b>	<b>2,647,978</b>	<b>1,875,826</b>
<b>Non-current assets</b>						
Receivables	22	10,655	5,718	5,718	10,655	5,718
Financial assets at fair value	24	9,911	-	-	9,911	-
Property, plant & equipment	25					
- Land and buildings		717,122	671,687	636,182	717,122	636,182
- Plant and equipment		229,101	250,185	224,951	229,101	224,951
- Infrastructure systems		19,535	20,619	20,615	19,535	20,615
Total property, plant & equipment		965,758	942,491	881,748	965,758	881,748
Right-of-use assets	26	337,835	527,395	370,997	337,835	370,997
Intangible assets	27	656,886	654,852	644,916	656,886	644,916
<b>Total non-current assets</b>		<b>1,981,045</b>	<b>2,130,456</b>	<b>1,903,379</b>	<b>1,981,045</b>	<b>1,903,379</b>
<b>Total assets</b>		<b>4,629,023</b>	<b>4,570,989</b>	<b>3,779,205</b>	<b>4,629,023</b>	<b>3,779,205</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	31	781,482	777,970	604,797	781,482	604,797
Contract liabilities	32	2,639	2,355	2,355	2,639	2,355
Borrowings	33	566,909	376,994	384,099	566,909	384,099
Provisions	34	489,681	441,896	369,825	489,681	369,825
Other current liabilities	35	13,590	2,417	22,852	13,590	22,852
<b>Total current liabilities</b>		<b>1,854,301</b>	<b>1,601,632</b>	<b>1,383,928</b>	<b>1,854,301</b>	<b>1,383,928</b>
<b>Non-current liabilities</b>						
Borrowings	33	274,117	473,421	306,052	274,117	306,052
Provisions	34	14,754	12,965	13,667	14,754	13,667
Other non-current liabilities	35	1,620	-	-	1,620	-
<b>Total non-current liabilities</b>		<b>290,491</b>	<b>486,386</b>	<b>319,719</b>	<b>290,491</b>	<b>319,719</b>
<b>Total liabilities</b>		<b>2,144,792</b>	<b>2,088,018</b>	<b>1,703,647</b>	<b>2,144,792</b>	<b>1,703,647</b>
<b>Net assets</b>		<b>2,484,231</b>	<b>2,482,971</b>	<b>2,075,558</b>	<b>2,484,231</b>	<b>2,075,558</b>
<b>EQUITY</b>						
Reserves		237,431	186,824	186,728	237,431	186,728
Accumulated funds		2,246,800	2,296,147	1,888,830	2,246,800	1,888,830
<b>Total Equity</b>		<b>2,484,231</b>	<b>2,482,971</b>	<b>2,075,558</b>	<b>2,484,231</b>	<b>2,075,558</b>

<sup>1</sup> Unaudited adjusted budget, see Note 39.

The accompanying notes form part of these financial statements.

# Health Administration Corporation

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

### PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2021</b>		<b>1,888,830</b>	<b>186,728</b>	<b>2,075,558</b>
<b>Net result for the year</b>		<b>359,503</b>	<b>-</b>	<b>359,503</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	25	-	49,780	49,780
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(923)	923	-
<b>Total other comprehensive income</b>		<b>(923)</b>	<b>50,703</b>	<b>49,780</b>
<b>Total comprehensive income for the year</b>		<b>358,580</b>	<b>50,703</b>	<b>409,283</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	36	(610)	-	(610)
<b>Balance at 30 June 2022</b>		<b>2,246,800</b>	<b>237,431</b>	<b>2,484,231</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2020</b>		<b>2,486,283</b>	<b>189,796</b>	<b>2,676,079</b>
<b>Net result for the year</b>		<b>(595,655)</b>	<b>-</b>	<b>(595,655)</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	25	-	(1,100)	(1,100)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,968	(1,968)	-
<b>Total other comprehensive income</b>		<b>1,968</b>	<b>(3,068)</b>	<b>(1,100)</b>
<b>Total comprehensive income for the year</b>		<b>(593,687)</b>	<b>(3,068)</b>	<b>(596,755)</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase / (decrease) in net assets from equity transfers	36	(3,766)	-	(3,766)
<b>Balance at 30 June 2021</b>		<b>1,888,830</b>	<b>186,728</b>	<b>2,075,558</b>

The accompanying notes form part of these financial statements.

# Health Administration Corporation

## Statement of Cash Flows for the year ended 30 June 2022

	Consolidated Actual 2022 \$000	Consolidated Budget <sup>1</sup> 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Payments</b>					
Employee related	(2,146,552)	(2,148,259)	(1,932,939)	-	-
Suppliers for goods and services	(3,465,054)	(3,609,240)	(2,206,737)	(3,465,054)	(2,206,737)
Grants and subsidies	(36,303)	(46,004)	(47,563)	(36,303)	(47,563)
Finance costs	(11,380)	(12,036)	(7,901)	(11,380)	(7,901)
Personnel services	-	-	-	(2,146,552)	(1,932,939)
<b>Total payments</b>	<b>(5,659,289)</b>	<b>(5,815,539)</b>	<b>(4,195,140)</b>	<b>(5,659,289)</b>	<b>(4,195,140)</b>
<b>Receipts</b>					
Ministry of Health recurrent allocations	2,407,854	2,349,872	1,312,667	2,407,854	1,312,667
Ministry of Health capital allocations	193,603	218,213	134,150	193,603	134,150
Reimbursements from the Crown <sup>2</sup>	34,801	34,801	26,287	34,801	26,287
Sale of goods and services	3,011,840	3,148,496	3,004,949	3,011,840	3,004,949
Interest received	3,817	3,590	2,598	3,817	2,598
Grants and other contributions	23,347	15,984	27,660	23,347	27,660
Other	341,946	370,335	59,097	341,946	59,097
<b>Total receipts</b>	<b>6,017,208</b>	<b>6,141,291</b>	<b>4,567,408</b>	<b>6,017,208</b>	<b>4,567,408</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>357,919</b>	<b>325,752</b>	<b>372,268</b>	<b>357,919</b>	<b>372,268</b>
	40				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment	1,025	1,717	738	1,025	738
Purchases of property, plant and equipment and intangibles	(214,877)	(239,129)	(109,932)	(214,877)	(109,932)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(213,852)</b>	<b>(237,412)</b>	<b>(109,194)</b>	<b>(213,852)</b>	<b>(109,194)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings and advances	495,800	495,800	304,318	495,800	304,318
Repayment of borrowings and advances	(303,327)	(495,800)	(739,230)	(303,327)	(739,230)
Payment of principal portion of lease liabilities	(87,541)	(85,535)	(84,387)	(87,541)	(84,387)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>104,932</b>	<b>(85,535)</b>	<b>(519,299)</b>	<b>104,932</b>	<b>(519,299)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>248,999</b>	<b>2,805</b>	<b>(256,225)</b>	<b>248,999</b>	<b>(256,225)</b>
Opening cash and cash equivalents	846,099	846,099	1,102,299	846,099	1,102,299
Effects of exchange rate changes on cash and cash equivalents	131	115	25	131	25
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>1,095,229</b>	<b>849,019</b>	<b>846,099</b>	<b>1,095,229</b>	<b>846,099</b>
	21				

<sup>1</sup> Unaudited adjusted budget, see Note 39.

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

The accompanying notes form part of these financial statements.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

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

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

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

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

These consolidated financial statements for the year ended 30 June 2022 have been authorised for issue by the Secretary, NSW Health on 18 October 2022.

#### b) Basis of preparation

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

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

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

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



# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

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

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW which has 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 Corporation has received an additional \$881.3 million (2021: \$162.1 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 12.

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

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 Corporation 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 have made are disclosed in the relevant notes to the financial statements.

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

#### c) Principles of Consolidation

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

#### d) Statement of Compliance

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

#### e) Accounting for the Goods & Services Tax (GST)

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

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

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

#### f) Foreign currency translation

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

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

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

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

#### g) Comparative Information

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 1. Statement of Significant Accounting Policies

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

##### (i) Effective for the first time in 2021-22

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 2021-22, but do not have an impact on the financial statements of the Corporation.

##### (ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards unless NSW Treasury determines otherwise. The Corporation, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the Corporation.

#### i) Impact of COVID-19 on Financial Reporting for 2021-22

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

- \* Note 1b) Basis of preparation
- \* Note 12 Ministry of Health allocations
- \* Note 15 Grants and other contributions
- \* Note 19 Other gains / (losses)
- \* Note 23 Inventories
- \* Note 26 Leases
- \* Note 34 Provisions

# Health Administration Corporation

## 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 allocated days off)	1,916,386	1,731,161	-	-
Superannuation - defined benefit plans	12,743	13,524	-	-
Superannuation - defined contribution plans	175,120	147,468	-	-
Long service leave	(25,180)	5,497	-	-
Redundancies	2,153	2,823	-	-
Workers' compensation insurance	74,878	64,692	-	-
Fringe benefits tax	88	(219)	-	-
Other staff related	13,834	11,830	-	-
	<b>2,170,022</b>	<b>1,976,776</b>	<b>-</b>	<b>-</b>

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

Employee related costs of \$21.96 million (2021: \$15.73 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

Long service leave in 2022 was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

### 3. Personnel services

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	1,916,386	1,731,161
Superannuation - defined contribution plans	-	-	175,120	147,468
Long service leave	-	-	(7,806)	14,000
Redundancies	-	-	2,153	2,823
Workers' compensation insurance	-	-	74,878	64,692
Fringe benefits tax	-	-	88	(219)
Other staff related	-	-	13,834	11,830
	<b>-</b>	<b>-</b>	<b>2,174,653</b>	<b>1,971,755</b>

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

Personnel services of \$21.96 million (2021: \$15.73 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

### 4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing specialty input for pathology services. VMO expenses of \$0.15 million (2021: \$0.15 million) represent part of the day-to-day running costs incurred in the normal operations of the Corporation. These costs are expensed as incurred.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 5. Other expenses

	Consolidated 2022 \$000	Consolidated <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
Advertising	1,102	325	1,102	325
Auditor's remuneration - audit of financial statements	702	617	702	617
Blood and blood products	24	92	24	92
Consultancies	3,059	4,462	3,059	4,462
Contractors	222,513	123,737	222,513	123,737
Domestic supplies and services	86,621	46,679	86,621	46,679
Drug supplies	12,896	7,897	12,896	7,897
Food supplies	103,812	101,152	103,812	101,152
Fuel, light and power	11,631	11,206	11,631	11,206
Patient transport costs	1,137	1,200	1,137	1,200
Information management expenses	274,316	249,009	274,316	249,009
Insurance	7,180	4,902	7,180	4,902
Maintenance (see Note 5 (b))	92,111	114,975	92,111	114,975
Medical and surgical supplies	83,286	86,123	83,286	86,123
Motor vehicle expenses	23,484	22,147	23,484	22,147
Postal and telephone costs	17,884	12,124	17,884	12,124
Printing and stationery	5,906	6,464	5,906	6,464
Rates and charges	2,504	2,863	2,504	2,863
Hosted services purchased from entities controlled by the immediate parent	2,004	1,995	2,004	1,995
Specialised services (dental, radiology, pathology and allied health)	743,331	215,273	743,331	215,273
Staff related costs	20,557	14,325	20,557	14,325
Travel related costs	11,669	7,792	11,669	7,792
Other (see Note 5 (a))	1,412,997	796,593	1,412,997	796,593
	<b>3,140,726</b>	<b>1,831,952</b>	<b>3,140,726</b>	<b>1,831,952</b>

<sup>1</sup> 'Other' expenses has been restated to be \$30.5 million higher in the prior year for the consolidated and parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 5. Other expenses (continued)

	Consolidated 2022 \$000	Consolidated <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
<b>(a) Other</b>				
Aircraft expenses (Ambulance)	118,856	111,869	118,856	111,869
Corporate support services	924,080	433,556	924,080	433,556
Courier and freight	18,656	14,802	18,656	14,802
Legal services	4,927	3,478	4,927	3,478
Membership/professional fees	3,506	2,634	3,506	2,634
Quality assurance / accreditation	4,906	3,917	4,906	3,917
Security services	2,011	2,191	2,011	2,191
Expenses relating to short-term leases	20,587	10,063	20,587	10,063
Expenses relating to leases of low-value assets	13,138	1,080	13,138	1,080
Variable lease payments, not included in lease liabilities	-	958	-	958
Other miscellaneous*	302,330	212,045	302,330	212,045
	<b>1,412,997</b>	<b>796,593</b>	<b>1,412,997</b>	<b>796,593</b>

<sup>1</sup> Warehousing expenses contained in 'Other miscellaneous' expenses has been restated to be \$30.5 million higher in the prior year for the consolidated and parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

\* Other miscellaneous expenses include management services of \$191.8 million (2021: \$103.3 million), warehousing expenses of \$42.3 million (2021: \$46.3 million) and capital expenses that do not meet the capitalisation threshold of \$42.5 million (2021: \$34.0 million).

### (b) Reconciliation of total maintenance expense

Maintenance contracts	37,553	35,956	37,553	35,956
New / replacement equipment under \$10,000	37,584	58,965	37,584	58,965
Repairs maintenance / non contract	16,622	19,483	16,622	19,483
Other	352	571	352	571
Maintenance expense - contracted labour and other (non-employee related) in Note 5	<b>92,111</b>	<b>114,975</b>	<b>92,111</b>	<b>114,975</b>
Employee related/personnel services maintenance expense included in Notes 2 and 3.	5,961	5,806	5,961	5,806
	<b>98,072</b>	<b>120,781</b>	<b>98,072</b>	<b>120,781</b>

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 5. Other expenses (continued)

#### Recognition and Measurement

##### *Maintenance expense*

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

##### *Operating expenses*

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

##### *Insurance*

The Corporation's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government entities. The expense / (premium) is determined by the Fund Manager based on past claims experience. The TMF is operated by NSW Self Insurance Corporation (SiCorp), an entity controlled by the ultimate parent.

##### *Lease expense*

The Corporation recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 6. Depreciation and amortisation

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Depreciation - buildings	21,409	21,573	21,409	21,573
Depreciation - plant and equipment	61,213	62,391	61,213	62,391
Depreciation - infrastructure systems	2,488	2,715	2,488	2,715
Depreciation - right-of-use buildings	43,266	39,382	43,266	39,382
Depreciation - right-of-use plant and equipment	46,978	47,643	46,978	47,643
Amortisation - intangible assets	84,169	82,701	84,169	82,701
	<b>259,523</b>	<b>256,405</b>	<b>259,523</b>	<b>256,405</b>

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.

### 7. Grants and subsidies

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Non-government organisations	2,731	2,655	2,731	2,655
Community packages	22,639	30,598	22,639	30,598
Grants to research organisations	339	968	339	968
Grants to entities controlled by the immediate parent	9,103	11,973	9,103	11,973
Other grants	4	134	4	134
	<b>34,816</b>	<b>46,328</b>	<b>34,816</b>	<b>46,328</b>

#### Recognition and Measurement

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



# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 8. Finance costs

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest expense from lease liabilities	11,349	7,886	11,349	7,886
Interest expense from financial liabilities at amortised cost	18	3	18	3
Other interest charges	12	12	12	12
	<b>11,379</b>	<b>7,901</b>	<b>11,379</b>	<b>7,901</b>

#### Recognition and Measurement

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

### 9. Payments to Affiliated Health Organisations

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
(a) Recurrent sourced	250	-	250	-
	<b>250</b>	<b>-</b>	<b>250</b>	<b>-</b>
(b) Capital sourced	198	-	198	-
	<b>198</b>	<b>-</b>	<b>198</b>	<b>-</b>
	<b>448</b>	<b>-</b>	<b>448</b>	<b>-</b>

#### Recognition and Measurement

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

General operating expenses / revenues have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the health organisations concerned. The Corporation is not deemed to own or control the various assets / liabilities of the aforementioned health organisations and such amounts have been excluded from the Statement of Financial Position.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 10. Revenue

#### Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* (AASB 15) or AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

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

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

### 11. Summary of compliance

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 2021–22. 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, including the Health Administration Corporation.

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

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It 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 the principal department is administratively responsible for that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The Health Administration Corporation's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations for FY21/22 and FY20/21, authorising officers of the Health Administration Corporation to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Health Administration Corporation. 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 included in the financial statements of the Annual Report of NSW Health.

### 12. Ministry of Health allocations

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

The Corporation recognised additional Ministry of Health recurrent allocations of \$852.7 million (2021: \$125.5 million) and Ministry of Health capital allocations of \$28.6 million (2021: \$36.6 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>(a) Sale of goods comprise the following:</b>				
Sale of small medical equipment and other merchandise	2,364	18,615	2,364	18,615
	<b>2,364</b>	<b>18,615</b>	<b>2,364</b>	<b>18,615</b>
<b>(b) Rendering of services comprise the following:</b>				
<b>Patients</b>				
Patient Fees:				
- Non inpatient fees	-	7	-	7
Department of Veterans' Affairs	15,527	18,826	15,527	18,826
Motor Accident Authority third party	40,960	51,560	40,960	51,560
Patient co-payments - program of appliances for disabled people	761	950	761	950
Patient transport fees	171,336	184,162	171,336	184,162
<b>Staff</b>				
Private use of motor vehicles	280	315	280	315
Salary packaging fee	445	486	445	486
<b>General community</b>				
Cafeteria / kiosk	2,233	3,153	2,233	3,153
Car parking	(14)	34	(14)	34
Clinical services (excluding clinical drug trials)	21,813	20,639	21,813	20,639
Commercial activities*	751,220	724,317	751,220	724,317
Fees for conferences and training	345	149	345	149
Fees for medical records	198	220	198	220
Information retrieval	8	10	8	10
Meals on Wheels	289	309	289	309
<b>Non-NSW Health entities</b>				
Linen service revenues	4,752	5,105	4,752	5,105
Services to other organisations	966	650	966	650
<b>Entities controlled by the immediate parent</b>				
Hosted service revenues	500	2,570	500	2,570
Linen service revenues	85,852	87,773	85,852	87,773
Shared corporate service revenues	2,017,115	1,468,957	2,017,115	1,468,957
Use of ambulance facilities	7,418	6,730	7,418	6,730
<b>Other</b>				
Infrastructure fees - annual charge	7,209	13,156	7,209	13,156
Infrastructure fees - monthly facility charge	127,778	140,916	127,778	140,916
Other	6,223	7,435	6,223	7,435
	<b>3,263,214</b>	<b>2,738,429</b>	<b>3,263,214</b>	<b>2,738,429</b>
	<b>3,265,578</b>	<b>2,757,044</b>	<b>3,265,578</b>	<b>2,757,044</b>

\* Commercial activities include intra health pathology revenue of \$720.8 million (2021: \$695 million).

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

#### Recognition and Measurement

##### Sale of goods

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

<b>Type of good</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Sale of small medical equipment and other merchandise	Relates to sale of various products including the sale of low value medical equipment, schedule 3 medical equipment, sale of publications, old wares and refuse and other general goods. The performance obligation of transferring these products is typically satisfied at the point in time when the products are purchased by the customer and takes delivery, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

##### Rendering of services

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

#### Recognition and Measurement (continued)

#### Rendering of services (continued)

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 14. Investment revenue

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest income from financial assets at amortised cost	3,817	2,598	3,817	2,598
	<b>3,817</b>	<b>2,598</b>	<b>3,817</b>	<b>2,598</b>

#### Recognition and Measurement

##### *Interest income*

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 15. Grants and other contributions

	Consolidated 2022 \$000	Consolidated <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
<b>Grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	339	339	339	339
Clinical trials and research grants	840	640	840	640
Commonwealth government grants received for community based services	314	-	314	-
Commonwealth government grants other	2,562	3,652	2,562	3,652
Grants from entities controlled by the ultimate parent	29,023	30,975	29,023	30,975
Other grants from entities controlled by the immediate parent	1,257	43	1,257	43
Other grants	1,073	2,021	1,073	2,021
<b>Grants without specific performance obligations</b>				
Clinical trial and research grants	120	711	120	711
Commonwealth government grants other *	94,085	7,407	94,085	7,407
Other grants from entities controlled by the immediate parent	2,260	19,810	2,260	19,810
Other grants	127	3	127	3
Donations	1,425	1,584	1,425	1,584
	<b>133,425</b>	<b>67,185</b>	<b>133,425</b>	<b>67,185</b>

<sup>1</sup> 'Grants from entities controlled by the ultimate parent' has been restated to be \$30.5 million higher in the prior year for the consolidated and parent entity. Refer to Note 20 for further details regarding restatement as a result of an error.

\* "Commonwealth government grants other" comprises Personal Protective Equipment (PPE) and COVID-19 medicine / drugs 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 Corporation are recognised when the Corporation satisfies its obligations under the transfer. The Corporation satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

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

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

Refer to Note 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 Corporation obtains control over the granted assets (e.g. cash).

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 16. 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:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Superannuation - defined benefit plans	12,743	13,524	-	-
Long service leave provision*	(17,374)	(8,503)	-	-
	<b>(4,631)</b>	<b>5,021</b>	<b>-</b>	<b>-</b>

\* The long service leave provision assumed by The Crown in right of the State of New South Wales decreased in the current year due to a 22.4% decrease (2021: 18.7% decrease) in the actuarial factor.

### 17. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Bad debts recovered	126	153	126	153
Capital project management cost	40,423	42,860	40,423	42,860
Commissions	40	54	40	54
Discounts	62	162	62	162
Insurance refunds	3,813	2,004	3,813	2,004
Rental income	461	380	461	380
Property not previously recognised	-	90	-	90
Sponsorship	2	175	2	175
Unclaimed deposits	129	63	129	63
Other	3,271	9,896	3,271	9,896
	<b>48,327</b>	<b>55,837</b>	<b>48,327</b>	<b>55,837</b>

### Recognition and Measurement

#### *Other Income*

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



# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	4,419	3,067	4,419	3,067
Less: proceeds from disposal	1,025	738	1,025	738
<b>Net gains / (losses) on disposal</b>	<b>(3,394)</b>	<b>(2,329)</b>	<b>(3,394)</b>	<b>(2,329)</b>
<b>Right-of-use assets</b>				
Written down value of assets disposed	188,729	3,714	188,729	3,714
Less: lease liabilities extinguished	199,792	3,869	199,792	3,869
<b>Net gains / (losses) on disposal*</b>	<b>11,063</b>	<b>155</b>	<b>11,063</b>	<b>155</b>
<b>Intangible assets</b>				
Written down value of assets disposed	-	315	-	315
<b>Net gains / (losses) on disposal</b>	<b>-</b>	<b>(315)</b>	<b>-</b>	<b>(315)</b>
<b>Total gains / (losses) on disposal</b>	<b>7,669</b>	<b>(2,489)</b>	<b>7,669</b>	<b>(2,489)</b>

\* \$10.9 million of the net gains / (losses) on disposal is a result of the derecognition of the right-of-use asset of \$187.1 million and the lease liability of \$197.9 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.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 19. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Impairment losses on right-of-use assets	-	(6,675)	-	(6,675)
Inventory write down*	(55,370)	(775,792)	(55,370)	(775,792)
Financial instruments at fair value revaluation increment / (decrement)	11,501	-	11,501	-
Foreign exchange gains / (losses)	377	8,639	377	8,639
Onerous contract charges	(5,565)	-	(5,565)	-
	<b>(49,057)</b>	<b>(773,828)</b>	<b>(49,057)</b>	<b>(773,828)</b>

\* The majority of the inventory write down consists of impairment and write-offs.

In June 2022, 'Inventory write down' includes the impairment of Rapid Antigen Test (RAT) kits of \$186.7 million offset by a Personal Protective Equipment (PPE) stock impairment reversal of \$131.3 million.

In June 2021, 'Inventory write down' includes the write off of PPE stock of \$217.1 million and the impairment of PPE stock of \$558.7 million.

### Recognition and Measurement

#### *Impairment losses on non-financial assets*

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

- Note 22 Receivables
- Note 23 Inventories
- Note 25 Property, plant and equipment
- Note 26 Leases
- Note 27 Intangible assets

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 20. Prior period error

In 2022, the Corporation discovered that it has not recognised services received free of charge in relation to Linfox warehousing services.

In response to COVID-19, large amounts of Personal Protective Equipment (PPE) was acquired by the Corporation, which was stored in NSW Government warehouses. The Crown in right of the State of NSW, represented by NSW Police signed a logistics agreement with Linfox Australia Pty Ltd (Linfox) in April 2020. The agreement was for Linfox to provide integrated logistics services to NSW Government including NSW Health. The services included provision of warehousing services for PPE stock purchased as part of the COVID-19 response. The initial term of the agreement was only six months, however this was subsequently extended to end in Jan 2023, with a twelve month extension option.

All warehousing and logistics charges from Linfox have been paid and recognised as expenses by the Ministry of Health for the duration of the agreement. The Corporation has neither paid nor recognised any of the warehousing costs for Linfox warehouses in its financial statements. Since these are material services received free of charge by the Corporation, the services should have been reflected in the Corporation's financial statements as warehousing expenses with a corresponding entry under grants and other contributions income.

The error has been identified and corrected during the current year, with retrospective adjustments made in the prior year.

The impact to the Statement of Comprehensive Income from restating the balances in the prior year due to above matter is shown below.

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

		Consolidated Actual 2021 \$000	Consolidated Adjustment 2021 \$000	Consolidated Restated 2021 \$000	Parent Actual 2021 \$000	Parent Adjustment 2021 \$000	Parent Restated 2021 \$000
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Other expenses	5	1,801,491	30,461	1,831,952	1,801,491	30,461	1,831,952
<b>Total expenses excluding losses</b>		<b>4,089,048</b>	<b>30,461</b>	<b>4,119,509</b>	<b>4,084,027</b>	<b>30,461</b>	<b>4,114,488</b>
<b>Revenue</b>							
Grants and other contributions	15	36,724	30,461	67,185	36,724	30,461	67,185
<b>Total revenue</b>		<b>4,304,041</b>	<b>30,461</b>	<b>4,334,502</b>	<b>4,299,020</b>	<b>30,461</b>	<b>4,329,481</b>
<b>Operating result</b>		<b>214,993</b>	<b>-</b>	<b>214,993</b>	<b>214,993</b>	<b>-</b>	<b>214,993</b>
<b>Net result from continuing operations</b>		<b>(595,655)</b>	<b>-</b>	<b>(595,655)</b>	<b>(595,655)</b>	<b>-</b>	<b>(595,655)</b>
<b>Net result</b>		<b>(595,655)</b>	<b>-</b>	<b>(595,655)</b>	<b>(595,655)</b>	<b>-</b>	<b>(595,655)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(596,755)</b>	<b>-</b>	<b>(596,755)</b>	<b>(596,755)</b>	<b>-</b>	<b>(596,755)</b>

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

There is no impact on the Statement of Financial Position as at 30 June 2021.

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2021.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 21. Cash and cash equivalents

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Cash at bank and on hand	1,095,229	846,099	1,095,229	846,099
	<b>1,095,229</b>	<b>846,099</b>	<b>1,095,229</b>	<b>846,099</b>

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

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

Cash and cash equivalents (per Statement of Financial Position)	1,095,229	846,099	1,095,229	846,099
	<b>1,095,229</b>	<b>846,099</b>	<b>1,095,229</b>	<b>846,099</b>

Refer to Note 43 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 22. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Trade receivables from contracts with customers	107,042	102,694	107,042	102,694
Intra health receivables	609,931	320,784	609,931	320,784
Goods and Services Tax	65,326	43,885	65,326	43,885
Other receivables	40,177	23,096	40,177	23,096
<b>Sub total</b>	<b>822,476</b>	<b>490,459</b>	<b>822,476</b>	<b>490,459</b>
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(57,208)	(41,711)	(57,208)	(41,711)
- Other receivables	(333)	(277)	(333)	(277)
<b>Sub total</b>	<b>764,935</b>	<b>448,471</b>	<b>764,935</b>	<b>448,471</b>
Prepayments	98,370	86,403	98,370	86,403
	<b>863,305</b>	<b>534,874</b>	<b>863,305</b>	<b>534,874</b>

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

##### Trade receivables from contracts with customers

Balance at the beginning of the year	(41,711)	(30,830)	(41,711)	(30,830)
Amounts written off during the year	14,285	23,295	14,285	23,295
Amounts recovered during the year	79	-	79	-
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(29,861)	(34,176)	(29,861)	(34,176)
<b>Balance at the end of the year</b>	<b>(57,208)</b>	<b>(41,711)</b>	<b>(57,208)</b>	<b>(41,711)</b>

##### Other receivables

Balance at the beginning of the year	(277)	(824)	(277)	(824)
Amounts written off during the year	53	606	53	606
Amounts recovered during the year	47	96	47	96
(Increase) / decrease in allowance recognised in the net result	(157)	(155)	(157)	(155)
<b>Balance at the end of the year</b>	<b>(333)</b>	<b>(277)</b>	<b>(333)</b>	<b>(277)</b>
	<b>(57,541)</b>	<b>(41,988)</b>	<b>(57,541)</b>	<b>(41,988)</b>

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Non-current</b>				
Prepayments	10,655	5,718	10,655	5,718
	<b>10,655</b>	<b>5,718</b>	<b>10,655</b>	<b>5,718</b>

<sup>1</sup> Includes total impairment loss of \$29.86 million (2021: \$34.18 million) recognised on receivables from contracts with customers.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 22. Receivables (continued)

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

Current and non-current include:

	Consolidated 2022 \$000	Consolidated <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
Patient fees - inpatient & other	6,224	67,057	6,224	67,057
	<b>6,224</b>	<b>67,057</b>	<b>6,224</b>	<b>67,057</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 43.

	Consolidated 2022 \$000	Consolidated <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
Contract receivables (included in Note 22)	714,538	421,033	714,538	421,033
<b>Total contract receivables</b>	<b>714,538</b>	<b>421,033</b>	<b>714,538</b>	<b>421,033</b>

<sup>1</sup> Prior year figures have been restated lower by \$0.087 million as a result of items previously classified under contract receivables in error.

### Recognition and Measurement

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

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

### Subsequent measurement

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

### Impairment

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 23. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
<b>Held-for-distribution</b>				
Drug supplies	16,474	-	16,474	-
Medical and surgical supplies	809,455	1,049,169	809,455	1,049,169
Food and hotel supplies	2,762	3,138	2,762	3,138
Other including goods in transit	23	21	23	21
<b>Sub total</b>	<b>828,714</b>	<b>1,052,328</b>	<b>828,714</b>	<b>1,052,328</b>
<b>Held-for-resale</b>				
Medical and surgical supplies	102,540	-	102,540	-
<b>Sub total</b>	<b>102,540</b>	<b>-</b>	<b>102,540</b>	<b>-</b>
<i>Less: Allowance for impairment</i>				
- Medical and surgical supplies	(246,704)	(558,729)	(246,704)	(558,729)
	<b>684,550</b>	<b>493,599</b>	<b>684,550</b>	<b>493,599</b>

Medical and surgical supplies inventory held-for-resale consists of items that the Corporation has agreed to resell to the Commonwealth for inclusion in the national medical stockpile.

#### Recognition and Measurement

The Corporation procures, stores and distributes inventory to all NSW health districts under their service delivery plan. Inventory is distributed to health districts at cost price plus service fee. During the year, the Corporation distributed \$903.8 million of inventory to health districts (2021: \$379.2 million). The cost of inventory distributed is reflected as other expenses in the statement of comprehensive income.

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

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

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

In 2021, the Corporation made an allowance for impairment of \$558.7 million. The impairment allowance was based on the consumption forecast model, on inventory categories that are likely to expire before they are consumed and inventory categories that are in unserviceable condition (does not meet the clinical requirements) and have no alternative use before they expire.

The Corporation has reviewed the impairment allowance in 2022 for COVID-19 Personal Protective Equipment (PPE) inventories and Rapid Antigen Test (RAT) kits held in stock at year-end, by taking into consideration changes in the consumption level and the amount of inventory written-off during the year.

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

**23. Inventories (continued)**

**Recognition and Measurement (continued)**

In 2022, the Corporation wrote off \$367.4 million worth of inventory (PPE \$364.7 million and pharmacy stock \$2.7 million) that had expired and were not fit for purpose. The write-off reduced the allowance for impairment for the same amount. A further reduction of \$131.4 million of impairment allowance was recognised in the statement of comprehensive income due to changes in the consumption forecast for the COVID-19 PPE inventory. An additional allowance for impairment of \$186.7 million was recognised for RAT kits during the year. As a result, the overall allowance for impairment reduced by \$312.0 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 Corporation would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

**24. Financial assets at fair value**

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Derivatives	1,590	-	1,590	-
	<b>1,590</b>	<b>-</b>	<b>1,590</b>	<b>-</b>
<b>Non-current</b>				
Derivatives	9,911	-	9,911	-
	<b>9,911</b>	<b>-</b>	<b>9,911</b>	<b>-</b>

Refer to Note 43 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

**Recognition and Measurement**

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 Corporation has elected not to apply hedge accounting to the economic hedges.



# Health Administration Corporation

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

#### PARENT AND CONSOLIDATION

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

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

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

# Health Administration Corporation

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 AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>Year ended 30 June 2022</b>				
Net carrying amount at beginning of year	636,182	224,951	20,615	881,748
Additions	66,048	57,642	688	124,378
Reclassification to intangibles	-	(16)	-	(16)
Reclassification from inventory	-	4,694	-	4,694
Reclassification to assets held for sale	(2,050)	-	-	(2,050)
Disposals	(2,753)	(1,666)	-	(4,419)
Equity transfers - transfers in / (out)	(610)	-	-	(610)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(2,637)	-	(2,637)
Net revaluation increments less revaluation decrements	48,400	-	1,380	49,780
Depreciation expense	(21,409)	(61,213)	(2,488)	(85,110)
Reclassifications	(6,686)	7,346	(660)	-
<b>Net carrying amount at end of year</b>	<b>717,122</b>	<b>229,101</b>	<b>19,535</b>	<b>965,758</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Infrastructure Systems \$000	Total \$000
<b>At 30 June 2022 - fair value</b>				
Gross carrying amount	1,106,550	580,315	23,937	1,710,802
Less: accumulated depreciation and impairment	389,428	351,214	4,402	745,044
<b>Net carrying amount</b>	<b>717,122</b>	<b>229,101</b>	<b>19,535</b>	<b>965,758</b>

<sup>1</sup> For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 29.

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

#### PARENT AND CONSOLIDATION

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 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 - Note 36).

##### *Capitalisation thresholds*

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

##### *Major inspection costs*

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

##### *Restoration costs*

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

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

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

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

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

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

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

Further information on leases is contained in Note 26.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

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

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

The last comprehensive revaluation was completed on 31 December 2019 and was based on an independent assessment.

Indices subsequently obtained from external professionally qualified valuers in 2022 suggested a material cumulative increase in the market price for land and a material increase in construction 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 Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

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

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

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

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

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

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

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

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

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

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. 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.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 26. Leases

#### (a) Entity as a lessee

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

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

Potential future cash outflows of \$225.7 million (2021: \$251.1 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: \$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 Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

During financial year ended 30 June 2022, the Corporation has accepted the changes in the office accommodation 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 Corporation during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16. The office accommodation agreement with PNSW is no longer accounted for as a lease from 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 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.

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 18). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

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

# Health Administration Corporation

## 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

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

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2021	203,869	167,128	370,997
Additions	128,137	81,643	209,780
Reassessments	31,722	4,309	36,031
Disposals*	(188,486)	(243)	(188,729)
Depreciation expense	(43,266)	(46,978)	(90,244)
<b>Balance at 30 June 2022</b>	<b>131,976</b>	<b>205,859</b>	<b>337,835</b>

\* Disposals include derecognition of the right-of-use assets of \$187.1 million with Property NSW as at the 30 June 2022.

#### PARENT AND CONSOLIDATION

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



# Health Administration Corporation

## 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.

##### PARENT AND CONSOLIDATION

	2022 \$000	2021 \$000
Balance at 1 July	385,887	414,889
Additions	209,704	27,706
Interest expenses	11,349	7,886
Payments	(98,890)	(92,273)
Terminations / derecognition*	(199,792)	(3,869)
Equity transfers - transfers in / (out)	-	8,084
Other adjustments	36,031	23,464
<b>Balance at 30 June</b>	<b>344,289</b>	<b>385,887</b>

\* Terminations / derecognition includes derecognition of lease liabilities of \$197.9 million with Property NSW as at 30 June 2022.

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

##### PARENT AND CONSOLIDATION

	2022 \$000	2021 \$000
Depreciation expense of right-of-use assets	90,244	87,025
Interest expense on lease liabilities	11,349	7,886
Expenses relating to short-term leases	20,587	10,063
Expenses relating to leases of low-value assets	13,138	1,080
Variable lease payments, not included in the measurement of lease liabilities	-	958
(Gains) / losses on disposal*	(11,063)	(155)
Other adjustments	-	6,675
<b>Total amount recognised in the statement of comprehensive income</b>	<b>124,255</b>	<b>113,532</b>

\* (Gains) / losses on disposal includes \$10.9 million of net gains on disposal as a result of the derecognition of leases with Property NSW as at 30 June 2022.

The Corporation had total cash outflows for leases of \$132.61 million for the year ended 30 June 2022 (2021: \$104.37 million).

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 26. Leases (continued)

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

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

The Corporation has leases with lease terms ranging from one to ten years. These leases do not have a significant impact on the Corporation's operations. The leases are with:

- \* Sydney Ambulance Centre (Eveleigh), Gladesville Hospital (buildings 20, 22 and 37), Auburn, Bundeena, Culburra, Mona Vale and Perisher Valley ambulance stations and the Victoria Barracks (Paddington) helipad. The contracts specify lease payments of up to seven dollars per annum. The leased premises are used by the Corporation to provide community health services and access to the helipad.
- \* The University of Newcastle. The contract specifies a lease payment of up to one dollar per annum. The leased premise is used by the Corporation to provide a COVID-19 testing clinic.

#### Recognition and Measurement

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

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

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

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

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

	<b>Useful lives</b>
Buildings	1 to 10 years
Plant and equipment	1 to 5 years
Motor vehicles and other equipment	1 to 10 years
Aeromedical	1 to 10 years

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 26. Leases (continued)

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

##### Recognition and Measurement (continued)

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

##### *Impairment losses for right-of-use assets*

The market rent for office accommodation leases in the Sydney metropolitan and CBD areas were negatively impacted by COVID-19 in 2021, indicating the carrying amount of right-of-use assets exceeded their recoverable amounts. In 2021, impairment losses of \$6.68 million were recognised for the impacted property leases.

In 2022, all leases that were previously impaired have been derecognised due to changes in contract terms for those leases. No new impairment was recognised on the remaining right-of-use assets due to improved office accommodation rental market conditions during the year and there were no other indicators of impairment 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 Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

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

**26. Leases (continued)**

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

**Recognition and Measurement (continued)**

*ii. Lease liabilities (continued)*

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

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

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

The Corporation's lease liabilities are included in borrowings in Note 33.

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

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

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

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

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

The Ambulance Service of NSW has entered into a ten year contract with Pel-Air Aviation Pty Ltd to provide aeromedical services. The contract has a lease component for the right-to-use the contracted aircraft. Stage two 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 \$67.6 million.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 27. Intangible assets

#### PARENT AND CONSOLIDATION

	Software \$000	Total \$000
<b>At 1 July 2020</b>		
Cost (gross carrying amount)	1,116,804	1,116,804
Less: accumulated amortisation and impairment	445,998	445,998
<b>Net carrying amount</b>	<b>670,806</b>	<b>670,806</b>
<b>Year ended 30 June 2021</b>		
Net carrying amount at beginning of year	670,806	670,806
Additions - acquired separately	59,325	59,325
Reclassifications to plant and equipment	(2,199)	(2,199)
Disposals	(315)	(315)
Amortisation (recognised in depreciation and amortisation)	(82,701)	(82,701)
<b>Net carrying amount at end of year</b>	<b>644,916</b>	<b>644,916</b>
<b>At 1 July 2021</b>		
Cost (gross carrying amount)	1,167,310	1,167,310
Less: accumulated amortisation and impairment	522,394	522,394
<b>Net carrying amount</b>	<b>644,916</b>	<b>644,916</b>
<b>Year ended 30 June 2022</b>		
Net carrying amount at beginning of year	644,916	644,916
Additions - acquired separately	96,123	96,123
Reclassifications from plant and equipment	16	16
Amortisation (recognised in depreciation and amortisation)	(84,169)	(84,169)
<b>Net carrying amount at end of year</b>	<b>656,886</b>	<b>656,886</b>
<b>At 30 June 2022</b>		
Cost (gross carrying amount)	1,263,000	1,263,000
Less: accumulated amortisation and impairment	606,114	606,114
<b>Net carrying amount</b>	<b>656,886</b>	<b>656,886</b>

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 27. Intangible assets (continued)

#### Recognition and Measurement

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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

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

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

Computer software developed or acquired by the Corporation is recognised as an intangible asset. 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.

### 28. Non-current assets held for sale

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Assets held for sale</b>				
Land and buildings	3,304	1,254	3,304	1,254
	<b>3,304</b>	<b>1,254</b>	<b>3,304</b>	<b>1,254</b>

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

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

#### Recognition and Measurement

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

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

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

**29. Fair value measurement of non-financial assets**

**PARENT AND CONSOLIDATION**

**Fair value measurement and hierarchy**

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

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

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

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

**(a) Fair value hierarchy**

<b>2022</b>	<b>Level 1 \$000</b>	<b>Level 2 \$000</b>	<b>Level 3 \$000</b>	<b>Total Fair Value \$000</b>
Property, plant and equipment (Note 25)				
- Land and buildings	-	186,613	433,722	620,335
- Infrastructure systems	-	-	17,166	17,166
Non-current assets held for sale (Note 28)	-	3,304	-	3,304
	-	<b>189,917</b>	<b>450,888</b>	<b>640,805</b>

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 25.

<b>2021</b>	<b>Level 1 \$000</b>	<b>Level 2 \$000</b>	<b>Level 3 \$000</b>	<b>Total Fair Value \$000</b>
Property, plant and equipment (Note 25)				
- Land and buildings	-	184,439	346,165	530,604
- Infrastructure systems	-	-	18,934	18,934
Non-current assets held for sale (Note 28)	-	1,254	-	1,254
	-	<b>185,693</b>	<b>365,099</b>	<b>550,792</b>

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 25.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

For land, buildings and infrastructure systems the Corporation obtains external valuations by independent valuers at least every three years. The valuer used by each administrative division is an independent entity and is not an associated entity of the Corporation. The last revaluation was performed for the 2019-20 financial year.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 25).

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

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

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

The majority of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

- For buildings and infrastructure, many assets are of a specialised nature or use, including some modified residential properties 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, some residential properties are valued on a market approach and included in level 2.
- Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.



# Health Administration Corporation

## 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

##### PARENT AND CONSOLIDATION

<b>2022</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
<b>Fair value as at 1 July 2021</b>	346,165	18,934	365,099
Additions*	66,264	8,427	74,691
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 25)	40,361	1,380	41,741
Transfers to Level 2	-	(9,087)	(9,087)
Disposals	(2,493)	-	(2,493)
Depreciation expense	(17,056)	(2,488)	(19,544)
Other reclassifications	481	-	481
<b>Fair value as at 30 June 2022</b>	<b>433,722</b>	<b>17,166</b>	<b>450,888</b>

\* 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.

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

\* 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.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 30. Restricted assets

#### PARENT AND CONSOLIDATION

The Corporation's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2022.

Category	1 July 2021	Revenue	Expense	2022
	Opening			Closing
	\$000	\$000	\$000	\$000
Community welfare	7	-	-	7
Facility improvements	302,754	140,966	50,503	393,217
Patient welfare	231	3	-	234
Private practice disbursements (No.2 Accounts)	116,992	9,000	11,034	114,958
Public contributions	11,268	3,409	494	14,183
Research	8,222	3,172	3,558	7,836
Staff welfare	14,424	148	5	14,567
Training and education including conferences	408	137	61	484
	<b>454,306</b>	<b>156,835</b>	<b>65,655</b>	<b>545,486</b>

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 31. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	58,289	91,066	-	-
Salaries and wages deductions	91,980	49,020	-	-
Payroll and fringe benefits tax	264	373	-	-
Accrued liability - purchase of personnel services	-	-	150,533	140,459
Creditors	164,452	101,840	164,452	101,840
Other creditors				
- Capital works	222,423	216,798	222,423	216,798
- Payables to entities controlled by the immediate parent	58,504	79,691	58,504	79,691
- Other	185,570	66,009	185,570	66,009
	<b>781,482</b>	<b>604,797</b>	<b>781,482</b>	<b>604,797</b>

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 43.

#### Recognition and Measurement

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 32. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Contract liabilities	2,639	2,355	2,639	2,355
	<b>2,639</b>	<b>2,355</b>	<b>2,639</b>	<b>2,355</b>

#### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2022 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2022. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

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

	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	2,355	4,983	2,355	4,983
Transaction price allocated to the remaining performance obligations from contracts with customers	4,898	2,886	4,898	2,886

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

Specific revenue class	2023 \$'000	2024 \$'000	2025 \$'000	≥ 2026 \$'000
Sales of goods and services from contracts with customers	973	-	-	-
Grants and other contributions	2,114	758	689	364
	<b>3,087</b>	<b>758</b>	<b>689</b>	<b>364</b>

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 33. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Other loans and deposits	495,897	303,327	495,897	303,327
Lease liabilities (see Note 26)	71,012	80,772	71,012	80,772
	<b>566,909</b>	<b>384,099</b>	<b>566,909</b>	<b>384,099</b>
<b>Non-current</b>				
Other loans and deposits	840	937	840	937
Lease liabilities (see Note 26)	273,277	305,115	273,277	305,115
	<b>274,117</b>	<b>306,052</b>	<b>274,117</b>	<b>306,052</b>

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 43.

#### Recognition and Measurement

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

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

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 43 (b) for the derecognition policy.

# Health Administration Corporation

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

## 33. Borrowings (continued)

*Financial liabilities at fair value through profit or loss*

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

### Changes in liabilities arising from financing activities

#### PARENT AND CONSOLIDATION

	Other loans and deposits	Leases	Total liabilities from financing activities
	\$000	\$000	\$000
<b>1 July 2020</b>	<b>739,176</b>	<b>414,889</b>	<b>1,154,065</b>
Cash flows	(434,912)	(84,387)	(519,299)
New leases	-	27,706	27,706
Lease terminations	-	(3,869)	(3,869)
Lease reassessments	-	23,464	23,464
Non-cash changes other	-	8,084	8,084
<b>30 June 2021</b>	<b>304,264</b>	<b>385,887</b>	<b>690,151</b>
<b>1 July 2021</b>	<b>304,264</b>	<b>385,887</b>	<b>690,151</b>
Cash flows	192,473	(87,541)	104,932
New leases	-	209,704	209,704
Lease terminations*	-	(199,792)	(199,792)
Lease reassessments	-	36,031	36,031
<b>30 June 2022</b>	<b>496,737</b>	<b>344,289</b>	<b>841,026</b>

\* Lease terminations include the derecognition of lease liabilities of \$197.96 million with Property NSW as at the 30 June 2022. Please refer to Note 26 for further details on the derecognition.

# Health Administration Corporation

## 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
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	188,767	174,872	-	-
Annual leave - obligations expected to be settled after 12 months	127,550	109,425	-	-
Death and disability (Ambulance officers)	822	381	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	4,027	4,661	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	56,027	62,496	-	-
Provision for other employee benefits*	65,475	9,085	-	-
Provision for personnel services liability	-	-	442,668	360,920
	<b>442,668</b>	<b>360,920</b>	<b>442,668</b>	<b>360,920</b>
<b>Other Provisions</b>				
Restoration costs	2,106	1,143	2,106	1,143
Other	44,907	7,762	44,907	7,762
	<b>47,013</b>	<b>8,905</b>	<b>47,013</b>	<b>8,905</b>
<b>Total current provisions</b>	<b>489,681</b>	<b>369,825</b>	<b>489,681</b>	<b>369,825</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	5,939	6,642	-	-
Provision for personnel services liability	-	-	5,939	6,642
	<b>5,939</b>	<b>6,642</b>	<b>5,939</b>	<b>6,642</b>
<b>Other Provisions</b>				
Restoration costs	6,921	7,025	6,921	7,025
Other	1,894	-	1,894	-
	<b>8,815</b>	<b>7,025</b>	<b>8,815</b>	<b>7,025</b>
<b>Total non-current provisions</b>	<b>14,754</b>	<b>13,667</b>	<b>14,754</b>	<b>13,667</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	442,668	360,920	-	-
Provisions - non-current	5,939	6,642	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 31)	150,269	140,086	-	-
Liability - purchase of personnel services	-	-	598,876	507,648
	<b>598,876</b>	<b>507,648</b>	<b>598,876</b>	<b>507,648</b>

\* Provision for other employee benefits includes a one-off payment to employees of \$55.26 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

# Health Administration Corporation

## 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)

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Restoration costs</b>				
Carrying amount at beginning of year	8,168	7,295	8,168	7,295
- Additional provisions recognised	859	873	859	873
<b>Carrying amount at end of year</b>	<b>9,027</b>	<b>8,168</b>	<b>9,027</b>	<b>8,168</b>

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 Corporation'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.

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Other</b>				
Carrying amount at beginning of year	7,762	5,581	7,762	5,581
- Additional provisions recognised	39,039	2,181	39,039	2,181
<b>Carrying amount at end of year</b>	<b>46,801</b>	<b>7,762</b>	<b>46,801</b>	<b>7,762</b>

The majority of the 'other' provision represents the disposal cost of expired stock. The Corporation has recognised the provision amount by taking into consideration all available information at the reporting date and making best management estimation of the obligation. The timing of the payments will vary for each contractual related obligations.



# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 34. Provisions (continued)

#### Recognition and Measurement

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

##### *Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs*

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs from 17.90% to 30.73% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were from 17.40% to 29.53%). The Corporation has assessed the actuarial advice based on the Corporation's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the Corporation does not expect to settle the liability within 12 months as the Corporation does not have an unconditional right to defer settlement.

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

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

##### *Long service leave and superannuation*

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

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

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

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

**34. Provisions (continued)**

**Recognition and Measurement (continued)**

***Employee benefits and other provisions (continued)***

***Consequential on-costs***

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

***Other provisions***

Other provisions are recognised when: the Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 35. Other liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
<b>Current</b>				
Unearned revenue	2,440	22,852	2,440	22,852
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	11,150	-	11,150	-
	<b>13,590</b>	<b>22,852</b>	<b>13,590</b>	<b>22,852</b>
<b>Non-current</b>				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	1,620	-	1,620	-
	<b>1,620</b>	<b>-</b>	<b>1,620</b>	<b>-</b>

Unearned revenue was derived from the following:

In June 2022, 'Unearned revenue' includes \$2.4 million that was received in advance from the South Eastern Sydney Local Health District which is an entity controlled by the immediate parent.

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

### PARENT AND CONSOLIDATION

#### Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the Corporation.

	2022 \$'000	2021 \$000
Opening balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	-	-
<i>Add:</i> receipt of cash during the financial year	12,770	-
<b>Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity</b>	<b>12,770</b>	<b>-</b>

Refer to Note 15 for a description of the Corporation's obligations under transfers received to acquire or construct non-financial assets to be controlled by the Corporation.

The Corporation expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 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 Corporation'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.

#### **Increase / (decrease) in net assets from equity transfers**

##### **Equity transfers effected in the 2021/22 year were:**

- (a) A decrease of \$0.6 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Wagga Wagga from the Ambulance Service of NSW to the Ministry of Health.

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

- (a) An increase of \$21 thousand in net assets occurred during 2021. This relates to the transfer of land at Cootamundra from Murrumbidgee Local Health District (LHD) to the Ambulance Service of NSW.
- (b) A decrease of \$0.2 million in net assets occurred during 2021. This relates to the transfer of land and buildings at Harden from the Ambulance Service of NSW to the Ministry of Health.
- (c) A decrease of \$1.0 million in net assets occurred during 2021. This relates to the transfer of land and buildings at Griffith from the Ambulance Service of NSW to the Ministry of Health.
- (d) A decrease of \$1.8 million in net assets occurred during 2021. This relates to the transfer of land and buildings at Busby from the Ambulance Service of NSW to the Ministry of Health.
- (e) A decrease of \$0.3 million in net assets occurred during 2021. This relates to the transfer of land and buildings at Randwick from the Ambulance Service of NSW to the South Eastern Sydney LHD.
- (f) A decrease of \$0.3 million in net assets occurred during 2021. This relates to the transfer of land and buildings at Blacktown from the Ambulance Service of NSW to the Western Sydney LHD.
- (g) In 2020-21 the following leases were transferred at \$Nil consideration:
  - two building property leases were transferred from the Ministry of Health to eHealth NSW.
  - a number of fleet leases were transferred to/from the Ambulance Service of NSW, eHealth NSW and HealthShare NSW. All corresponding asset and liability balances were transferred across at the carrying amounts from the transferee to the transferor.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 36. Equity (continued)

Equity transfers effected comprised:

Net assets transferred are as follows:

	2022 \$000
(a) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(610)
<b>Decrease in Net Assets From Equity Transfers</b>	<b>(610)</b>

Net assets transferred are as follows:

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

#### **Equity transfers**

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

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 *Contributions* and Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 37. Commitments

#### (a) Capital commitments

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Within one year	102,952	64,945	102,952	64,945
Later than one year and not later than five years	3,470	956	3,470	956
<b>Total (including GST)</b>	<b>106,422</b>	<b>65,901</b>	<b>106,422</b>	<b>65,901</b>

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

The total 'Capital expenditure commitments' of \$106.42 million as at 30 June 2022 includes input tax credits of \$9.68 million that are expected to be recoverable from the Australian Taxation Office (2021: \$6.0 million).

### 38. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

##### (a) Contingent liabilities

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

##### (b) Contingent assets

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 39. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Corporation's budget is not presented in parliament, therefore AASB 1055 *Budgetary Reporting* is not applicable. Unlike the requirement in AASB 1055 *Budgetary Reporting* to present original budget information, the Corporation's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Corporation and the Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

### PARENT AND CONSOLIDATION

#### Net result

The actual net result was lower than the adjusted budget by \$57.9 million primarily due to the impairment of COVID-19 related inventory.

#### Assets and liabilities

Net assets were higher than the adjusted budget by \$1.3 billion due to higher bank balances, inventories and receivables offset by amounts owing to the Ministry of Health for the payment of creditors and payroll.

#### Cash flows

The actual net cash flows from operating activities were higher compared to the adjusted budget by \$32.2million. This was mainly attributable to higher recurrent subsidy from the Ministry of Health offset by higher COVID-19 related expenses.

The actual net cash flows from investing activities were lower compared to budget by \$23.6 million. This was mainly due to delayed property, plant and equipment purchases.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 40. 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 <sup>1</sup> 2021 \$000	Parent 2022 \$000	Parent <sup>1</sup> 2021 \$000
Net cash used on operating activities	357,919	372,268	357,919	372,268
Depreciation and amortisation expense	(259,523)	(256,405)	(259,523)	(256,405)
Allowance for impairment	(85,387)	(810,123)	(85,387)	(810,123)
Effects of exchange rate changes	131	25	131	25
(Increase) / decrease in other liabilities	7,642	18,721	7,642	18,721
Decrease / (increase) in provisions	(120,943)	(43,657)	(120,943)	(43,657)
Increase / (decrease) in inventory	251,016	479,569	251,016	479,569
Increase / (decrease) in prepayments and other assets	332,123	(277,164)	332,123	(277,164)
Decrease / (increase) in payables	(139,800)	(70,351)	(139,800)	(70,351)
Decrease / (increase) in contract liabilities	(284)	2,628	(284)	2,628
Impairment losses on right-of-use assets recognised in 'other gains / (losses)'	-	(6,675)	-	(6,675)
Net gain / (loss) on sale of property, plant and equipment	(3,394)	(2,644)	(3,394)	(2,644)
Net gain / (loss) on disposal of right-of-use assets	11,063	155	11,063	155
Increase / (decrease) in financial instruments at fair value	11,501	-	11,501	-
Assets donated or brought to account (Note 41)	(2,636)	(3,073)	(2,636)	(3,073)
Other	75	1,071	75	1,071
<b>Net result</b>	<b>359,503</b>	<b>(595,655)</b>	<b>359,503</b>	<b>(595,655)</b>

<sup>1</sup> 'Increase / (decrease) in Inventory' and 'Increase / (decrease) in financial instruments at fair value' has been disaggregated from 'Increase / (decrease) in prepayments and other assets' in the current year. The prior period comparatives have been restated to reflect this change.

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Assets donated or brought to account	(2,636)	(3,073)	(2,636)	(3,073)
Property, plant and equipment acquired by a lease	209,779	28,777	209,779	28,777
	<b>207,143</b>	<b>25,704</b>	<b>207,143</b>	<b>25,704</b>



# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 42. Trust funds

#### PARENT AND CONSOLIDATION

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

Category	1 July 2021	Revenue	Expense	30 June 2022
	Opening equity			Closing equity
	\$'000	\$000	\$000	\$'000
Private Patient Trust Funds	-	181,882	(181,882)	-
<b>Total trust funds</b>	<b>-</b>	<b>181,882</b>	<b>(181,882)</b>	<b>-</b>

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 43. Financial instruments

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

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

The Secretary, NSW Health has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

Class	Category	Carrying Amount	Carrying Amount
		2022	2021
		\$000	\$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 21)	Amortised cost	1,095,229	846,099
Receivables (Note 22) <sup>1</sup>	Amortised cost	699,609	404,586
Financial assets at fair value (Note 24)	Fair value through profit or loss - mandatory classification	11,501	-
<b>Total financial assets</b>		<b>1,806,339</b>	<b>1,250,685</b>
<b>Financial liabilities</b>			
Borrowings (Note 33)	Financial liabilities measured at amortised cost	841,026	690,151
Payables (Note 31) <sup>2</sup>	Financial liabilities measured at amortised cost	781,218	604,424
<b>Total financial liabilities</b>		<b>1,622,244</b>	<b>1,294,575</b>

##### Notes

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

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

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

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

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 43. Financial instruments (continued)

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

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

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 Corporation could be required to repay.

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

#### (c) Offsetting financial instruments

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

#### (d) Financial risk

##### i. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

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

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

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

##### Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 43. Financial instruments (continued)

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

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

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

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

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

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

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables and other 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.

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

#### PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2022</b>						
Expected credit loss rate	10.41%	32.60%	26.52%	46.72%	65.50%	39.09%
Estimated total gross carrying amount	59,476	5,203	8,994	4,833	68,713	147,219
Expected credit loss	6,193	1,696	2,385	2,258	45,009	57,541
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2021</b>						
Expected credit loss rate	8.86%	32.29%	32.51%	58.07%	70.43%	33.38%
Estimated total gross carrying amount	67,452	5,822	6,365	3,577	42,574	125,790
Expected credit loss	5,978	1,880	2,069	2,077	29,984	41,988

#### Notes

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

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

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 43. Financial instruments (continued)

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

##### ii. Liquidity risk

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

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The Corporation has exposure to liquidity risk. However, the risk is minimised by the service agreement with the Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Corporation fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 43. Financial instruments (continued)

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

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

#### Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure			Maturity Dates			
	EIR <sup>3</sup>	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000
<b>2022</b>							
Payables:							
- Creditors <sup>2</sup>		781,218	-	781,218	781,218	-	-
Borrowings:							
- Other loans and deposits		496,821	1,021	495,800	495,913	454	454
- Lease liabilities	2.46%	371,826	371,826	-	78,531	247,537	45,758
		<b>1,649,865</b>	<b>372,847</b>	<b>1,277,018</b>	<b>1,355,662</b>	<b>247,991</b>	<b>46,212</b>
<b>2021</b>							
Payables:							
- Creditors <sup>2</sup>		604,424	-	604,424	604,424	-	-
Borrowings:							
- Other loans and deposits		304,366	1,134	303,232	303,346	453	567
- Lease liabilities	2.06%	410,752	410,752	-	86,676	244,560	79,516
		<b>1,319,542</b>	<b>411,886</b>	<b>907,656</b>	<b>994,446</b>	<b>245,013</b>	<b>80,083</b>

#### Notes:

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

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

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

The following table summarises the maturity profile of the Corporation'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 Corporation.

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

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

#### Notes:

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

There were no derivative financial assets or liabilities at fair value in 2021.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 43. Financial instruments (continued)

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

##### iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through interest rate risk on the Corporation's borrowings and foreign currency risk. The Corporation does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

##### *Interest Rate Risk*

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

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

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

#### PARENT AND CONSOLIDATION

	2022		2021	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	(2,657)	2,657	(1,559)	1,559
Equity	(2,657)	2,657	(1,559)	1,559

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 43. Financial instruments (continued)

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

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

###### *Foreign exchange risk*

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

The Corporation manages its foreign exchange risk by maintaining foreign currency denominated bank accounts or buying foreign currency from TCorp at the time of purchase commitment, or enters into a derivative economic hedge with TCorp in accordance with the Corporation's risk management policies.

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

The Corporation is exposed to foreign exchange risks associated with commercial contracts payments denominated in foreign currency. The Corporation'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 Foreign Exchange Risk Policy (TPP18-03). The forward foreign exchange derivative contracts are economic hedges which enables the Corporation to exchange a fixed amount of foreign currency for fixed AUD amount at a specified future settlement date, ensuring cash flow certainty.

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

#### PARENT AND CONSOLIDATION

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

  

2021	+10%		-10%		
	Net result	Equity	Net result	Equity	
	\$000	\$000	\$000	\$000	
Denominated US Dollars	2,791	(254)	(254)	310	310
Derivatives	-	-	-	-	-



# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

### 43. 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 amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

Therefore, the fair value of the financial instruments does not differ from the carrying amount.

##### ii. Fair value recognised in the Statement of Financial Position

Financial instruments are generally recognised at cost, with the exception of the derivatives which 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 Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2022 Total \$'000
<b>Financial assets at fair value</b>				
Derivatives	-	11,501	-	11,501

*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.

There were no financial assets at fair value in 2021.

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 44. Related party disclosures

#### PARENT AND CONSOLIDATION

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

During the financial year, Health Administration Corporation obtained key management personnel services from the immediate parent and incurred \$2.1 million (2021: \$2.0 million) for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the NSW Ministry of Health and its controlled entities. Accordingly, no such amounts are included in this disclosure.

Remuneration for the Secretary and Deputy Secretaries are paid by the NSW Ministry of Health and is not reimbursed by the health entities. Accordingly, no such amounts are included in this disclosure.

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

There were no transactions with key management personnel and their close family members (2021: \$Nil).

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

There were no transactions with the ultimate parent during the financial period (2021: \$Nil).

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

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

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

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

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

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Rental costs for Property NSW leased properties and office space
- Various grants and subsidies towards research and other projects
- Expenses related to testing of COVID-19 saliva samples

# Health Administration Corporation

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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### 44. Related party disclosures (continued)

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

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Commercial activities revenue in respect of information technology, financial services and pathology charges
- Patient transport fees

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

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from NSW Police Force and Transport for NSW
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit
- Revenue for Pathology Services provided to the Local Court of NSW and University of NSW

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Energy Efficient Government Program loans are held with the Crown
- Intra-health loans and advances

*Other transactions as follows:*

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

### 45. 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**