Health Administration Corporation (HAC)

Financial Statements

for the year ended 30 June 2018

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 of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, 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:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the 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' (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 1(z). The note states that AASB 1055 ‘Budgetary Reporting’ is not applicable to the Corporation. It also states that, unlike the requirement in AASB 1055 ‘Budgetary Reporting’ to present original budget information, the Corporation’s financial statements present adjusted budget information.

Secretary’s Responsibility 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 PF&A Act, and for 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 except where operations will cease as a result of an administrative restructure.

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. The description forms part of my auditor’s report.

My opinion does not 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.

DRyan

Dominika Ryan
Director, Financial audit Services

21 September 2018
SYDNEY

Health Administration Corporation
Certification of financial statements
for the year ended 30 June 2018

We state, pursuant to Section 45F of the *Public Finance and Audit Act 1983:*

1) The financial statements of the Health Administration Corporation for the year ended 30 June 2018 have been prepared in accordance with:

   a) Australian Accounting Standards (which include Australian Accounting Interpretations);

   b) The requirements of the *Public Finance and Audit Act 1983,* the *Public Finance and Audit Regulation 2015;* and

   c) Financial reporting directions mandated by the Treasurer.

2) The financial statements exhibit a true and fair view of the financial position for the Health Administration Corporation as at 30 June 2018 and the financial performance for the year then ended.

3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Elizabeth Koff
Secretary, NSW Health

17 September 2018

Daniel Hunter
Deputy Secretary, Finance and Asset Management and Chief Financial Officer, NSW Health

17 September 2018

Health Administration Corporation

Statement of Comprehensive Income for the year ended 30 June 2018

PARENT ENTITY					CONSOLIDATED ENTITY		
Actual	**Adjusted Budget Unaudited**	**Actual**		**Notes**	**Actual**	**Adjusted Budget Unaudited**	**Actual**
2018	**2018**	**2017**			**2018**	**2018**	**2017**
$'000	**$'000**	**$'000**			**$'000**	**$'000**	**$'000**
			Expenses excluding losses				
			Operating expenses				
-	-	-	Employee related expenses	2	1,685,935	1,691,004	1,518,105
1,608,987	1,615,412	1,478,858	Personnel services	3	-	-	-
24	30	48	Visiting medical officers		24	30	48
1,428,538	1,458,780	1,338,993	Other expenses	4	1,428,538	1,458,780	1,338,993
117,378	117,843	109,643	Depreciation and amortisation	5	117,378	117,843	109,643
37,846	32,678	32,582	Grants and subsidies	6	37,846	32,678	32,582
23	16	30	Finance costs	7	23	16	30
3,192,796	**3,224,759**	**2,960,154**	**Total expenses excluding losses**		**3,269,744**	**3,300,351**	**2,999,401**
			Revenue				
996,572	977,080	868,544	NSW Ministry of Health recurrent allocations		996,572	977,080	868,544
255,765	256,232	202,751	NSW Ministry of Health capital allocations		255,765	256,232	202,751
-	-	-	Acceptance by the Crown Entity of employee benefits	11	76,948	75,592	39,247
2,069,967	2,034,302	1,891,696	Sale of goods and services	8	2,069,967	2,034,302	1,891,696
5,097	5,366	4,648	Investment revenue	9	5,097	5,366	4,648
29,629	25,444	11,389	Grants and other contributions	10	29,629	25,444	11,389
33,324	35,132	6,225	Other income	12	33,324	35,132	6,225
3,390,354	**3,333,556**	**2,985,253**	**Total revenue**		**3,467,302**	**3,409,148**	**3,024,500**
(1,837)	232	(997)	Losses on disposal	13	(1,837)	232	(997)
(21,677)	(20,458)	(14,208)	Other losses	15	(21,677)	(20,458)	(14,208)
174,044	**88,571**	**9,894**	**Net result**	31	**174,044**	**88,571**	**9,894**
			Other Comprehensive Income				
			Items that will not be reclassified to net result				
4,496	-	18,586	Changes in revaluation surplus of property, plant and equipment	18	4,496	-	18,586
4,496	**-**	**18,586**	**Total other comprehensive income**		**4,496**	**-**	**18,586**
178,540	**88,571**	**28,480**	**TOTAL COMPREHENSIVE INCOME**		**178,540**	**88,571**	**28,480**

The accompanying notes form part of these financial statements.

Health Administration Corporation
Statement of Financial Position as at 30 June 2018

PARENT ENTITY					CONSOLIDATED ENTITY		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017			2018	2018	2017
$'000	$'000	$'000			$'000	$'000	$'000
			ASSETS				
			Current assets				
151,467	289,658	223,840	Cash and cash equivalents	14	151,467	289,658	223,840
270,731	263,421	204,384	Receivables	15	270,731	263,421	204,384
43,329	38,308	38,308	Inventories	16	43,329	38,308	38,308
110,000	-	-	Other financial assets	17	110,000	-	-
575,527	591,387	466,532			575,527	591,387	466,532
3,919	3,988	3,988	Non-current assets held for sale	20	3,919	3,988	3,988
579,446	**595,375**	**470,520**	**Total current assets**		**579,446**	**595,375**	**470,520**
			Non-current assets				
3,951	4,536	4,536	Receivables	15	3,951	4,536	4,536
			Property, plant and equipment				
550,282	567,459	451,558	- Land and buildings	18	550,282	567,459	451,558
236,713	226,903	220,396	- Plant and equipment	18	236,713	226,903	220,396
391	406	406	- Infrastructure systems	18	391	406	406
22,846	14,814	13,266	- Leasehold improvements	18	22,846	14,814	13,266
810,232	809,582	685,626	Total property, plant and equipment		810,232	809,582	685,626
639,135	577,146	603,241	Intangible assets	19	639,135	577,146	603,241
1,453,318	**1,391,264**	**1,293,403**	**Total non-current assets**		**1,453,318**	**1,391,264**	**1,293,403**
2,032,764	**1,986,639**	**1,763,923**	**Total assets**		**2,032,764**	**1,986,639**	**1,763,923**
			LIABILITIES				
			Current liabilities				
439,021	494,404	393,758	Payables	23	439,021	494,404	393,758
54	52	52	Borrowings	24	54	52	52
266,201	257,072	235,689	Provisions	25	266,201	257,072	235,689
23,121	22,896	11,359	Other current liabilities	26	23,121	22,896	11,359
728,397	**774,424**	**640,858**	**Total current liabilities**		**728,397**	**774,424**	**640,858**
			Non-current liabilities				
28	81	81	Borrowings	24	28	81	81
18,800	17,679	17,103	Provisions	25	18,800	17,679	17,103
-	27	27	Other non-current liabilities	26	-	27	27
18,828	**17,787**	**17,211**	**Total non-current liabilities**		**18,828**	**17,787**	**17,211**
747,225	**792,211**	**658,069**	**Total liabilities**		**747,225**	**792,211**	**658,069**
1,285,539	**1,194,428**	**1,105,854**	**Net assets**		**1,285,539**	**1,194,428**	**1,105,854**
			EQUITY				
196,637	194,992	194,894	Reserves		196,637	194,992	194,894
1,088,902	999,436	910,960	Accumulated funds		1,088,902	999,436	910,960
1,285,539	**1,194,428**	**1,105,854**	**Total equity**		**1,285,539**	**1,194,428**	**1,105,854**

The accompanying notes form part of these financial statements.

Health Administration Corporation

Statement of Changes in Equity for the year ended 30 June 2018

PARENT AND CONSOLIDATED ENTITY

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2017		**910,960**	**194,894**	**1,105,854**
Comprehensive income				
Net result for the year		174,044	-	174,044
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	18	-	4,496	4,496
Total comprehensive income for the year		174,044	4,496	178,540
Transfers between equity items				
Reclassification of revaluation increments to accumulated funds on disposal of assets		2,753	(2,753)	-
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	30	1,145	-	1,145
Balance at 30 June 2018		**1,088,902**	**196,637**	**1,285,539**

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		**900,004**	**176,783**	**1,076,787**
Comprehensive income				
Net result for the year		9,894	-	9,894
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	18	-	18,586	18,586
Total comprehensive income for the year		9,894	18,586	28,480
Transfers between equity items				
Reclassification of revaluation increments to accumulated funds on disposal of assets		475	(475)	-
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers		587	-	587
Balance at 30 June 2017		**910,960**	**194,894**	**1,105,854**

The accompanying notes form part of these financial statements.

Health Administration Corporation
Statement of Cash Flows for the year ended 30 June 2018

PARENT ENTITY					CONSOLIDATED ENTITY		
Actual	Adjusted Budget Unaudited	Actual			Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		Notes	2018	2018	2017
$'000	$000	$'000			$'000	$000	$'000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
-	-	-	Employee related		(1,601,943)	(1,626,113)	(1,519,807)
(3,207,220)	(3,263,436)	(2,938,446)	Suppliers for goods and services		(1,605,277)	(1,637,323)	(1,418,639)
(37,375)	(32,243)	(35,363)	Grants and subsidies		(37,375)	(32,243)	(35,363)
(22)	(16)	(7)	Finance costs		(22)	(16)	(7)
(3,244,617)	(3,295,695)	(2,973,816)	**Total payments**		(3,244,617)	(3,295,695)	(2,973,816)
			Receipts				
996,572	976,877	868,544	NSW Ministry of Health recurrent allocations		996,572	976,877	868,544
255,765	256,232	202,751	NSW Ministry of Health capital allocations		255,765	256,232	202,751
27,812	27,812	28,687	Reimbursements from the Crown Entity		27,812	27,812	28,687
2,214,433	2,257,863	2,041,134	Sale of goods and services		2,214,433	2,257,863	2,041,134
5,097	5,366	4,648	Interest received		5,097	5,366	4,648
20,370	15,766	11,451	Grants and other contributions		20,370	15,766	11,451
33,105	29,521	23,904	Other		33,105	29,521	23,904
3,553,154	3,569,437	3,181,119	**Total receipts**		3,553,154	3,569,437	3,181,119
308,537	**273,742**	**207,303**	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	31	**308,537**	**273,742**	**207,303**
			CASH FLOWS FROM INVESTING ACTIVITIES				
1,230	-	1,309	Proceeds from sale of property, plant and equipment and non-current assets held for sale	13	1,230	-	1,309
(272,089)	(207,924)	(243,791)	Purchases of property, plant & equipment and intangibles		(272,089)	(207,924)	(243,791)
(110,000)	-	-	Purchases of investments		(110,000)	-	-
(380,859)	**(207,924)**	**(242,482)**	**NET CASH FLOWS FROM INVESTING ACTIVITIES**		**(380,859)**	**(207,924)**	**(242,482)**
			CASH FLOWS FROM FINANCING ACTIVITIES				
(51)	-	(73)	Repayment of borrowings and advances		(51)	-	(73)
(51)	**-**	**(73)**	**NET CASH FLOWS FROM FINANCING ACTIVITIES**		**(51)**	**-**	**(73)**
(72,373)	65,818	(35,252)	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		(72,373)	65,818	(35,252)
223,840	223,840	259,092	Opening cash and cash equivalents		223,840	223,840	259,092
151,467	**289,658**	**223,840**	**CLOSING CASH AND CASH EQUIVALENTS**	**14**	**151,467**	**289,658**	**223,840**

The accompanying notes form part of these financial statements.

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 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; the Program Management Office; the Performance Support Office and the Health Protection Service, NSW.

  - 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 financial statements for the year ended 30 June 2018 were authorised for issue by the Secretary, NSW Health on 17 September 2018.

b) Basis of preparation

The Corporation's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983,* the *Public Finance and Audit Regulation 2015,* and Financial Reporting Directions mandated by the Treasurer.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1. Statement of significant accounting policies (continued)

c) Principles of consolidation

The consolidated financial statements include the financial statements of the parent and its subsidiaries at 30 June 2018 and the net result of the parent and its subsidiaries for the year ended 30 June 2018.

Subsidiaries are all those entities which the parent has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred.

Where necessary the accounting policies have been changed to ensure consistency with the policies adopted by the parent. Intra-entity balances and transactions and any unrealised income and expenses arising from intra-entity transactions, are eliminated in preparing the consolidated financial statements.

d) 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.

e) Statement of compliance

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

f) Employee benefits and other provisions

i) 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 reporting 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 twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with *AASB 119 Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, 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 (calculated using 7.9% to 13.2% of the nominal value of annual leave (30 June 2017: 7.9% to 13.2%)) can be used to approximate the present value of the annual leave liability. The Corporation has assessed the actuarial advice based on the Corporation's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

ii) 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 Entity, which is an entity controlled by the ultimate parent. The Corporation accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to long service leave assumed by the Crown Entity are bourne by the Corporation as shown in Note 25.

1. Statement of significant accounting policies (continued)

f) Employee benefits and other provisions (continued)

ii) Long service leave and superannuation (continued)

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

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

iii) 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.

iv) Other provisions

Other provisions exist 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. Where the time value of money is material, provisions are discounted to their present value using a pre tax rate that reflects the current market assessments of the time value of money and risks specific to the liability.

g) 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 claim experience. The TMF is managed by Insurance and Care NSW (iCare), an entity controlled by the ultimate parent.

h) Grants and subsidies

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

i) Finance costs

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

1. Statement of significant accounting policies (continued)

j) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of goods

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

Rendering of services

Revenue from rendering of services is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Grants and other contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the consolidated entity and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer date.

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the Ministry of Health. Revenue is recognised on an accrual basis, when the service has been provided to the patient.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the *National Health Act 1953* for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists whereby motor vehicle insurers pay the Ministry directly for the hospital costs of persons receiving inpatient treatment resulting from motor vehicle accidents. The Corporation recognises the revenue on an accruals basis from the time the patient is first treated or admitted to hospital.

Department of Veterans' Affairs

An agreement between the Commonwealth Department of Veterans' Affairs and the Ministry allows for the provision of health services to entitled veterans. Revenue from admitted patients is recognised on an accruals basis by reference to patient admissions, while non-admitted revenues are recognised by way of a block grant received from the Commonwealth.

Investment revenue

Interest revenue is recognised using the effective interest method as set out in *AASB 139 Financial Instruments: Recognition and Measurement.* The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

1. Statement of significant accounting policies (continued)

j) Income recognition (continued)

Use of outside facilities

The Corporation operates a number of facilities that are owned and maintained by local authorities to deliver community health services for which no charges are payable to the Authority.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given the amount is recognised as revenue with matching expense.

Specialist use of hospital facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge including service charges where applicable for the use of hospital facilities at rates determined by the Ministry. Charges consist of two components:

- a monthly charge raised by the health entities based on a percentage of receipts generated
- the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for the Corporation's use in the advancement of the Corporation or individuals within it.

The Ministry allocations

Payments are made by the immediate parent on the basis of the allocation for the Corporation as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the statement of comprehensive income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

k) Goods & Services Tax (GST)

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

- 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.

1. Statement of significant accounting policies (continued)

l) Property, plant and equipment

(i) 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.

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 (w).

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.

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

(ii) 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.

(iii) Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

Buildings	2.5%
Electro medical equipment	
- Costing less than $200,000	10.0%
- Costing more than or equal to $200,000	12.5%
Computer equipment	20.0%
Furniture, fittings and furnishings	5.0%
Infrastructure systems	2.5%
Leasehold improvements	10.0%, 11.1% or 33.3%
Linen	25.0%
Motor vehicle sedans	12.5%
Motor vehicles, trucks & vans	20.0%
Office equipment	10.0%
Plant and machinery	10.0%
PODs (a detachable unit on an ambulance for patient treatment)	25.0%

“Infrastructure systems” includes public facilities which provide essential services such as roads, water infrastructure and distribution works, sewerage treatment plants and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

1. Statement of significant accounting policies (continued)

l) Property, plant and equipment (continued)

(iv) Revaluation of non-current assets

Physical non-current assets are valued in accordance with the *'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01).* This policy adopts fair value in accordance with *AASB 13 Fair Value Measurement,* and *AASB 116 Property, Plant and Equipment.*

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach and income approach) that maximise relevant observable inputs and minimise unobservable inputs.Refer to Note 22 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Comprehensive revaluations are conducted at least every three years on a rotational basis for its land and buildings 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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

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 credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as a loss in the net result, the increment is recognised immediately as gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

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 useful lives of property, plant and equipment are reviewed at each financial year end.

1. Statement of significant accounting policies (continued)

l) Property, plant and equipment (continued)

(v) 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.

Since 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. 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 *Fair Value Measurement.*

(vi) Restoration costs

The present value of the estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, if the recognition criteria for a provision are met.

vii) Maintenance

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

m) Non-current assets (or disposal groups) held for sale

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.

n) Intangible assets

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. 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.

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.

Computer software developed or acquired by the Corporation are amortised over four to ten years using the straight line method.

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.

1. Statement of significant accounting policies (continued)

o) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term in the Statement of Comprehensive Income.

Lease incentives

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

p) Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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

q) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result when impaired, derecognised or through the amortisation process.

Term deposits which are greater than 90 days are classified as other financial assets. These assets are measured at amortised cost using the effective interest rate method.

1. Statement of significant accounting policies (continued)

r) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due.

For certain categories of financial assets, such as trade receivables, the Corporation first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

s) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Corporation transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Corporation has not transferred substantially all the risks and rewards, if the Corporation has not retained control.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

t) Payables

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.

u) Borrowings

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 net result when the liabilities are derecognised as well as through the amortisation process. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

1. Statement of significant accounting policies (continued)

v) Fair value hierarchy

A number of the Corporation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under *AASB 13 Fair Value Measurement,* the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- **Level 1** - quoted prices in active markets for identical assets / liabilities that the entity can access at 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.

Refer Note 22 and Note 35 for further disclosures regarding fair value measurements of financial and non-financial assets.

w) Equity transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the State of New South Wales is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 *Contributions* and *Australian 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 assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the 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.

x) Equity and reserves

(i) Accumulated funds

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

(ii) 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 (l) (iv).

y) Trust Funds

The Corporation receives monies in a trustee capacity for various trusts as set out in Note 28.

As the Corporation performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Corporation's own objectives, they are not brought to account in the financial statements.

z) Adjusted budgeted amounts

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 within the consolidated accounts for NSW Health are not presented in parliament, therefore AASB 1055 *Budgetary Reporting* is not applicable to the Corporation. Unlike the requirement in AASB 1055 to present original budget information, the Corporation's financial statements present adjusted budget information. The budgeted amounts are drawn from the initial Service Agreements between the Corporation and the Ministry 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 (that is, the adjusted budget). The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

1. Statement of significant accounting policies (continued)

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to the notes of these financial statements.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Corporation, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. AASB 9 will replace AASB 139 Financial Instruments: Recognition and Measurement and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

AASB 16 *Leases* replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases.* The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets (e.g. personal computers below $10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the right of use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today’s accounting under AASB 117. Lessors will continue to classify all leases using the same classification as in AASB 117 and distinguish between two types of leases: operating and finance leases.

1. Statement of significant accounting policies (continued)

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

(ii) Issued but not yet effective (continued)

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

AASB 15 *Revenue from Contracts with Customers* (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 *Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions* and is not expected to materially impact these financial statements.

AASB 1059 *Service Concession Arrangements* is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 *Fair Value Measurement* principles. They are subsequently accounted for under AASB 116 *Property, Plant & Equipment* or AASB 138 *Intangible Assets.* Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the “financial liability” model applying AASB 9, or the “grant of right” model under AASB 1059. AASB 1059 requires retrospective application.

1. Statement of significant accounting policies (continued)

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

(ii) Issued but not yet effective (continued)

Overview of assessment activities
NSW Health has designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of four phases: scoping, data gathering, in-depth analysis and implementation. The scoping phase was completed and the data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be formed internally as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the Ministry. Further details are available in the NSW Health's consolidated financial statements.

The Ministry is continuously analysing and assessing the impact of the new accounting standards. This includes changes to accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

Potential impact on the Corporation's financial report
Whilst the Corporation is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

Leases

- The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as a current liability.
- Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- Depreciation expense will be booked on right of use assets, which will be on a straight-line basis.
- Operating cash flows will be higher as repayment of the principle portion of all lease liabilities will be classified as financing activities.

Revenue and income of Not-for-Profit Entities

- The deferral of some of the revenues of the Corporation.
- Impact on the estimates and judgements involved in the unbilled revenue process.
- Specific quantitative and qualitative disclosures may be required under AASB 15.

Financial Instruments

- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

Service concession arrangements

- No significant impact is expected on the Corporation.

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

PARENT ENTITY			CONSOLIDATED ENTITY	
2018 $'000	2017 $'000		2018 $'000	2017 $'000
		2. Employee related expenses		
-	-	Salaries and wages (including annual leave and ADO)	1,419,430	1,306,935
-	-	Superannuation - defined benefit plans	19,603	20,494
-	-	Superannuation - defined contribution plans	114,485	102,792
-	-	Long service leave	64,570	18,290
-	-	Redundancies	4,860	6,624
-	-	Workers' compensation insurance	48,352	61,644
-	-	Fringe benefits tax	358	160
-	-	Other employee related expenses	14,277	1,166
-	**-**		**1,685,935**	**1,518,105**
		The following employee related costs have been capitalised in particular fixed asset accounts and therefore excluded from the above:		
-	-	Employee related expenses capitalised - land and buildings	10,095	8,714
-	-	Employee related expenses capitalised - intangibles	11,221	5,020
-	**-**		**21,316**	**13,734**
		3. Personnel services		
1,419,430	1,306,935	Salaries and wages (including annual leave)	-	-
-	-	Superannuation - defined benefit plan	-	-
114,485	102,792	Superannuation - defined contribution plan	-	-
7,225	(463)	Long service leave	-	-
4,860	6,624	Redundancies	-	-
48,352	61,644	Workers' compensation insurance	-	-
358	160	Fringe benefits tax	-	-
14,277	1,166	Other employee related expenses	-	-
1,608,987	**1,478,858**		**-**	**-**

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

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	2017		2018	2017
$'000	$'000		$'000	$'000
		4. Other expenses		
1,194	693	Advertising	1,194	693
458	664	Auditor's remuneration - audit of financial statements	458	664
103	100	Blood and blood products	103	100
2,561	2,441	Consultants	2,561	2,441
28,775	28,740	Domestic supplies and services	28,775	28,740
8,233	7,980	Drug supplies	8,233	7,980
83,983	80,670	Food supplies	83,983	80,670
13,592	10,533	Fuel, light and power	13,592	10,533
1,680	1,825	Hosted services purchased from entities controlled by the immediate parent	1,680	1,825
163,288	159,366	Information management	163,288	159,366
3,021	3,596	Insurance	3,021	3,596
114,001	126,342	Maintenance (see 4(b) below)	114,001	126,342
35,560	35,687	Medical and surgical supplies	35,560	35,687
19,836	17,367	Motor vehicle expenses	19,836	17,367
996	1,005	Patient transport costs	996	1,005
10,533	9,989	Postal and telephone costs	10,533	9,989
6,357	5,674	Printing and stationery	6,357	5,674
2,644	2,681	Rates and charges	2,644	2,681
30,866	24,386	Rental	30,866	24,386
134,850	126,820	Specialised services (Dental, Radiology, Pathology, Allied Health)	134,850	126,820
18,760	18,767	Staff related costs	18,760	18,767
15,261	14,618	Travel	15,261	14,618
731,986	659,049	Other* (see 4(a) below)	731,986	659,049
1,428,538	**1,338,993**		**1,428,538**	**1,338,993**

* 'Contractors' $67,592k was a separate category in 2017 and included in 'Other' in 2018.

Related party disclosures:

'Auditor's remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent for the current year and prior year.

Some 'Information management expenses' were paid to the NSW Government Telecommunications Authority, an entity controlled by the ultimate parent for the current year and prior year.

The majority of 'Hosted Services Purchased from entities controlled by the immediate parent' were paid to South Eastern Sydney Local Health District and Central Coast Local Health District for the current year.

The majority of 'Rental' expenses for the current year were paid to Property NSW and some to the Department of Finance Services and Innovation, which are entities controlled by the ultimate parent.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		4. Other expenses		
		a) Other		
148,079	105,990	Ambulance fixed wing and rotor wing transport	148,079	105,990
6	8	Contract for patient services	6	8
282,570	264,245	Corporate support services	282,570	264,245
10,352	9,889	Courier and freight	10,352	9,889
2,207	1,727	Legal services	2,207	1,727
2,384	2,930	Membership / professional fees	2,384	2,930
23,813	25,462	Motor vehicle operating lease expense - minimum lease payments	23,813	25,462
343	303	Other operating lease expense - minimum lease payments	343	303
3,464	3,610	Quality assurance / accreditation	3,464	3,610
2,249	1,052	Security	2,249	1,052
256,519	243,833	Other	256,519	243,833
731,986	**659,049**		**731,986**	**659,049**
		b) Reconciliation of total maintenance		
33,935	32,280	Maintenance contracts	33,935	32,280
63,589	76,819	New / replacement equipment under $10,000	63,589	76,819
15,908	16,821	Repairs maintenance / non contract	15,908	16,821
569	422	Other	569	422
114,001	126,342	Maintenance expense - contracted labour and other (non-employee related in Note 4).	114,001	126,342
5,223	5,029	Employee related/personnel services maintenance expense included in Notes 2 and 3.	5,223	5,029
119,224	**131,371**	Total maintenance expenses	**119,224**	**131,371**

Related party disclosures:

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent for the current year and prior year.

In the prior year an amount of $60.2 million receivable from the Ministry of Health (the immediate parent) was written off, as it was no longer collectable. It represented balances receivable relating to unpaid subsidy on projects undertaken during the year ended 30 June 2012.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018 $'000	2017 $'000		2018 $'000	2017 $'000
		5. Depreciation and amortisation		
13,530	11,777	Depreciation - buildings	13,530	11,777
46,731	47,827	Depreciation - plant and equipment	46,731	47,827
34	27	Depreciation - infrastructure systems	34	27
3,133	2,805	Depreciation - leasehold improvements	3,133	2,805
53,950	47,207	Amortisation - intangible assets	53,950	47,207
117,378	**109,643**		**117,378**	**109,643**
		6. Grants and subsidies		
2,498	1,645	Non-Government organisations grants	2,498	1,645
24,817	22,492	Community grants	24,817	22,492
1,793	872	Research grants	1,793	872
8,620	7,491	Grants paid to entities controlled by the immediate parent	8,620	7,491
118	82	Other grants and subsidies	118	82
37,846	**32,582**		**37,846**	**32,582**

Related party disclosures:

The majority of 'Grants paid to entities controlled by the immediate parent' for the current year are with Hunter New England Local Health District.

The majority of 'Grants paid to entities controlled by the immediate parent' for the prior year were paid to Sydney Local Health District and South Eastern Sydney Local Health District.

PARENT 2018 $'000	PARENT 2017 $'000		CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
		7. Finance costs		
5	7	Interest expense from financial liabilities	5	7
18	23	Other interest charges	18	23
23	**30**		**23**	**30**

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		8. Sale of goods and services		
4,294	3,242	Cafeteria / kiosk	4,294	3,242
126	332	Car parking	126	332
18,514	20,815	Clinical services (excluding clinical drug trials)	18,514	20,815
404,663	385,346	Commercial activities	404,663	385,346
23,016	24,622	Department of Veterans' Affairs	23,016	24,622
272	266	Fees for medical records	272	266
15,659	16,196	Infrastructure fees - annual charge	15,659	16,196
139,989	137,038	Infrastructure fees - monthly facility charge	139,989	137,038
5,332	5,575	Linen services - non Health Services	5,332	5,575
82,802	83,856	Linen services - entities controlled by immediate parent	82,802	83,856
404	479	Meals on Wheels	404	479
37,062	40,771	Motor Accident Authority Third Party	37,062	40,771
1,141	937	Other services provided to non Health services	1,141	937
666	945	Patient co-payments - appliance program for people with a disability	666	945
149,884	137,747	Patient transport fees	149,884	137,747
343	382	Private use of motor vehicles	343	382
582	687	Salary packaging fee	582	687
1,142,937	1,006,527	Shared corporate services	1,142,937	1,006,527
10	8	Staff meals and accommodation	10	8
7,449	6,410	Use of Ambulance facilities	7,449	6,410
34,822	19,515	Other	34,822	19,515
2,069,967	**1,891,696**		**2,069,967**	**1,891,696**

Related party disclosures:

The majority of 'Clinical Services' revenue was earned from NSW Police Force, the Local Court of NSW and the Drug Court of NSW entities controlled by the ultimate parent in the current year.

The majority of 'Commercial activities' revenue was earned from entities controlled by the immediate parent for the current year and prior year.

'Motor Accident Authority Third Party' revenue was earned from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent for the current year and prior year.

The majority of 'Patient transport fees' revenue was earned from entities controlled by the immediate parent for the current year and prior year.

The majority of 'Shared corporate services' revenue was earned from entities controlled by the immediate parent for the current year and prior year.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		9. Investment revenue		
5,097	4,648	Interest revenue - bank	5,097	4,648
5,097	**4,648**		**5,097**	**4,648**
		10. Grants and other contributions		
129	474	Clinical drug trials	129	474
4,367	377	Commonwealth government grants	4,367	377
505	1,065	Industry contributions and donations	505	1,065
9,928	4,790	Grants from entities controlled by the ultimate parent	9,928	4,790
12,085	1,831	Grants from entities controlled by the immediate parent	12,085	1,831
123	641	Research grants	123	641
2,492	2,211	Other grants	2,492	2,211
29,629	**11,389**		**29,629**	**11,389**

Related party disclosures:

For 2018 (2017*) the majority of 'Grants received from entities controlled by the ultimate parent' were:

- Crown Finance Entity
- NSW Department of Justice*
- NSW Department of Premier and Cabinet
- Transport NSW*

For 2018 (2017*) the majority of 'Grants received from entities controlled by the immediate parent' were:

- Cancer Institute NSW
- Illawarra Shoalhaven Local Health District
- Northern Sydney Local Health District
- Sydney Local Health District
- South Western Sydney Local Health District*
- Western Sydney Local Health District*

PARENT ENTITY 2018 $'000	PARENT ENTITY 2017 $'000		CONSOLIDATED ENTITY 2018 $'000	CONSOLIDATED ENTITY 2017 $'000
		11. Acceptance by the Crown Entity of employee benefits		
		The following liabilities and expenses have been assumed by the Crown Entity:		
-	-	Superannuation - defined benefit plan	19,603	20,494
-	-	Long service leave	57,345	18,753
-	**-**		**76,948**	**39,247**
		12. Other income		
-	1,037	Ambulance death and disability	-	1,037
204	37	Bad debts recovered	204	37
65	83	Commissions	65	83
365	480	Conference and training fees	365	480
66	259	Discounts	66	259
46	336	Insurance refunds	46	336
557	686	Lease and rental revenue	557	686
132	121	Sale of merchandise, old wares and books	132	121
500	451	Sponsorship revenue	500	451
2,458	2,503	Treasury managed fund hindsight adjustment	2,458	2,503
32	12	Unclaimed deposits	32	12
28,899	220	Other	28,899	220
33,324	**6,225**		**33,324**	**6,225**

Related party disclosures:

The majority of 'Other' revenue for the current year was earned from Property NSW ($15.5M) and Transport for NSW ($8.8M), which are entities controlled by the ultimate parent.

PARENT ENTITY 2018 $'000	PARENT ENTITY 2017 $'000		CONSOLIDATED ENTITY 2018 $'000	CONSOLIDATED ENTITY 2017 $'000
		13. Losses on disposal		
		a) Property, plant and equipment		
38,874	28,233	Property, plant and equipment	38,874	28,233
(35,876)	(25,927)	Accumulated depreciation	(35,876)	(25,927)
2,998	2,306	**Written down value of property, plant and equipment**	2,998	2,306
1,080	1,309	Less: Proceeds from disposal	1,080	1,309
(1,918)	**(997)**	**Loss on disposal of property, plant and equipment**	**(1,918)**	**(997)**
		b) Non-current assets held for sale		
69	-	Non current assets held for sale	69	-
150	-	Proceeds from disposal	150	-
81	**-**	**Gain on disposal of non-current assets held for sale**	**81**	**-**
(1,837)	**(997)**	**Loss on disposal of non-financial assets**	**(1,837)**	**(997)**

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		14. Cash and cash equivalents		
130,792	89,242	Cash at bank and on hand	130,792	89,242
20,675	134,598	Short term deposits	20,675	134,598
151,467	**223,840**		**151,467**	**223,840**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.

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:

PARENT 2018	PARENT 2017		CONSOLIDATED 2018	CONSOLIDATED 2017
151,467	223,840	Cash and cash equivalents (per Statement of Financial Position)	151,467	223,840
151,467	**223,840**	Closing cash and cash equivalents (per Statement of Cash Flows)	**151,467**	**223,840**

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	2017		2018	2017
$'000	$'000		$'000	$'000
		15. Receivables		
		Current		
79,357	39,073	Sale of goods and services	79,357	39,073
115,012	88,026	Intra health receivables	115,012	88,026
20,824	23,408	Goods and Services Tax receivable from the Australian Tax Office	20,824	23,408
57,505	30,617	Other debtors	57,505	30,617
272,698	181,124	**Sub Total**	272,698	181,124
(29,161)	(9,330)	Less: Allowance for impairment	(29,161)	(9,330)
243,537	171,794	**Sub total**	243,537	171,794
27,194	32,590	Prepayments	27,194	32,590
270,731	**204,384**		**270,731**	**204,384**

Related party disclosures:

Some of 'Sale of Goods and Services' is receivable from Transport for NSW, an entity controlled by the ultimate parent.

Intra health receivables include amounts receivable from entitites controlled by the immediate parent. For 2018 (2017*) the majority of the balance at reporting date was receivable from :
- Hunter New England Local Health District*
- Illawarra Shoalhaven Local Health District
- South Eastern Sydney Local Health District*
- South Western Sydney Local Health District*
- Sydney Local Health District*
- Southern NSW Local Health District
- Sydney Children's Hospital Network
- Western NSW

The current sale of goods and services balances above include the following:

PARENT 2018	PARENT 2017		CONSOLIDATED 2018	CONSOLIDATED 2017
47,534	30,565	Patient fees - inpatient & other	47,534	30,565
47,534	**30,565**		**47,534**	**30,565**
		Movement in the allowance for impairment		
(9,330)	(17,698)	Balance at 1 July	(9,330)	(17,698)
1,846	22,576	Amounts written off during the year	1,846	22,576
(21,677)	(14,208)	Increase in allowance recognised in the net result	(21,677)	(14,208)
(29,161)	**(9,330)**	**Balance at 30 June**	**(29,161)**	**(9,330)**
		Non-current		
3,951	4,536	Prepayments	3,951	4,536
3,951	**4,536**		**3,951**	**4,536**

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		16. Inventories		
39,881	36,364	Medical and surgical supplies	39,881	36,364
3,443	1,921	Food and hotel supplies	3,443	1,921
5	23	Other	5	23
43,329	**38,308**		**43,329**	**38,308**
		17. Other financial assets		
		Current		
110,000	-	Term deposits	110,000	-
110,000	**-**		**110,000**	**-**
		18. Property, plant and equipment		
		Land and buildings - fair value		
862,593	752,057	Gross carrying amount	862,593	752,057
312,311	300,499	Less: accumulated depreciation	312,311	300,499
550,282	**451,558**	Net carrying amount	**550,282**	**451,558**
		Plant and equipment - fair value *		
470,913	442,186	Gross carrying amount	470,913	442,186
234,200	221,790	Less: accumulated depreciation	234,200	221,790
236,713	**220,396**	Net carrying amount	**236,713**	**220,396**
		Infrastructure systems - fair value		
1,387	1,364	Gross carrying amount	1,387	1,364
996	958	Less: accumulated depreciation	996	958
391	**406**	Net carrying amount	**391**	**406**
		Leasehold improvements - fair value *		
34,579	22,025	Gross carrying amount	34,579	22,025
11,733	8,759	Less: accumulated depreciation	11,733	8,759
22,846	**13,266**	Net carrying amount	**22,846**	**13,266**
810,232	**685,626**	**Total property, plant and equipment**	**810,232**	**685,626**

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with *Treasury Policy Paper 14-01.*

PARENT & CONSOLIDATED ENTITY

18. Property, plant and equipment - reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting year is set out below:

Year ended 30 June 2018	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Leasehold improvements $'000	Total $'000
Net carrying amount at start of year	451,558	220,396	406	13,266	**685,626**
Additions	112,898	61,867	-	5,980	**180,745**
Reclassification from intangibles	-	1,500	-	-	**1,500**
Disposals	-	(2,953)	-	(45)	**(2,998)**
Administrative restructures - transfers in/(out)	(2,934)	131	-	-	**(2,803)**
Transfers between NSW Health entities through statement of comprehensive income	-	7,094	-	-	**7,094**
Net revaluation increment less revaluation decrements	4,477	-	19	-	**4,496**
Depreciation expense	(13,530)	(46,731)	(34)	(3,133)	**(63,428)**
Other reclassifications	(2,187)	(4,591)	-	6,778	**-**
Net carrying amount at end of year	**550,282**	**236,713**	**391**	**22,846**	**810,232**

Year ended 30 June 2017	Land and buildings $'000	Plant and equipment $'000	Infrastructure systems $'000	Leasehold improvements $'000	Total $'000
Net carrying amount at start of year	365,851	217,825	149	11,781	**595,606**
Additions	83,644	51,798	-	4,455	**139,897**
Recognition of assets held for sale	(3,919)	-	-	-	**(3,919)**
Disposals	(543)	(1,552)	-	(211)	**(2,306)**
Transfers between NSW Health entities through statement of comprehensive income	-	198	-	-	**198**
Net revaluation increment less revaluation decrements	18,522	-	64	-	**18,586**
Depreciation expense	(11,777)	(47,827)	(27)	(2,805)	**(62,436)**
Other reclassifications	(220)	(46)	220	46	**-**
Net carrying amount at end of year	**451,558**	**220,396**	**406**	**13,266**	**685,626**

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

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**	**19. Intangible assets**	**$'000**	**$'000**
950,129	860,285	Cost (gross carrying amount)	950,129	860,285
310,994	257,044	Less: accumulated amortisation	310,994	257,044
639,135	**603,241**	**Net carrying amount**	**639,135**	**603,241**

PARENT & CONSOLIDATED ENTITY

19. Intangible assets - reconciliation

Year ended 30 June 2018	**Intangible assets $'000**	**Total $'000**
Net carrying amount at start of year	603,241	603,241
Additions	91,344	91,344
Reclassifications to plant and equipment	(1,500)	(1,500)
Amortisation (recognised in depreciation and amortisation)	(53,950)	(53,950)
Net carrying amount at end of year	**639,135**	**639,135**

Year ended 30 June 2017	**Intangible assets $'000**	**Total $'000**
Net carrying amount at start of year	545,967	545,967
Additions	104,481	104,481
Amortisation (recognised in depreciation and amortisation)	(47,207)	(47,207)
Net carrying amount at end of year	**603,241**	**603,241**

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		20. Non-current assets held for sale		
3,919	3,988	Land and buildings	3,919	3,988
3,919	**3,988**		**3,919**	**3,988**

Non-current assets held for sale includes assets that are surplus to the Corporation's requirements, and that are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale within twelve months from reporting date.

Further details regarding fair value measurement is disclosed in Note 22.

21. Restricted assets

The Corporation controls the following restricted assets:

	Opening balance 2017 $'000	Expenses 2018 $'000	Revenue 2018 $'000	Closing balance 2018 $'000
Category				
Community welfare	7	-	-	7
Facility improvements	1,089	595	30,686	31,180
Patient welfare	353	135	7	225
Private practice disbursements (No.2 Accounts)	118,991	19,819	18,569	117,741
Public contributions	10,455	1,719	3,726	12,462
Research	5,326	1,024	1,470	5,772
Staff welfare	2,101	85	395	2,411
Training and education including conferences	572	225	97	444
	138,894	**23,602**	**54,950**	**170,242**

The assets are restricted by externally imposed conditions, eg. donor requirements. Restricted assets are only available for application in accordance with the terms of the donor restrictions.

Restricted asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year’s presentation.

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.
Private practice disbursements	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 amenities improvements.
Training and education	Professional training, education and conferences.
Other	This does not meet the definition of the above categories.

The closing balance of restricted assets are included in cash and cash equivalents in Note 14.

PARENT & CONSOLIDATED ENTITY

22. Fair value measurement of non-financial assets

Fair value measurements recognised in the statement of financial position are categorised into the following levels:

a) Fair value hierarchy

2018	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
- Land and buildings	18	-	146,935	240,591	387,526
- Infrastructure systems	18	-	-	391	391
Non-current assets held for sale	20	-	3,919	-	3,919
		-	**150,854**	**240,982**	**391,836**

2017		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Property, plant and equipment					
- Land and buildings	18	-	163,014	159,995	323,009
- Infrastructure systems	18	-	-	406	406
Non-current assets held for sale	20	-	3,988	-	3,988
		-	**167,002**	**160,401**	**327,403**

There were no transfers between Level 1 and 2 during the current or previous reporting years.

Work in progress and newly completed projects are carried at cost, therefore they are excluded from the above figures and as a result will not agree to Note 18.

PARENT & CONSOLIDATED ENTITY

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

b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Corporation and its controlled entities obtain external valuations by independent valuers every three years. The valuer used by each controlled entity is an independent person and is not an employee of the respective entity.

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 18 reconciliation.

In accordance with *AASB 13 Fair Value Measurement,* no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

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 valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

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

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

For buildings and infrastructure systems, assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are classified as Level 3 as the valuation uses a high level of unobservable inputs. However, residential and commercial properties are valued on a market approach and classified as Level 2.

Work in progress and newly completed buildings are categorised as level 2, as the initial measurement is recognised at cost and is represented accordingly until subject to revaluation. This is considered appropriate as, once assets are brought into use, there is no longer an identical correlation with the "shelf product".

Non-current assets held for sale is a non-recurring item that is measured at the lesser of its carrying amount or fair value less cost to sell. These assets are categorised in Level 2 except when an asset was a Level 3 asset prior to transfer to Non-Current Assets Held for Sale, and continues to be a recognised as a Level 3 asset where the carrying amount is less than the fair value (less cost) to sell.

Level 3 disclosures:

The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process, the relationship to the estimated fair

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

PARENT & CONSOLIDATED ENTITY

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

c) Reconciliation of recurring level 3 fair value measurements

2018	**Land and Buildings $'000**	**Infrastructure Systems $'000**	**Total Level 3 Recurring $'000**
Fair value as at 1 July 2017	159,995	406	160,401
Additions	63,253	-	63,253
Revaluation increments recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	5,114	20	5,134
Transfers from Level 2	27,603	-	27,603
Depreciation	(12,626)	(35)	(12,661)
Equity transfer - transfers in / (out)	(2,935)	-	(2,935)
Other reclassifications	187	-	187
Fair value as at 30 June 2018	**240,591**	**391**	**240,982**

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. work in progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

2017	**Land and Buildings $'000**	**Infrastructure Systems $'000**	**Total Level 3 Recurring $'000**
Fair value as at 1 July 2016	40,965	149	41,114
Additions	1,257	-	1,257
Revaluation increments recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	2,619	65	2,684
Transfers from Level 2	119,678	-	119,678
Transfers to Level 2	(922)	-	(922)
Disposals	(12)	-	(12)
Depreciation	(3,476)	(28)	(3,504)
Other reclassifications	(114)	220	106
Fair value as at 30 June 2017	**159,995**	**406**	**160,401**

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised use of the assets.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	**2017**		**2018**	**2017**
$'000	**$'000**		**$'000**	**$'000**
		23. Payables		
		Current		
-	-	Accrued salaries, wages and on-costs	27,003	21,521
-	-	Taxation and payroll deductions	15,278	8,766
42,281	30,287	Accrued personnel services expense	-	-
103,758	124,182	Creditors	103,758	124,182
		Accrued expenses		
161,084	103,924	- Capital works	161,084	103,924
43,430	58,781	- Payables to entities controlled by the immediate parent	43,430	58,781
88,468	76,584	- Other	88,468	76,584
439,021	**393,758**		**439,021**	**393,758**

Related party disclosures:

Payables' include amounts payable from entitites controlled by the immediate parent. For 2018 (2017*) the majority of the balance at reporting date was payable from :
- Hunter New England Local Health District*
- Nepean Blue Mountains Local Health District
- Northern Sydney Local Health District*
- South Eastern Sydney Local Health District*
- Sydney Children's Hospital Network*
- Western Sydney Local Health District*
- Inter entity creditors related to the Human Resources Information System (HRIS) payroll operations

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

PARENT 2018	PARENT 2017		CONSOLIDATED 2018	CONSOLIDATED 2017
		24. Borrowings		
		Current		
54	52	Loans and deposits	54	52
54	**52**		**54**	**52**
		Non-Current		
28	81	Loans and deposits	28	81
28	**81**		**28**	**81**

Related party disclosures:

The majority of the balance for 'Other loans and deposits' for the current year and prior year are due to NSW Treasury, an entity controlled by the ultimate parent.

No assets have been pledged as security or collateral for liabilities. There are no restrictions on any title to property controlled by the corporation or its controlled entities.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

PARENT ENTITY 2018 $'000	PARENT ENTITY 2017 $'000		CONSOLIDATED ENTITY 2018 $'000	CONSOLIDATED ENTITY 2017 $'000
		25. Provisions		
		Current		
-	-	Ambulance death and disability	3,155	7,148
-	-	Annual leave - short term benefit	156,686	141,244
-	-	Annual leave - long term benefit	59,529	49,296
-	-	Long service leave consequential on-costs	42,229	35,580
-	-	Provision for other employee benefits*	4,336	2,115
266	306	Other	266	306
265,935	235,383	Provision for personnel services liability	-	-
266,201	**235,689**		**266,201**	**235,689**
		Non-Current		
-	-	Ambulance death and disability	8,654	8,654
-	-	Long service leave consequential on-costs	3,672	3,096
6,474	5,353	Other	6,474	5,353
12,326	11,750	Provision for personnel services liability	-	-
18,800	**17,103**		**18,800**	**17,103**

* 'Provision for other employee benefits' was classified as 'Other' $2,066k and 'Sick leave' $0.49k in 2017.

PARENT ENTITY 2018 $'000	PARENT ENTITY 2017 $'000		CONSOLIDATED ENTITY 2018 $'000	CONSOLIDATED ENTITY 2017 $'000
		Aggregate Employee Benefits and Related On-Costs		
-	-	Provisions - current	265,935	235,383
-	-	Provisions - non-current	12,326	11,750
-	-	Accrued salaries, wages and on-costs (Note 23)	42,281	30,287
320,542	277,420	Accrued personnel services expense	-	-
320,542	**277,420**		**320,542**	**277,420**

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	2017		2018	2017
$'000	$'000		$'000	$'000
		26. Other liabilities		
		Current		
23,121	11,359	Unearned revenue	23,121	11,359
23,121	**11,359**		**23,121**	**11,359**
		Non-Current		
-	27	Unearned revenue	-	27
-	**27**		**-**	**27**

Related party disclosures:

2018

The 'Unearned revenue' balance includes $15.7 million received in advance from the Western Sydney Local Health District, Hunter New England Local Health District, Illawarra Shoalhaven Local Health District and Murrumbidgee Local Health District, which are entities controlled by the immediate parent and $7.1 million from the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

2017

The 'Unearned Revenue' balance includes $8.1 million received in advance from the Western Sydney Local Health District and Hunter New England Local Health District, which are entities controlled by the immediate parent and $2.0 million from the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	2017		2018	2017
$'000	$'000		$'000	$'000

27. Commitments for expenditure

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:

Parent 2018 $'000	Parent 2017 $'000		Consolidated 2018 $'000	Consolidated 2017 $'000
105,157	134,343	Within one year	105,157	134,343
952	23,441	Later than one year and not later than five years	952	23,441
106,109	**157,784**	**Total (including GST)**	**106,109**	**157,784**

b) Operating lease commitments

Entity as lessee

Future minimum rentals payable under non-cancellable operating lease as at 30 June are, as follows:

Parent 2018 $'000	Parent 2017 $'000		Consolidated 2018 $'000	Consolidated 2017 $'000
164,560	153,857	Within one year	164,560	153,857
578,469	618,460	Later than one year and not later than five years	578,469	618,460
725,303	816,883	Later than five years	725,303	816,883
1,468,332	**1,589,200**	**Total (including GST)**	**1,468,332**	**1,589,200**

Operating lease commitments are for motor vehicles, information technology and equipment including personal computers, medical equipment and other miscellaneous equipment.

Related party disclosures:

Some of the lease commitments for the current year and prior year include non-cancellable lease commitments relating to Government Property NSW, an entity controlled by the ultimate parent.

c) Input tax recoverable related to commitments for expenditure

The amount of tax recoverable from the Australian Tax Office in regards to total commitments at 30 June 2018 is $143.0M (2017: $158.8M).

PARENT & CONSOLIDATED ENTITY

28. Trust funds

The Corporation holds money in a Private Practice Trust Fund which is used in accordance with conditions specified in the Staff Specialists Determination made by the Secretary. 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.

The following is a summary of the transactions in the trust account:

	Private Practice Trust Funds		Total	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash balance at the beginning of the financial year	**-**	-	**-**	-
Add: Receipts	**197,717**	192,373	**197,717**	192,373
Less: Expenditure	**(197,717)**	(192,373)	**(197,717)**	(192,373)
Cash balance at the end of the financial year	**-**	-	**-**	-

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

Category	**Purpose**
Private Practice Trust Funds	The revenue derived from private patient and other billable services provided by staff specialists.

29. Contingent liabilities and assets

There are no contingent liabilities and assets for the reporting year.

30. Increase / (decrease) in net assets from equity transfers

(a) An increase of $4.0 million in net assets occurred during the current year. This relates to the transfer of State Medical Stockpile inventory from the Ministry of Health to HealthShare NSW ($3.9 million) and a transfer of plant and equipment from Northern Sydney Local Health District to HealthShare NSW ($0.1 million), an entity controlled by the immediate parent.

	2018
	$'000
Plant and equipment	131
Medical and surgical supplies	3,948
Carrying amount	**4,079**

(b) In accordance with the Real Property Disposal Framework, a transfer of the Rockdale ambulance station from the Ambulance Service of NSW to the Ministry of Health, was undertaken prior to its disposal. The value of the site was adjusted to $2.9 million which was the fair value of the asset (excluding selling costs) prior to the Ministry transfer. The revaluation increment was adjusted to the asset revaluation surplus.

	2018
	$'000
Land and buildings	2,934
Carrying amount	**2,934**

Equity transfers relating to 2016/17 financial year are as follows:

On 1 October 2015, NSW Kids and Families was abolished and the net liabilities comprising mainly employee annual leave entitlements were transferred to Health Administration Corporation, (a fully controlled subsidiary of the immediate parent). On 1 July 2016, the balances were subsequently transferred from the Health Administration Corporation to the Ministry of Health.

PARENT ENTITY			CONSOLIDATED ENTITY	
2018	2017		2018	2017
$'000	$'000		$'000	$'000
		31. Reconciliation of cash flows from operating activities to the net result		
308,537	207,303	Net cash flows from operating activities	308,537	207,303
(117,378)	(109,643)	Depreciation and amortisation	(117,378)	(109,643)
-	(60,175)	De-recognition of financial asset	-	(60,175)
(21,677)	(14,208)	Allowance for impairment	(21,677)	(14,208)
(11,735)	(9,661)	Increase in unearned revenue	(11,735)	(9,661)
(32,209)	4,044	(Increase) / decrease in provisions	(32,209)	4,044
66,735	34,630	Increase in prepayments and other assets	66,735	34,630
(23,486)	(41,597)	(Increase) in payables from operating activities	(23,486)	(41,597)
(1,837)	(997)	Net loss on sale of property, plant and equipment	(1,837)	(997)
7,094	198	Assets received / transferred or brought to account for the first time	7,094	198
174,044	**9,894**	**Net result**	**174,044**	**9,894**
		32. Non-cash activities		
7,094	198	Assets received / transferred by donation	7,094	198
7,094	**198**		**7,094**	**198**

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33. Changes in liabilities arising from financing activities

	2017	Cash Flow	Non cash changes other	2018
	$'000	$'000	$'000	$'000
Borrowings	**133**	**(51)**	**-**	**82**

34. Adjusted budget review - parent and consolidated

Net Result

The actual net result was higher than the adjusted budget by $85.5 million. This was attributable to some of the intangible asset budget being classed as capital expensing ($60.0 million), delays in projects offset by an increase in employee related expenses.

Assets and Liabilities

Net assets were higher than the adjusted budget by $91.1 million. This was attributable to some of the intangible asset budget ($60.0 million) being classed as capital expensing ($60.0 million), an increase in receivables, a reduction in trade payables and an increase in cash and term deposits due to the introduction of the capital asset reserve.

Cash Flows

The actual net cash flows from operating activities were higher than the adjusted budget by $34.8 million. This was attributable to increased revenue receipts offset by reduced payments for employee related expenses and suppliers of goods and services.

The actual net cash flows from investing activities were higher than budget by $172.9 million. This was mainly due to the reclassification of term deposits to 'other financial assets' where the term is greater than three months.

35. 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 risk faced by the Corporation, to set risk limits and controls and monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

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Financial assets	Note	Category	Carrying Amount 2018 $'000	Carrying Amount 2017 $'000
Cash and cash equivalents	14	Not applicable	151,467	223,840
Receivables*	15	Loans and receivables (at amortised cost)	222,713	148,386
Other financial assets	17	Loans and receivables (at amortised cost)	110,000	-
Financial liabilities				
Borrowings	24	Financial liabilities (at amortised cost)	82	133
Payables**	23	Financial liabilities (at amortised cost)	423,743	384,992

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

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

35. Financial instruments (continued)

(b) 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 impairment).

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.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system and short term deposits held with BankWest and National Australia Bank. Interest is earned on daily bank balances at rates of approximately 2.36% in 2017/18 compared to 2.44% in the previous year.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the *NSW Ministry of Health Accounting Manual for Public Health Organisations* and *Fee Procedures Manual* are followed to recover outstanding amounts, including Letters of Demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Corporation will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Corporation and controlled entities are not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. In addition, Patient Fees Compensables are often settled later than 6 months from the date of the service due to the time it takes to settle legal claims. Most of the Corporation's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired relate to 'Sales of Goods and Services', 'Intra Health Receivables' or 'Other Debtors' in the 'Receivables' category of the statement of financial position. Patient fees ineligibles represent the majority of financial assets that are past due or impaired.

35. Financial instruments (continued)

(b) Credit risk (continued)

Receivables - trade debtors (continued)

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As at 30 June, the ageing analysis of trade debtors is as follows:	2018 $'000	2017 $'000
Neither past due nor impaired	216,934	146,522
Past due but not impaired [1,2]		
<3 months overdue	4,937	1,530
3 months - 6 months overdue	593	113
> 6 months overdue	249	221
	5,779	1,864
Impaired [1,2]		
<3 months overdue	6,344	3,602
3 months - 6 months overdue	6,873	5,495
> 6 months overdue	15,944	233
	29,161	9,330
Total [1,2]	251,874	157,716

[1] Each column in the table reports "gross receivables".

[2] The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 '*Financial Instruments: Disclosures'* . Therefore, the "total" will not agree to the receivables total recognised in the statement of financial position.

(c) 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 to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The Corporation has negotiated no loans outside of arrangements with the Ministry or NSW Treasury. During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the Ministry in accordance with *NSW Treasury Circular 11/12 Payment of Accounts.* For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

35. Financial instruments (continued)

(c) Liquidity risk (continued)

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

PARENT AND CONSOLIDATED ENTITY	Weighted Average Effective Interest Rate	Nominal amount [1]	Interest rate exposure		Maturity dates	
			Fixed interest rate	Non-interest bearing	< 1 Year	1-5 Years
		$'000	$'000	$'000	$'000	$'000
2018						
Payables:						
- Creditors [2]		423,743	-	423,743	423,743	-
Borrowings:						
- Loans and deposits	4.48%	82	82	-	54	28
		423,825	**82**	**423,743**	**423,797**	**28**
2017						
Payables:						
- Creditors [2]		384,992	-	384,992	384,992	-
Borrowings:						
- Loans and deposits	4.48%	133	133	-	52	81
		385,125	**133**	**384,992**	**385,044**	**81**

Note:

[1] 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.

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

35. Financial instruments (continued)

(d) 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 is primarily through interest rate risk. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit 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 for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest bearing liabilities. However, the Corporation is not permitted to borrow external to the Ministry (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry loans are set at fixed rates and so generally not impacted by fluctuations in market rates. A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Corporation's exposure to interest rate risk is set out below.

	Carrying Amount $000	-1%		+1%	
		Net Result	Equity	Net Result	Equity
2018					
Financial assets					
Cash and cash equivalents	151,467	(1,515)	(1,515)	1,515	1,515
Receivables	222,713	-	-	-	-
Other financial assets	110,000	(1,100)	(1,100)	1,100	1,100
Financial liabilities					
Payables	423,743	-	-	-	-
Borrowings	82	1	1	(1)	(1)
2017					
Financial assets					
Cash and cash equivalents	223,840	(2,238)	(2,238)	2,238	2,238
Receivables	148,386	-	-	-	-
Financial liabilities					
Payables	384,992	-	-	-	-
Borrowings	133	1	1	(1)	(1)

36. Related party transactions

PARENT & CONSOLIDATED ENTITY

During the financial year, the Health Administration Corporation obtained key management personnel services from the immediate parent and incurred $2.1 million (2017: $2.0 million) for these services.

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

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry and are not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures.

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members during the year (2017: Nil).

Other related party transactions

There were no significant transactions with the ultimate parent during the financial year (2017: Nil).

37. Events after the reporting period

There are no matters arising subsequent to balance date requiring these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS