

Justice Health and Forensic Mental Health Network

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network (the Network), 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 Network and the consolidated entity. The consolidated entity comprises the Network 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 Network 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 Network 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(ab). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

Other information – Certification of the Financial Statements

Other information comprises the information included in the Network's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the Network is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Certification of the Financial Statements.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive 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 Chief Executive 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 Chief Executive is responsible for assessing the ability of the Network 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 Network or the consolidated entity carried out their activities effectively, efficiently and economically
- 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.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

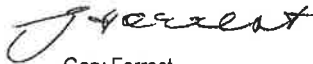
Renee Meimaroglou
Director, Financial Audit Services

7 September 2018
SYDNEY

Justice Health and Forensic Mental Health Network
Certification of the 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 Justice Health and Forensic Mental Health Network 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 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Justice Health and Forensic Mental Health Network; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Gary Forrest
Chief Executive
5 September 2018



Christopher Puplick
Chair
5 September 2018

Justice Health and Forensic Mental Health Network
Statement of Comprehensive Income for the Year ended 30 June 2018

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2018 \$000	2018 \$000	2017 \$000			2018 \$000	2018 \$000	2017 \$000		
			Expenses excluding losses						
			Operating Expenses						
			Employee Related Expenses	2	164,806	167,080	159,014		
159,383	161,603	155,129	Personnel Services	3	-----	-----	-----		
6,377	6,603	6,518	Visiting Medical Officers		6,377	6,603	6,518		
109,509	108,989	81,803	Other Expenses	4	109,509	108,989	81,803		
5,345	5,329	5,157	Depreciation and Amortisation	1(m), 5	5,345	5,329	5,157		
1,123	1,137	111	Grants and Subsidies	6	1,123	1,137	111		
4,550	4,550	4,610	Finance Costs	1(h), 7	4,550	4,550	4,610		
286,287	288,211	253,328	Total Expenses excluding losses		291,710	293,688	257,213		
			Revenue						
201,580	201,521	196,261	NSW Ministry of Health Recurrent Allocations	1(i)	201,580	201,521	196,261		
7,580	7,580	1,348	NSW Ministry of Health Capital Allocations	1(i)	7,580	7,580	1,348		
-----	-----	-----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 10	5,423	5,478	3,885		
72,216	73,806	53,901	Sale of Goods and Services	1(i), 8	72,216	73,806	53,901		
260	-----	503	Grants and Other Contributions	1(i), 9	260	-----	503		
1,704	1,358	2,255	Other Income	11	1,704	1,358	2,255		
283,340	284,265	254,268	Total Revenue		288,763	289,743	258,153		
(108)	-----	(65)	Gain / (Loss) on Disposal	12	(108)	-----	(65)		
(489)	-----	(343)	Other Gains / (Losses)	13	(489)	-----	(343)		
(3,544)	(3,946)	532	Net Result	27	(3,544)	(3,945)	532		
			Other Comprehensive Income						
			Items that will not be reclassified to net result						
			Changes in Revaluation Surplus of						
4,528	-----	-----	Property, Plant and Equipment	17	4,528	-----	-----		
4,528	-----	-----	Total Other Comprehensive Income		4,528	-----	-----		
984	(3,946)	532	TOTAL COMPREHENSIVE INCOME		984	(3,945)	532		

The accompanying notes form part of these financial statements.

**Justice Health and Forensic Mental Health Network
Statement of Financial Position as at 30 June 2018**

PARENT			CONSOLIDATION				
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							
811	(436)	841		811	(436)	841	
5,564	5,611	5,611	14	5,564	5,611	5,611	
3,510	877	877	15	3,510	877	877	
<u>9,885</u>	<u>6,052</u>	<u>7,329</u>	16	<u>9,885</u>	<u>6,052</u>	<u>7,329</u>	
9,885	6,052	7,329		9,885	6,052	7,329	
Total Current Assets							
Non-Current Assets							
Property, Plant & Equipment							
99,221	95,320	96,592		99,221	95,320	96,592	
6,234	6,335	6,766	17	6,234	6,335	6,766	
4,295	4,798	4,874	17	4,295	4,798	4,874	
<u>109,750</u>	<u>106,453</u>	<u>108,232</u>	17	<u>109,750</u>	<u>106,453</u>	<u>108,232</u>	
3,416	2,042	2,743	17	3,416	2,042	2,743	
<u>113,166</u>	<u>108,495</u>	<u>110,975</u>	18	<u>113,166</u>	<u>108,495</u>	<u>110,975</u>	
123,051	114,547	118,304		123,051	114,547	118,304	
Total Assets							
LIABILITIES							
Current Liabilities							
18,120	14,079	13,496		18,120	14,079	13,496	
1,982	1,982	1,792	20	1,982	1,982	1,792	
21,885	21,899	20,536	21	21,885	21,899	20,536	
-----	452	454	22	-----	452	454	
<u>41,987</u>	<u>38,412</u>	<u>36,278</u>	23	<u>41,987</u>	<u>38,412</u>	<u>36,278</u>	
41,987	38,412	36,278		41,987	38,412	36,278	
Total Current Liabilities							
Non-Current Liabilities							
71,592	71,592	73,574		71,592	71,592	73,574	
270	270	234	21	270	270	234	
<u>71,862</u>	<u>71,862</u>	<u>73,808</u>	22	<u>71,862</u>	<u>71,862</u>	<u>73,808</u>	
71,862	71,862	73,808		71,862	71,862	73,808	
Total Non-Current Liabilities							
Total Liabilities							
Net Assets							
<u>9,202</u>	<u>4,273</u>	<u>8,218</u>		<u>9,202</u>	<u>4,273</u>	<u>8,218</u>	
9,202	4,273	8,218		9,202	4,273	8,218	
EQUITY							
22,513	17,985	17,985		22,513	17,985	17,985	
(13,311)	(13,712)	(9,767)		(13,311)	(13,712)	(9,767)	
<u>9,202</u>	<u>4,273</u>	<u>8,218</u>		<u>9,202</u>	<u>4,273</u>	<u>8,218</u>	
9,202	4,273	8,218		9,202	4,273	8,218	

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the Year ended 30 June 2018

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2017		(9,767)	17,985	8,218
Total Equity at 1 July 2017		(9,767)	17,985	8,218
Net Result for the Year		(3,544)	----	(3,544)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	----	4,528	4,528
Total Other Comprehensive Income		----	4,528	4,528
Total Comprehensive Income for the Year		(3,544)	4,528	984
Balance at 30 June 2018		(13,311)	22,513	9,202
Balance at 1 July 2016		(10,299)	17,985	7,686
Total Equity at 1 July 2016		(10,299)	17,985	7,686
Net Result for the year		532	----	532
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the year		532	----	532
Balance at 30 June 2017		(9,767)	17,985	8,218

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Cash Flows for the Year ended 30 June 2018

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018 \$000	2018 \$000	2017 \$000		2018 \$000	2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(128,588)	(128,872)	(100,934)	Employee Related	(159,709)	(162,890)	(156,571)
(1,257)	(1,270)	(125)	Suppliers for Goods and Services	(128,588)	(128,872)	(100,934)
(4,550)	(4,550)	(4,610)	Grants and Subsidies	(1,257)	(1,270)	(125)
(159,709)	(162,890)	(156,571)	Finance Costs	(4,550)	(4,550)	(4,610)
			Other	-----	-----	-----
<u>(294,104)</u>	<u>(297,582)</u>	<u>(262,240)</u>	Total Payments	<u>(294,104)</u>	<u>(297,582)</u>	<u>(262,240)</u>
Receipts						
201,580	201,521	196,261	NSW Ministry of Health Recurrent Allocations	201,580	201,521	196,261
7,580	7,580	1,348	NSW Ministry of Health Capital Allocations	7,580	7,580	1,348
3,161	3,161	2,196	Reimbursements from the Crown Entity	3,161	3,161	2,196
73,728	74,566	52,214	Sale of Goods and Services	73,728	74,566	52,214
303	44	654	Grants and Other Contributions	303	44	654
12,629	14,076	15,840	Other	12,629	14,076	15,840
<u>298,981</u>	<u>300,948</u>	<u>268,513</u>	Total Receipts	<u>298,981</u>	<u>300,948</u>	<u>268,513</u>
<u>4,877</u>	<u>3,366</u>	<u>6,273</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>4,877</u>	<u>3,366</u>	<u>6,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
158	-----	631	Proceeds from Sale of Property, Plant & Equipment and Intangibles	158	-----	631
(3,273)	(2,851)	(5,126)	Purchases of Property, Plant & Equipment and Intangibles	(3,273)	(2,851)	(5,126)
<u>(3,115)</u>	<u>(2,851)</u>	<u>(4,495)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(3,115)</u>	<u>(2,851)</u>	<u>(4,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
163	163	149	Proceeds from Borrowings and Advances	163	163	149
(1,955)	(1,955)	(1,769)	Repayment of Borrowings and Advances	(1,955)	(1,955)	(1,769)
<u>(1,792)</u>	<u>(1,792)</u>	<u>(1,620)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(1,792)</u>	<u>(1,792)</u>	<u>(1,620)</u>
(30)	(1,277)	158	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(30)	(1,277)	158
841	841	683	Opening Cash and Cash Equivalents	841	841	683
<u>811</u>	<u>(436)</u>	<u>841</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>811</u>	<u>(436)</u>	<u>841</u>

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

a) The Reporting Entity

The Justice Health and Forensic Mental Health Network (the Network) was established under the provisions of the Health Services Act 1997 with effect from 30 March 2012.

The Network is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

The Network, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It should be noted the Parklea Community Health Centre will not be operated by the Network after 1 April 2019, following recent market testing undertaken by the Corrective Services NSW.
- * The Justice Health and Forensic Mental Health Network Special Purpose Service Entity, which was established as a Division of the Network on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

It should be noted that the Network's financial statements do not include the cost of external or community based patient care services provided by Local Health District's (LHD) due to the application of the Ministry of Health policy PD2016_024 Health Services Act 1997 – Scale of Fees for Hospital and Other Services. The cost of these services remain in the LHD and are not charged to the Network. The Network also has established Memoranda of Understanding with various Local Health Districts to enable the operation of the Forensic Mental Health Network and improve patient flow.

These consolidated financial statements for the Year ended 30 June 2018 have been authorised for issue by the Chief Executive on 7 September 2018.

b) Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ab).

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

The Secretary of NSW Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Performance Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Other circumstances why the going concern assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The Network has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

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.

c) 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.

d) Statement of Compliance

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

e) 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 period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, 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 can be used to approximate the present value of the annual leave liability. On-costs of 18.2% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the 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 Network'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 a controlled entity of the ultimate parent.

The Network 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 borne by the Network as shown in Note 22.

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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

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 Network 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.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

f) Insurance

Network's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Grants and Subsidies

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

h) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with NSW Treasury's Mandate to not-for-profit NSW general government sector entities.

i) 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 Network transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue 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 Network 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 NSW 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.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the Network 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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

j) Accounting for the Goods & Services Tax (GST)

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

- * amount of GST incurred by the Network 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.

k) 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.

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 are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

l) Capitalisation Thresholds

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

m) 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 Network. 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%
Plant and Equipment	
- Computer Equipment	20%
- Electro Medical Equipment	
* Costing less than \$200,000	10%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20%
- Office Equipment	10%
- Plant and Machinery	10%
- Leased Buildings	10%

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

n) 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, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 17 and Note 19 for further information regarding fair value.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

o) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 Impairment of Assets modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

p) Intangible Assets

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network 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 Network's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by Network are recognised as intangible assets and are amortised over five years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent.

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.

q) Maintenance

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

r) 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

s) 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 NSW Ministry of Health.

t) 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.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

u) 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 entity will not be able to collect all amounts due.

For certain categories of financial assets, such as trade receivables, the entity 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.

v) 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 Network transfers the financial asset:

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

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

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

w) Payables

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Network.

x) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with AASB 117 Leases.

y) Fair Value Hierarchy

A number of the Network'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 Network 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 the measurement date.
- * Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- * Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer to Note 19 and Note 32 for further disclosures regarding fair value measurements of non-financial and financial assets.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

z) 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 Network's policy on the revaluation of property, plant and equipment as discussed in Note 1(n).

aa) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 25.

As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, these funds are not recognised in the financial statements.

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 31.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

1. Statement of Significant Accounting Policies

ac) 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 Statement of Cash Flows 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 Note 28 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 Network have not been applied and are not yet effective. The possible impact of these Accounting 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 Financial Instruments 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 Financial Instruments 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 Leases 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 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

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 Revenue from Contracts with Customers 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 Income of Not-for-Profit Entities 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.

1. Statement of Significant Accounting Policies

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 Financial Instruments or, the "grant of right" model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed 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 NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our 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 Network's Financial Report

While the consolidated entity 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 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 principal portion of all lease liabilities will be classified as financing activities.

Revenue and Income of Not-for-Profit Entities

- * The deferral of some revenues of The Network.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

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

- * Material impacts on the Network as a result of AASB1059 are not expected.

Application Date

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	144,517	141,154
----	----	Superannuation - Defined Benefit Plans	727	868
----	----	Superannuation - Defined Contribution Plans	12,586	12,135
----	----	Long Service Leave	5,148	3,094
----	----	Redundancies	171	----
----	----	Workers' Compensation Insurance	1,642	1,746
----	----	Fringe Benefits Tax	15	17
-----	-----		-----	-----
159,383	155,129		164,806	159,014
		3. Personnel Services		
144,517	141,154	Salaries and Wages	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
12,586	12,135	Superannuation - Defined Contribution Plans	----	----
452	77	Long Service Leave	----	----
171	----	Redundancies	----	----
1,642	1,746	Workers' Compensation Insurance	----	----
15	17	Fringe Benefits Tax	----	----
-----	-----		-----	-----
159,383	155,129		159,383	155,129

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
4. Other Expenses				
38	170	Advertising	38	170
106	104	Auditor's Remuneration - Audit of Financial Statements	106	104
516	----	Blood and Blood Products	516	----
285	177	Consultancies	285	177
132	171	Contractors	132	171
522	465	Domestic Supplies and Services	522	465
73,967	57,053	Drug Supplies	73,967	57,053
704	557	Food Supplies	704	557
35	56	Fuel, Light and Power	35	56
58	56	Patient Transport Costs	58	56
3,834	3,087	Information Management Expenses	3,834	3,087
42	70	Insurance	42	70
9,104	1,936	Maintenance (See 4(b) below)	9,104	1,936
564	675	Medical and Surgical Supplies	564	675
287	307	Motor Vehicle Expenses	287	307
482	338	Postal and Telephone Costs	482	338
900	903	Printing and Stationery	900	903
56	72	Rates and Charges	56	72
933	1,098	Rental	933	1,098
958	884	Specialised Services (Dental, Radiology, Pathology, Allied Health)	958	884
2,579	1,782	Staff Related Costs	2,579	1,782
1,358	1,339	Travel Related Costs	1,358	1,339
12,049	10,503	Other (See 4(a) below)	12,049	10,503
109,509	81,803		109,509	81,803

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		4. Other Expenses		
		a) Other Includes:		
691	701	Corporate Support Services	691	701
407	333	Courier and Freight	407	333
406	200	Legal Services	406	200
7	27	Membership/Professional Fees	7	27
9,441	8,131	Public Private Partnership Contracted Services	9,441	8,131
59	61	Quality Assurance/Accreditation	59	61
77	18	Security Services	77	18
961	1,032	Other Miscellaneous	961	1,032
12,049	10,503		12,049	10,503
		b) Reconciliation of Total Maintenance		
757	687	Maintenance Contracts	757	687
8,276	1,222	New/Replacement Equipment under \$10,000	8,276	1,222
71	27	Repairs Maintenance/Non Contract	71	27
9,104	1,936		9,104	1,936

'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

'Hospital Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Specialised Services' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
2,614	2,560	Depreciation - Buildings	2,614	2,560
715	685	Depreciation - Plant and Equipment	715	685
718	704	Amortisation - Leasehold Improvements	718	704
1,298	1,208	Amortisation - Intangible Assets	1,298	1,208
<u>5,345</u>	<u>5,157</u>		<u>5,345</u>	<u>5,157</u>
6. Grants and Subsidies				
1,058	-----	Grants paid to entities controlled by the ultimate parent	1,058	-----
65	79	Grants paid to entities controlled by the immediate parent	65	79
-----	32	Other Grants	-----	32
<u>1,123</u>	<u>111</u>		<u>1,123</u>	<u>111</u>
7. Finance Costs				
4,550	4,610	Public Private Partnership Lease Interest Charges	4,550	4,610
<u>4,550</u>	<u>4,610</u>		<u>4,550</u>	<u>4,610</u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
8. Sale of Goods and Services				
		Patient Fees		
2,394	2,309	- Nursing Home Fees	2,394	2,309
124	75	Cafeteria/Kiosk	124	75
----	1	Car Parking	----	1
70	74	Information Retrieval	70	74
68,262	51,170	Highly Specialised Drugs	68,262	51,170
52	49	Private Use of Motor Vehicles	52	49
----	134	Shared Corporate Services	----	134
1,314	89	Other	1,314	89
<hr/>			<hr/>	
72,216	53,901		72,216	53,901
<hr/>			<hr/>	

The majority of 'Shared Corporate Services' revenue was earned from entities controlled by the immediate parent. The majority of 'Other' was earned from entities controlled by the ultimate parent.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
9. Grants and Other Contributions				
----	86	Cancer Institute Grants	----	86
47	18	Grants & Contributions received from entities controlled by the ultimate parent	47	18
175	241	Grants & Contributions received from entities controlled by the immediate parent	175	241
38	158	Other Grants	38	158
<u>260</u>	<u>503</u>		<u>260</u>	<u>503</u>

The Cancer Institute is an entity controlled by the immediate parent.

The majority of grants that were received from entities controlled by the immediate parent were received from Health Education and Training Institute.

10. Acceptance by the Crown Entity of Employee Benefits

The following liabilities and expenses have been assumed by the Crown Entity:

----	----	Superannuation-defined benefit	727	868
----	----	Long Service Leave	4,696	3,017
<u>----</u>	<u>----</u>		<u>5,423</u>	<u>3,885</u>

11. Other Income

Other Income comprises the following:-

2	1	Commissions	2	1
756	554	Conference and Training Fees	756	554
2	----	Insurance Refunds	2	----
----	2	Sponsorship	----	2
712	1,072	Treasury Managed Fund Hindsight Adjustment	712	1,072
232	626	Other	232	626
<u>1,704</u>	<u>2,255</u>		<u>1,704</u>	<u>2,255</u>

Majority of 'Conference and Training Fees' were received from entities controlled by the ultimate parent.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
12. Gain / (Loss) on Disposal				
672	1,177	Property, Plant and Equipment	672	1,177
(406)	(481)	Accumulated Depreciation	(406)	(481)
266	696	Written Down Value	266	696
158	631	Proceeds from Disposal	158	631
(108)	(65)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(108)	(65)
(108)	(65)	Total Gain/(Loss) on Disposal	(108)	(65)
13. Other Gains / (Losses)				
(489)	(343)	Impairment of Receivables	(489)	(343)
(489)	(343)		(489)	(343)

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
14. Cash and Cash Equivalents				
811	841	Cash at Bank and On Hand	811	841
<u>811</u>	<u>841</u>		<u>811</u>	<u>841</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash & 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:</p>				
811	841	Cash and Cash Equivalents (per Statement of Financial Position)	811	841
<u>811</u>	<u>841</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>811</u>	<u>841</u>

Refer to Note 32 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
15. Receivables				
Current				
2,365	1,444	Sale of Goods and Services	2,365	1,444
350	1,529	Intra Health Receivables	350	1,529
1,484	1,612	Goods and Services Tax	1,484	1,612
<u>1,890</u>	<u>1,343</u>	Other Debtors	<u>1,890</u>	<u>1,343</u>
6,089	5,928	Sub Total	6,089	5,928
<u>(1,140)</u>	<u>(848)</u>	Less Allowance for Impairment	<u>(1,140)</u>	<u>(848)</u>
4,949	5,080	Sub Total	4,949	5,080
615	531	Prepayments	615	531
<u>5,564</u>	<u>5,611</u>		<u>5,564</u>	<u>5,611</u>
<p>Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from the NSW Ministry of Health.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(848)	(648)	Balance at Commencement of Reporting Period	(848)	(648)
197	143	Amounts written off during the year	197	143
(489)	(343)	(Increase)/decrease in Allowance Recognised in the Net Result	(489)	(343)
<u>(1,140)</u>	<u>(848)</u>	Balance at 30 June 2018	<u>(1,140)</u>	<u>(848)</u>
b) The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
1,387	1,071	Patient Fees - Inpatient & Other	1,387	1,071
<u>1,387</u>	<u>1,071</u>		<u>1,387</u>	<u>1,071</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 32.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		16. Inventories		
		Drugs		
<u>3,510</u>	<u>877</u>		<u>3,510</u>	<u>877</u>
<u>3,510</u>	<u>877</u>		<u>3,510</u>	<u>877</u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
17. Property, Plant and Equipment				
Land and Buildings - Fair Value				
123,772	118,274	Gross Carrying Amount	123,772	118,274
24,551	21,682	Less: Accumulated Depreciation and Impairment	24,551	21,682
<u>99,221</u>	<u>96,592</u>	Net Carrying Amount	<u>99,221</u>	<u>96,592</u>
Plant and Equipment - Fair Value*				
10,176	10,303	Gross Carrying Amount	10,176	10,303
3,942	3,537	Less: Accumulated Depreciation and Impairment	3,942	3,537
<u>6,234</u>	<u>6,766</u>	Net Carrying Amount	<u>6,234</u>	<u>6,766</u>
Leasehold Improvements - Fair Value*				
8,517	8,475	Gross Carrying Amount	8,517	8,475
4,222	3,601	Less: Accumulated Depreciation and Impairment	4,222	3,601
<u>4,295</u>	<u>4,874</u>	Net Carrying Amount	<u>4,295</u>	<u>4,874</u>
<u>109,750</u>	<u>108,232</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>109,750</u>	<u>108,232</u>

* 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.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

17. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land and Buildings \$000	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2018				
Net carrying amount at start of Year	96,592	6,766	4,874	108,232
Additions	656	1,842	202	2,700
Reclassifications to Intangibles	----	(1,397)	----	(1,397)
Disposals	----	(203)	(63)	(266)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	4,528	----	----	4,528
Depreciation Expense	(2,614)	(715)	(718)	(4,047)
Reclassifications	59	(59)	----	----
Net carrying amount at end of Year	99,221	6,234	4,295	109,750

	Land and Buildings \$000	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2017				
Net carrying amount at start of year	98,265	5,387	4,268	107,920
Additions	887	2,897	1,310	5,094
Reclassifications to Intangibles	----	(137)	----	(137)
Disposals	----	(696)	----	(696)
Depreciation Expense	(2,560)	(685)	(704)	(3,949)
Net carrying amount at end of Year	96,592	6,766	4,874	108,232

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 19.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 1(k).
- (ii) Indices provided by CBRE were not applied as they were deemed immaterial.

The following table details the indices applied to Land, Buildings and Infrastructure Systems as determined by CBRE :

	Land	Buildings
Year		
2017/18	1.75%	1.6%

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
18. Intangible Assets				
Intangibles				
8,151	6,180	Cost (Gross Carrying Amount)	8,151	6,180
4,735	3,437	Less Accumulated Amortisation and Impairment	4,735	3,437
<u>3,416</u>	<u>2,743</u>	Net Carrying Amount	<u>3,416</u>	<u>2,743</u>
<u>3,416</u>	<u>2,743</u>	Total Intangible Assets at Net Carrying Amount	<u>3,416</u>	<u>2,743</u>

PARENT & CONSOLIDATION

18. Intangible Assets - Reconciliation

	Total \$000
2018	
Net carrying amount at start of Year	2,742
Additions (From Internal Development or Acquired Separately)	575
Reclassifications from Plant & Equipment	1,397
Amortisation (Recognised in Depreciation and Amortisation)	(1,298)
Net carrying amount at end of Year	3,416

	Total \$000
2017	
Net carrying amount at start of year	3,780
Additions (From Internal Development or Acquired Separately)	34
Reclassifications from Plant & Equipment	137
Amortisation (Recognised in Depreciation and Amortisation)	(1,208)
Net carrying amount at end of Year	2,743

Justice Health and Forensic Mental Health Network
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for the Year ended 30 June 2018

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19. 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	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	----	----	99,221	99,221
	-----	-----	-----	-----
	-----	-----	99,221	99,221

There were no transfers between level 1 and 2 during the period ended 30 June 2018.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 17)				
- Land and Buildings	----	----	96,592	96,592
	-----	-----	-----	-----
	-----	-----	96,592	96,592

There were no transfers between level 1 and 2 during the period ended 30 June 2017.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE for the FY2017/18 financial year. CBRE is an independent entity and is not an associated entity of the Network.

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 17 reconciliation.

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

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

For buildings, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs.

Justice Health and Forensic Mental Health Network
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19. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	96,592	96,592
Additions	715	715
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	4,528	4,528
Depreciation	(2,614)	(2,614)
Fair value as at 30 June 2018	<u><u>99,221</u></u>	<u><u>99,221</u></u>

There were no transfers between Level 1 or 2 during the periods.

2017	Land and Buildings \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	98,265	98,265
Additions	887	887
Depreciation	(2,560)	(2,560)
Fair value as at 30 June 2017	<u><u>96,592</u></u>	<u><u>96,592</u></u>

There were no transfers between Level 1 or 2 during the periods.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		20. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	2,210	1,743
----	----	Taxation and Payroll Deductions	1,206	239
3,416	1,982	Accrued Liability - Purchase of Personnel Services	----	----
8,811	4,591	Creditors	8,811	4,591
		Other Creditors		
381	620	- Payables to entities controlled by the immediate parent	381	620
5,512	6,303	- Other	5,512	6,303
<u>18,120</u>	<u>13,496</u>		<u>18,120</u>	<u>13,496</u>

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 32.

21. Borrowings

		Current		
1,982	1,792	Public Private Partnership	1,982	1,792
<u>1,982</u>	<u>1,792</u>		<u>1,982</u>	<u>1,792</u>
		Non-Current		
71,592	73,574	Public Private Partnership	71,592	73,574
<u>71,592</u>	<u>73,574</u>		<u>71,592</u>	<u>73,574</u>

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

Final Repayment of loan is scheduled for 30 June 2034.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 32.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
21. Borrowings				
a) Finance Leases				
Minimum lease payments in relation to finance leases are payable as follows:				
9,794	9,794	Within one year	9,794	9,794
39,177	39,177	Later than one year and not later than five years	39,177	39,177
106,154	115,948	Later than five years	106,154	115,948
<u>155,125</u>	<u>164,919</u>	Minimum Lease Payments	<u>155,125</u>	<u>164,919</u>
81,551	89,553	Less: Future Finance Charges	81,551	89,553
<u>73,574</u>	<u>75,366</u>	Present Value of Minimum Lease Payments	<u>73,574</u>	<u>75,366</u>
The present value of finance lease payments is as follows:				
1,982	1,792	Within one year	1,982	1,792
10,269	9,284	Later than one year and not later than five years	10,269	9,284
61,323	64,290	Later than five years	61,323	64,290
<u>73,574</u>	<u>75,366</u>	Present Value of Minimum Lease Payments Classified as:	<u>73,574</u>	<u>75,366</u>
1,982	1,792	Current (Note 21)	1,982	1,792
71,592	73,574	Non-Current (Note 21)	71,592	73,574
<u>73,574</u>	<u>75,366</u>		<u>73,574</u>	<u>75,366</u>

The finance lease commitments above are for the Forensic Hospital and support buildings at the Long Bay complex, Malabar.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		22. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	15,188	14,267
----	----	Annual Leave - Long Term Benefit	3,026	3,281
----	----	Long Service Leave Consequential On-Costs	3,109	2,693
----	----	Provision for Other Employee Benefits	562	295
21,885	20,536	Provision for Personnel Services Liability	----	----
<u>21,885</u>	<u>20,536</u>		<u>21,885</u>	<u>20,536</u>
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	270	234
270	234	Provision for Personnel Services Liability	----	----
<u>270</u>	<u>234</u>		<u>270</u>	<u>234</u>
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	21,885	20,536
----	----	Provisions - Non-Current	270	234
----	----	Accrued Salaries, Wages and On-Costs (Note 20)	3,416	1,982
25,571	22,752	Liability - Purchase of Personnel Services	----	----
<u>25,571</u>	<u>22,752</u>		<u>25,571</u>	<u>22,752</u>
		23. Other Liabilities		
		Current		
----	454	Income in Advance	----	454
----	<u>454</u>		----	<u>454</u>

Most of income in advance balance is made up of amounts received in advance from eHealth, which is an entity controlled by the immediate parent.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
24. Commitments for Expenditure				
a) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
954	789	Within one year	954	789
<u>2,205</u>	<u>2,475</u>	Later than one year and not later than five years	<u>2,205</u>	<u>2,475</u>
<u><u>3,159</u></u>	<u><u>3,264</u></u>	Total Operating Lease Commitments (Including GST)	<u><u>3,159</u></u>	<u><u>3,264</u></u>

The operating lease commitments above are leased properties.

b) **Contingent Asset Related to Commitments for Expenditure**

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$3.2 million as at 30 June 2018 includes input tax credits of \$0.3 million that are expected to be recoverable from the Australian Taxation Office (2017 \$0.3 million).

Justice Health and Forensic Mental Health Network
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25. Trust Funds

The Network holds trust funds of \$890 thousand which are held for the safe keeping of patients' monies.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial Year	825	722	43	54	868	776
Revenue	1,708	1,757	17	16	1,725	1,773
Expenses	(1,703)	(1,654)	-----	(27)	(1,703)	(1,681)
Balance at the end of the financial Year	830	825	60	43	890	868

Trust Fund 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.

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposit	A sum of money held in trust as a security deposit, or staff trust fund.

Justice Health and Forensic Mental Health Network
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for the Year ended 30 June 2018

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26. Contingent Liabilities and Assets

The liability to pay PPP Solutions for the development of the Forensic Hospital and supporting buildings at the Long Bay Complex, Malabar is based on a financing arrangement involving non-indexable availability charges and interest rate adjustments. Other service fees are to be indexed in accordance with inflation and wages escalation. The estimated value of the contingent liability associated with indexation and interest rate adjustment is unable to be fully determined because of uncertain future events. Any fluctuation between fixed interest payable & variable interest rebate is recognised in the statement of comprehensive income at reporting date.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
27. Reconciliation of Cash Flows from Operating Activities to Net Result				
4,877	6,273	Net Cash Flows from Operating Activities	4,877	6,273
(5,345)	(5,157)	Depreciation and Amortisation	(5,345)	(5,157)
(489)	(343)	Impairment of Receivables	(489)	(343)
452	(430)	(Increase)/ Decrease Income in Advance	452	(430)
(1,386)	(1,668)	(Increase)/ Decrease in Provisions	(1,386)	(1,668)
3,032	(422)	Increase / (Decrease) in Prepayments and Other Assets	3,032	(422)
(4,577)	2,344	(Increase)/ Decrease in Payables from Operating Activities	(4,577)	2,344
(108)	(65)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(108)	(65)
<u>(3,544)</u>	<u>532</u>	Net Result	<u>(3,544)</u>	<u>532</u>

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28. Changes in Liabilities arising from Financing Activities

	2017	Cash Flow	Non-cash Changes Other	2018
	\$000	\$000	\$000	\$000
Borrowings and Advances	75,366	(1,792)	-----	73,574

29. Unclaimed Monies

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

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

Justice Health and Forensic Mental Health Network
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PARENT AND CONSOLIDATION

30. Adjusted Budget Review - Parent and Consolidated

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2017 are as follows:

	\$000
Initial Allocation, 1 July 2017	199,881
Subsequent supplementations - Special Projects	781
Subsequent supplementations - General Funding	918
Balance as per Statement of Comprehensive Income	<u>201,580</u>

Net Result

Actual Net Result was favourable to budget by \$0.4 million, due to delayed opening of new Correctional Centre; partially offset by one-off expenditure to improve staff safety in the Forensic Hospital, and updating of our clinical equipment.

Assets and Liabilities

Actual Net Assets for the year were higher than budget by \$4.9 million largely due to favourability in the Net Result, and increased in Land and Building value by \$4.5 million following a revaluation. The \$34 million reduction in 2015/16 Recurrent Allocations as a result of new cash management arrangements for unrestricted cash assets as required by the NSW Treasury Circular TC15-01 Cash Management - Expanding the Scope of the Treasury Banking System implemented from 1 July 2015, is the main reason for negative Accumulated Funds of \$13 million.

Cash Flows

Actual net cash flows from the operating activities were favourable to budget by \$1.5 million mainly due to lower Employee Related expenses for the year, as the result of delayed in opening of new Correctional Centres.

Justice Health and Forensic Mental Health Network
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31. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATED

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 14)	N/A	811	841
Receivables (note 15)*	Loans and receivables (at amortised cost)	3,465	3,468
		4,276	4,309
Financial Liabilities			
Borrowings (note 21)	Financial liabilities measured at amortised cost	73,574	75,366
Payables (note 20)**	Financial liabilities measured at amortised cost	18,120	13,496
		91,694	88,862

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures).

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the Year ended 30 June 2018

31. Financial Instruments

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(a) Financial Instrument Categories

PARENT AND CONSOLIDATED

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018 \$000	2017 \$000
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Receivables (note 15)*	Loans and receivables (at amortised cost)	3,465	3,468
		4,276	4,309
Financial Liabilities			
Borrowings (note 21)	Financial liabilities measured at amortised cost	73,574	75,366
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		91,694	88,862

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures).

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

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31. Financial Instruments

(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 Network. 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 Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.35% in 2017/18 compared to 2.35% 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 Network 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 Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due are not considered impaired.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' 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.

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	2018	2017
	\$000	\$000
Neither past due nor impaired	2,886	3,303
Past due but not impaired ^{1,4}		
< 3 months overdue	382	106
3 - 6 months overdue	93	5
> 6 months overdue	104	54
Impaired ^{1,2}		
< 3 months overdue	43	64
3 - 6 months overdue	161	91
> 6 months overdue	936	693
Total^{1,2}	4,605	4,316

Notes

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 reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

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

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 NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. 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.

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31. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018							
Payables:							
- Creditors ²	16,914	----	----	16,914	16,914	----	----
Borrowings:							
- Public Private Partnership	155,125	----	155,125	----	9,794	39,177	106,154
	<u>172,039</u>	<u>----</u>	<u>155,125</u>	<u>16,914</u>	<u>26,708</u>	<u>39,177</u>	<u>106,154</u>
2017							
Payables:							
- Creditors ²	13,257	----	----	13,257	13,257	----	----
Borrowings:							
- Public Private Partnership	164,919	----	164,919	----	9,794	39,177	115,948
	<u>178,176</u>	<u>----</u>	<u>164,919</u>	<u>13,257</u>	<u>23,051</u>	<u>39,177</u>	<u>115,948</u>

Notes:

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

2 **Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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31. Financial Instruments

(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 Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the unit price of the TCorpIM Funds investment facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network 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 Network's interest bearing liabilities.

However, the Network is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect net result or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2018					
Financial Assets					
Cash and Cash Equivalents	811	(8)	(8)	8	8
Receivables	3,465	----	----	----	----
Financial Liabilities					
Payables*	16,914	----	----	----	----
Borrowings	73,574	736	736	(736)	(736)
2017					
Financial Assets					
Cash and Cash Equivalents	841	(8)	(8)	8	8
Receivables	3,468	----	----	----	----
Financial Liabilities					
Payables*	13,257	----	----	----	----
Borrowings	75,366	754	754	(754)	(754)

*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

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32. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	456	447
Post-employment benefits	43	42
Other long-term benefits	8	9
	507	498

During the financial year, Justice Health and Forensic Mental Health Network obtained key management personnel services from the immediate parent and incurred \$346,000 (2017: \$305,000) for these services.

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

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

There were no transactions with key management personnel and their close family members (2017: \$Nil).

Transactions with ultimate parent

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

33. Events After the Reporting Period

There has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS

