SECTION 5

# FINANCIAL REPORT

# INDEPENDENT AUDITOR'S REPORT

**Ministry of Health**

To Members of the New South Wales Parliament

## Opinion

I have audited the accompanying financial statements of Ministry of Health (the Ministry), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statements of Financial Position as at 30 June 2019, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Ministry and the consolidated entity. The consolidated entity comprises the Ministry and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Ministry and the consolidated entity as at 30 June 2019, 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 Ministry and the consolidated entity in accordance with the requirements of the:

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

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## Other Information

The Ministry's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Ministry 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 by the Secretary of NSW Health.

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.

## Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Ministry and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting 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 Ministry or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on an website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford
Auditor-General for NSW

13 September 2019
SYDNEY

# Ministry of Health

## Certification of the Financial Statements

for the year ended 30 June 2019

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

1. The financial statements of the Ministry of Health for the year ended 30 June 2019 have been prepared in accordance with:

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

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

   c. NSW Treasurer's Directions issued under the Act.

2. The financial statements exhibit a true and fair view of the financial position for the Ministry of Health as at 30 June 2019 and the financial performance for the year then ended.

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

Susan Pearce
**Acting Secretary, NSW Health**

9 September 2019

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

9 September 2019

## Ministry of Health

### Statement of Comprehensive Income for the year ended 30 June 2019

| | Notes | Consolidated Actual 2019 $'000 | Consolidated Budget 2019 $'000 | Consolidated Actual 2018 $'000 | Parent Actual 2019 $'000 | Parent Actual 2018 $'000 |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| **Expenses excluding losses** | | | | | | |
| Employee related expenses | 2 | 14,407,818 | 13,849,658 | 13,397,173 | 163,595 | 144,409 |
| Operating expenses | 3 | 6,715,865 | 6,795,813 | 6,352,228 | 885,629 | 840,403 |
| Depreciation and amortisation | 4 | 866,928 | 845,730 | 787,086 | 5,113 | 4,780 |
| Grants and subsidies | 5 | 1,421,119 | 1,337,063 | 1,336,392 | 19,549,291 | 17,857,597 |
| Finance costs | 6 | 108,107 | 103,865 | 107,433 | 580 | 19 |
| **Total expenses excluding losses** | | **23,519,837** | **22,932,129** | **21,980,312** | **20,604,208** | **18,847,208** |
| **Revenue** | | | | | | |
| Appropriations | 7 | 13,272,795 | 13,514,974 | 12,151,989 | 13,272,795 | 12,151,989 |
| Acceptance by the Crown Entity of employee benefits and other liabilities | 11 | 919,276 | 474,579 | 546,253 | 10,494 | 5,080 |
| Sale of goods and services | 8 | 2,782,485 | 2,836,127 | 2,781,210 | 221,193 | 192,020 |
| Investment revenue | 9 | 36,646 | 29,448 | 34,721 | 3,427 | 4,208 |
| Grants and other contributions | 10 | 7,438,249 | 7,145,163 | 6,732,286 | 6,962,788 | 6,261,745 |
| Other income | 12 | 220,228 | 166,755 | 171,384 | 9,339 | 44,051 |
| **Total revenue** | | **24,669,679** | **24,167,046** | **22,417,843** | **20,480,036** | **18,659,093** |
| **Operating result** | | **1,149,842** | **1,234,917** | **437,531** | **(124,172)** | **(188,115)** |
| Gains / (losses) on disposal | 13 | (35,819) | (1,800) | (11,917) | (31) | (6) |
| Impairment losses on financial assets | 17 | (37,805) | - | - | - | - |
| Other gains / (losses) | 14 | - | (10,283) | (47,913) | - | - |
| **Net result from continuing operations** | 35 | **1,076,218** | **1,222,834** | **377,701** | **(124,203)** | **(188,121)** |
| Net result from discontinued operations | | **-** | **-** | **-** | **-** | **-** |
| **Net result** | | **1,076,218** | **1,222,834** | **377,701** | **(124,203)** | **(188,121)** |
| **Other comprehensive income** | | | | | | |
| *Items that will not be reclassified to net result in subsequent periods* | | | | | | |
| Changes in revaluation surplus of property, plant and equipment | 21 | 1,841,750 | - | 856,040 | 12,680 | - |
| Changes in revaluation surplus of other assets | 23 | (1,544) | - | 157 | - | - |
| **Total other comprehensive income** | | **1,840,206** | **-** | **856,197** | **12,680** | **-** |
| **TOTAL COMPREHENSIVE INCOME** | | **2,916,424** | **1,222,834** | **1,233,898** | **(111,523)** | **(188,121)** |

The accompanying notes form part of these financial statements.

## Ministry of Health

### Statement of Financial Position as at 30 June 2019

| | Notes | Consolidated Actual 2019 $'000 | Consolidated Budget 2019 $'000 | Consolidated Actual 2018 $'000 | Parent Actual 2019 $'000 | Parent Actual 2018 $'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 16 | 1,316,849 | 1,437,566 | 1,313,267 | 334,204 | 368,065 |
| Receivables | 17 | 888,069 | 716,584 | 803,005 | 360,591 | 237,008 |
| Inventories | 18 | 177,646 | 180,717 | 206,191 | 32,873 | 59,868 |
| Financial assets at fair value | 19 | 121,328 | 24,207 | 44,448 | - | - |
| Other financial assets | 20 | 255,336 | - | 314,786 | 5,000 | 5,000 |
| | | 2,759,228 | 2,359,074 | 2,681,697 | 732,668 | 669,941 |
| Non-current assets held for sale | 24 | 55,578 | 5,224 | 40,943 | - | - |
| **Total current assets** | | **2,814,806** | **2,364,298** | **2,722,640** | **732,668** | **669,941** |
| **Non-current assets** | | | | | | |
| Receivables | 17 | 22,808 | 8,569 | 11,851 | - | - |
| Financial assets at fair value | 19 | 32,088 | 42,591 | 37,044 | - | - |
| Other financial assets | 20 | - | - | - | 14,651 | 17,972 |
| Property, plant and equipment | | | | | | |
| - Land and buildings | 21 | 18,086,340 | 16,756,087 | 14,918,855 | 132,577 | 123,731 |
| - Plant and equipment | 21 | 1,232,185 | 1,326,156 | 1,205,494 | 2,077 | 2,744 |
| - Infrastructure systems | 21 | 463,797 | 457,844 | 463,618 | 1,067 | 680 |
| - Leasehold improvements | 21 | 41,578 | - | 41,510 | - | 853 |
| Total property, plant and equipment | | 19,823,900 | 18,540,087 | 16,629,477 | 135,721 | 128,008 |
| Intangible assets | 22 | 704,238 | 677,490 | 675,142 | 877 | 825 |
| Other non-current assets | 23 | 67,302 | 69,265 | 62,203 | - | - |
| **Total non-current assets** | | **20,650,336** | **19,338,002** | **17,415,717** | **151,249** | **146,805** |
| **Total assets** | | **23,465,142** | **21,702,300** | **20,138,357** | **883,917** | **816,746** |

## Ministry of Health

### Statement of Financial Position as at 30 June 2019 (continued)

| | Notes | Consolidated Actual 2019 $'000 | Consolidated Budget 2019 $'000 | Consolidated Actual 2018 $'000 | Parent Actual 2019 $'000 | Parent Actual 2018 $'000 |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| **Current liabilities** | | | | | | |
| Payables | 27 | 1,810,245 | 1,620,412 | 1,688,281 | 397,797 | 287,803 |
| Borrowings | 28 | 11,917 | 22,794 | 18,591 | - | - |
| Provisions | 29 | 2,309,387 | 1,920,427 | 2,167,508 | 18,869 | 16,974 |
| Other current liabilities | 30 | 108,690 | 33,855 | 27,432 | 54,442 | 2,427 |
| **Total current liabilities** | | **4,240,239** | **3,597,488** | **3,901,812** | **471,108** | **307,204** |
| **Non-current liabilities** | | | | | | |
| Borrowings | 28 | 1,090,175 | 1,073,951 | 1,101,560 | - | - |
| Provisions | 29 | 41,720 | 42,032 | 44,064 | 713 | 795 |
| Other non-current liabilities | 30 | 182,842 | 137,453 | 95,581 | 43,694 | 46,121 |
| **Total non-current liabilities** | | **1,314,737** | **1,253,436** | **1,241,205** | **44,407** | **46,916** |
| **Total liabilities** | | **5,554,976** | **4,850,924** | **5,143,017** | **515,515** | **354,120** |
| **Net assets** | | **17,910,166** | **16,851,376** | **14,995,340** | **368,402** | **462,626** |
| **EQUITY** | | | | | | |
| Reserves | | 6,937,950 | 5,700,486 | 5,137,130 | 133,744 | 121,064 |
| Accumulated funds | | 10,972,216 | 11,150,890 | 9,858,210 | 234,658 | 341,562 |
| **Total equity** | | **17,910,166** | **16,851,376** | **14,995,340** | **368,402** | **462,626** |

The accompanying notes form part of these financial statements.

## Ministry of Health

### Statement of Changes in Equity for the year ended 30 June 2019

| CONSOLIDATED | Notes | Accumulated Funds $'000 | Asset Revaluation Surplus $'000 | Total $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2018** | | **9,858,210** | **5,137,130** | **14,995,340** |
| Changes in accounting policy | 1(ae)(i) | (1,598) | - | (1,598) |
| **Restated total equity at 1 July 2018** | | **9,856,612** | **5,137,130** | **14,993,742** |
| **Net result for the year** | | 1,076,218 | - | 1,076,218 |
| **Other comprehensive income:** | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 21 | - | 1,841,750 | 1,841,750 |
| Net changes in revaluation surplus of other assets | 23 | - | (1,544) | (1,544) |
| Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets | | 39,386 | (39,386) | - |
| **Total other comprehensive income** | | 39,386 | 1,800,820 | 1,840,206 |
| **Total comprehensive income for the year** | | 1,115,604 | 1,800,820 | 2,916,424 |
| **Balance at 30 June 2019** | | **10,972,216** | **6,937,950** | **17,910,166** |
| **Balance at 1 July 2017** | | **9,484,358** | **4,277,084** | **13,761,442** |
| **Net result for the year** | | 377,701 | - | 377,701 |
| **Other comprehensive income:** | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 21 | - | 856,040 | 856,040 |
| Net changes in revaluation surplus of other assets | 23 | - | 157 | 157 |
| Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets | | (3,849) | 3,849 | - |
| **Total other comprehensive income** | | (3,849) | 860,046 | 856,197 |
| **Total comprehensive income for the year** | | 373,852 | 860,046 | 1,233,898 |
| **Balance at 30 June 2018** | | **9,858,210** | **5,137,130** | **14,995,340** |

The accompanying notes form part of these financial statements.

## Ministry of Health

**Statement of Changes in Equity for the year ended 30 June 2019 (continued)**

| PARENT | Notes | Accumulated Funds $'000 | Asset Revaluation Surplus $'000 | Total $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2018** | | **341,562** | **121,064** | **462,626** |
| **Net result for the year** | | (124,203) | - | (124,203) |
| **Other Comprehensive Income** | | | | |
| Net changes in revaluation surplus of property, plant and equipment | 21 | - | 12,680 | 12,680 |
| **Total other comprehensive income** | | - | 12,680 | 12,680 |
| **Total comprehensive income for the year** | | (124,203) | 12,680 | (111,523) |
| **Transactions with owners in their capacity as owners** | | | | |
| Increase / (decrease) in net assets from equity transfers | 40 | 17,299 | - | 17,299 |
| **Balance at 30 June 2019** | | **234,658** | **133,744** | **368,402** |
| **Balance at 1 July 2017** | | **530,696** | **121,064** | **651,760** |
| **Net result for the year** | | (188,121) | - | (188,121) |
| **Total comprehensive income for the year** | | (188,121) | - | (188,121) |
| **Transactions with owners in their capacity as owners** | | | | |
| Increase / (decrease) in net assets from equity transfers | 40 | (1,013) | - | (1,013) |
| **Balance at 30 June 2018** | | **341,562** | **121,064** | **462,626** |

The accompanying notes form part of these financial statements.

## Ministry of Health

### Statement of Cash Flows for the year ended 30 June 2019

| | Notes | Consolidated Actual 2019 $'000 | Consolidated Budget 2019 $'000 | Consolidated Actual 2018 $'000 | Parent Actual 2019 $'000 | Parent Actual 2018 $'000 |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| **Payments** | | | | | | |
| Employee related | | (13,581,780) | (13,372,725) | (12,894,766) | (157,553) | (141,545) |
| Suppliers for goods and services | | (7,442,639) | - | (7,032,800) | (833,014) | (893,361) |
| Grants and subsidies | | (1,605,514) | (1,337,063) | (1,501,995) | (19,663,462) | (17,937,842) |
| Finance costs | | (104,020) | (103,865) | (103,667) | - | - |
| Other | | - | (8,147,298) | - | - | - |
| **Total payments** | | (22,733,953) | (22,960,951) | (21,533,228) | (20,654,029) | (18,972,748) |
| **Receipts** | | | | | | |
| Appropriations | | 13,272,795 | 13,514,974 | 12,151,989 | 13,272,795 | 12,151,989 |
| Reimbursements from the Crown Entity | | 243,402 | - | 224,038 | 5,485 | 4,543 |
| Sale of goods and services | | 2,662,535 | 2,791,385 | 2,556,501 | 68,354 | 40,903 |
| Interest received | | 30,988 | 29,448 | 29,411 | 3,427 | 4,208 |
| Retained taxes, fees and fines | | - | (10,283) | - | - | - |
| Grants and other contributions | | 7,779,108 | 7,145,163 | 7,078,469 | 6,959,896 | 6,298,860 |
| Other | | 976,857 | 1,582,873 | 833,945 | 289,820 | 230,313 |
| **Total receipts** | | 24,965,685 | 25,053,560 | 22,874,353 | 20,599,777 | 18,730,816 |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | 35 | **2,231,732** | **2,092,609** | **1,341,125** | **(54,252)** | **(241,932)** |

| | Notes | Consolidated Actual 2019 $'000 | Consolidated Budget 2019 $'000 | Consolidated Actual 2018 $'000 | Parent Actual 2019 $'000 | Parent Actual 2018 $'000 |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Proceeds from sale of property, plant and equipment and intangibles | | 43,226 | 15,000 | 15,287 | 17,332 | 3,017 |
| Proceeds from sale of financial assets | | 364,765 | - | 59,115 | - | - |
| Purchases of property, plant and equipment and intangibles | | (2,240,844) | (2,064,609) | (1,536,762) | (262) | (1,085) |
| Purchases of financial assets | | (377,238) | - | (376,280) | - | - |
| Other | | - | (98,126) | - | 3,321 | 4,638 |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | | **(2,210,091)** | **(2,147,735)** | **(1,838,640)** | **20,391** | **6,570** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Proceeds from borrowings and advances | | - | - | 23,409 | - | - |
| Repayment of borrowings and advances | | (18,059) | (20,482) | (20,828) | - | - |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | **(18,059)** | **(20,482)** | **2,581** | **-** | **-** |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 3,582 | (75,608) | (494,934) | (33,861) | (235,362) |
| Opening cash and cash equivalents | | 1,313,267 | 1,509,349 | 1,808,201 | 368,065 | 603,427 |
| Reclassification of cash equivalents | | - | 3,825 | - | - | - |
| **CLOSING CASH AND CASH EQUIVALENTS** | 16 | **1,316,849** | **1,437,566** | **1,313,267** | **334,204** | **368,065** |

The accompanying notes form part of these financial statements.

## 1. Statement of Significant Accounting Policies

### (a) Reporting entity

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

The Ministry, as a reporting entity, comprises all the entities under its control, namely the Local Health Districts established from 1 January 2011, as well as entities constituted under the *Health Services Act 1997* which include;

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

The Health Administration Corporation includes the operations of;

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

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

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

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Secretary on the date the accompanying statement was signed.

### (b) Principles of consolidation

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

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using generally consistent accounting practices. As a result no adjustments were required for any material dissimilar accounting policies.

## 1. Statement of Significant Accounting Policies (continued)

### (c) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983 (the Act)* , *the Public Finance and Audit Regulation 2015;* and
- NSW Treasurer's Directions issued under the Act.

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

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the consolidated financial statements. These statements are prepared on a going concern basis.

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

### (d) Statement of Compliance

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

### (e) Comparative information

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

Certain comparative information have been reclassified to ensure alignment with current year presentation.

### (f) Employee related expenses

Employee related expenses include salaries, wages, leave entitlements, superannuation, workers' compensation insurance premium (including hindsight adjustments), payroll tax, fringe benefits tax and redundancies.

For further details on the recognition and measurement of employee related expenses refer to employee benefits Note 1(w).

Some employee-related expenses are included in the construction costs of certain physical and non-physical assets and are, therefore, not included in employee related expenses.

### (g) Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 1(u) and Note 1(x).

### (h) Grants and subsidies

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

## 1. Statement of Significant Accounting Policies (continued)

### (i) Finance costs

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

### (j) Insurance

The consolidated entity's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for Government entities. The expense (premium) is determined by the fund manager based on past claim experience. The TMF is managed by NSW Self Insurance Corporation (SiCorp), an entity controlled by the ultimate parent.

### (k) 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.

*(i) Parliamentary appropriations and contributions*

Parliamentary appropriations and contributions are generally recognised as income when the consolidated entity obtains control over the assets comprising the appropriations/contributions. Control over appropriations/contributions is normally obtained upon receipt of cash. At the end of the financial year unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount be repaid to the Consolidated Fund in the next financial year. The liability is disclosed under other liabilities (Note 30).

*(ii) Sales of goods and services*

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

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

*(iii) Investment revenue*

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

*(iv) Grants and other contributions*

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

*(v) Other Income*

Other income includes lease income from operating leases where the consolidated entity is the lessor. Income is recognised on a straight-line basis over the lease term.

## 1. Statement of Significant Accounting Policies (continued)

### (l) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at bank, cash on hand, and short-term deposits including deposits in the TCorpIM Funds cash facility. These deposits have an original maturity of three months or less, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The NSW Treasury Corporation short-term deposits are designated at fair value through profit and loss. The movement in the fair value of these deposits is reported as investment revenue. Term deposits greater than 90 days are classified as other financial assets.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (m) Inventories

Material inventories are held for distribution (consumed in the ordinary activities of the consolidated entity). Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present locations and condition. The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisitions. Current replacement cost is the cost the entity would incur to acquire the asset.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

### (n) Financial assets

The consolidated entity classifies its financial assets in the following categories:

- amortised cost, and
- fair value through profit and loss

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

As at 30 June 2019 and 2018, the consolidated entity only have financial assets at fair value through profit or loss, at amortised cost and loans and receivables (comparative year).

*(i) Receivables and other financial assets*

Recognition and Measurement

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

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

## 1. Statement of Significant Accounting Policies (continued)

### (n) Financial assets (continued)

*(i) Receivables and other financial assets (continued)*

Recognition and Measurement (continued)

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

***Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)***

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

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

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

***Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)***

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or though the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity’s net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity’s net investment outstanding in respect of the leases.

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

*(ii) Financial assets at fair value*

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

***Classification and measurement under AASB 9 (from 1 July 2018)***

The consolidated entity's financial assets at fair value are classified, at initial recognition, at fair value through profit or loss. The classification was based on the purpose of acquiring such financial assets.

## 1. Statement of Significant Accounting Policies (continued)

### (n) Financial assets (continued)

*(ii) Financial assets at fair value (continued)*

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

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

***Classification and measurement under AASB 9 (from 1 July 2018)***

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

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

***Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)***

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are initially and subsequently measured at fair value. Gains and losses on these assets are recognised in the net result for the year. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling or repurchasing in the near term.

The TCorpIM Funds Investment facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the consolidated entity's key management personnel. The risk management strategy of the consolidated entity has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act 1987* .

TCorpIM Funds Investment facilities are used in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments. The movement in the fair value of the TCorpIM Funds Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

*(iii) Impairment of financial assets*

***Impairment under AASB 9 (from 1 July 2018)***

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

## 1. Statement of Significant Accounting Policies (continued)

### (n) Financial assets (continued)

*(iii) Impairment of financial assets (continued)*

*Receivables*

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

*Other Financial Assets*

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

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

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

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

***Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)***

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 consolidated entity will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

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

For those 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.

## 1. Statement of Significant Accounting Policies (continued)

### (o) De-recognition of financial assets and liabilities

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

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

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

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

### (p) Non-current assets held for sale

The consolidated entity has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

### (q) Property, plant and equipment

*(i) Acquisition of property, plant and equipment*

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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.

## 1. Statement of Significant Accounting Policies (continued)

### (q) Property, plant and equipment (continued)

*(i) Acquisition of property, plant and equipment (continued)*

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 1(z)(iii)).

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

*(ii) Capitalisation thresholds*

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

*(iii) Major inspection costs*

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

*(iv) Restoration costs*

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

*(v) Maintenance costs*

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.

*(vi) 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 consolidated entity. 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:

| | **Useful lives** |
|---|---|
| Buildings | 40 years |
| Plant and equipment | 4-20 years |
| Infrastructure systems | 40 years |
| Leasehold improvements | 3-10 years |

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

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

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

## 1. Statement of Significant Accounting Policies (continued)

### (q) Property, plant and equipment (continued)

*(vii) Revaluations*

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

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

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The consolidated entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

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.

## 1. Statement of Significant Accounting Policies (continued)

### (q) Property, plant and equipment (continued)

*(viii) Impairment*

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

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

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued, see Note 1(q)(vii).

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

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

*(ix) Derecognition*

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of comprehensive income.

### (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.

***As a lessee:***

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term in the statement of comprehensive income.

## 1. Statement of Significant Accounting Policies (continued)

### (r) Leased assets (continued)

***As a lessor:***

The consolidated entity, as the lessor, classifies its finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the lease.

The lease receipt is recognised in two components, one as a reduction of the lease receivables and the other as a finance income. The finance income is calculated relevant to the term of the lease.

Lease income from operating leases where the consolidated entity is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included by the lessor consolidated entity in the Statement of Financial Position based on their nature.

### (s) Intangible assets

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

Computer software developed or acquired by the consolidated entity are recognised as intangible assets and are amortised over four years using the straight line method. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets 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.

### (t) Emerging assets

The consolidated entity's emerging interest in certain assets has been valued in accordance with '*Accounting for Privately Financed Projects*' (NSW TPP06-8). This policy requires the consolidated entity to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period.

### (u) Payables

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised (refer to Note 1(o)) as well as through the amortisation process.

## 1. Statement of Significant Accounting Policies (continued)

### (v) Borrowings

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

Finance lease liabilities are determined in accordance with AASB 117 *Leases* .

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1(o) for derecognition policy.

### (w) Employee benefits and relates on-costs

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

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

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

Actuarial advice obtained by NSW Treasury, an entity controlled by the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% to 13.2% of nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The consolidated entity has assessed the actuarial advice based on the consolidated entity’s circumstances to annual leave and ADOs and has determined that the effect of discounting is immaterial. All annual leave is classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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

*(ii) Long service leave and superannuation*

The consolidated entity's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, an entity controlled by the ultimate parent. The consolidated entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits and other liabilities'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the consolidated entity as shown in Note 29.

## 1. Statement of Significant Accounting Policies (continued)

### (w) Employee benefits and relates on-costs (continued)

*(ii) Long service leave and superannuation (continued)*

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

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

*(iii) Consequential on-costs*

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

### (x) Other provisions

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

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

### (y) Fair value hierarchy

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

## 1. Statement of Significant Accounting Policies (continued)

### (y) Fair value hierarchy (continued)

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

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

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

Refer to Note 25 for further disclosures regarding fair value measurements of financial and non-financial assets.

### (z) Equity and reserves

*(i) Asset revaluation surplus*

The assets revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 1(q)(vii).

*(ii) Accumulated funds*

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

*(iii) Equity transfers*

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

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

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

## 1. Statement of Significant Accounting Policies (continued)

### (aa) Accounting for the Goods & Services tax (GST)

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

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

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

### (ab) Trust funds

The consolidated entity receives monies in a trustee capacity for various trusts as set out in Note 32.

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

### (ac) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the consolidated financial statements are explained in Note 39.

### (ad) Program group statements allocation methodology

From 2017-18, NSW Budget papers were presented with a focus on outcomes. Expenses and revenues are allocated to programs using program fractions attached to cost centres and adjusted for any material change in service delivery or funding distribution.

In respect of assets and liabilities the consolidated entity allocates them based on related income and expense distribution.

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

*(i) Effective for the first time in 2018-19*

The accounting policies applied in 2018-19 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:

The consolidated entity has adopted AASB 9 *Financial Instruments (AASB 9)*, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures (AASB 7R)*.

## 1. Statement of Significant Accounting Policies (continued)

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

*(i) Effective for the first time in 2018-19 (continued)*

The consolidated entity has applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement (AASB 139)* . Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

| CONSOLIDATED | Notes | 1 July 2018<br>$'000 |
|---|---|---|
| Assets | | |
| Receivables | 17 | (1,598) |
| **Total adjustment on equity** | | **(1,598)** |
| Accumulated funds | | (1,598) |

| PARENT | Notes | 1 July 2018<br>$'000 |
|---|---|---|
| Assets | | |
| Receivables | 17 | - |
| **Total adjustment on equity** | | **-** |
| Accumulated funds | | - |

a) *Classification and measurement of financial instruments*

On 1 July 2018 (the date of initial application of AASB 9), the consolidated entity's management has assessed which business models apply to the financial assets by the consolidated entity and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a significant impact to the consolidated entity.

The impact of transition to AASB 9 on accumulated funds is, as follows:

| CONSOLIDATED | Notes | Accumulated funds<br>$'000 | Total change in equity<br>$'000 |
|---|---|---|---|
| Closing balance 30 June 2018 - AASB 139 | | 9,858,210 | 9,858,210 |
| Recognition of AASB 9 expected credit losses | 17 | (1,598) | (1,598) |
| **Total impact** | | **(1,598)** | **(1,598)** |
| Opening balance 1 July 2018 - AASB 9 | | 9,856,612 | 9,856,612 |

## 1. Statement of Significant Accounting Policies (continued)

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

*(i) Effective for the first time in 2018-19 (continued)*

a) *Classification and measurement of financial instruments (continued)*

| PARENT | Notes | Accumulated funds $'000 | Total change in equity $'000 |
|---|---|---|---|
| Closing balance 30 June 2018 - AASB 139 | | 341,562 | 341,562 |
| Recognition of AASB 9 expected credit losses | 17 | - | - |
| **Total impact** | | - | - |
| Opening balance 1 July 2018 - AASB 9 | | 341,562 | 341,562 |

The consolidated entity continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the consolidated entity's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.
- Investments in TCorpIM Funds are managed on a fair value basis and hence were designated at fair value through profit or loss under AASB 139 as at 30 June 2018. Under AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.
- The consolidated entity has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the consolidated entity's financial liabilities.

In summary, upon adoption of AASB 9, the consolidated entity had the following required or elected reclassifications as at 1 July 2018.

**CONSOLIDATED**

| | Measurement category | | Carrying amount | | |
|---|---|---|---|---|---|
| AASB 139 measurement category | AASB 139 | AASB 9 | Original $'000 | New $'000 | Difference $'000 |
| Receivables | L&R | Amortised cost | 814,856 | 813,258 | (1,598) |
| Term deposits | L&R | Amortised cost | 314,786 | 314,786 | - |
| TCorpIM funds | FVPL | FVPL | 81,492 | 81,492 | - |

## 1. Statement of Significant Accounting Policies (continued)

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

*(i) Effective for the first time in 2018-19 (continued)*

a) *Classification and measurement of financial instruments (continued)*

**PARENT**

| AASB 139 measurement category | Measurement category AASB 139 | Measurement category AASB 9 | Carrying amount Original $'000 | Carrying amount New $'000 | Difference $'000 |
|---|---|---|---|---|---|
| Receivables | L&R | Amortised cost | 237,008 | 237,008 | - |
| Other receivables | L&R | Amortised cost | 22,972 | 22,972 | - |

b) *Impairment*

The adoption of AASB 9 has changed the consolidated entity's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the consolidated entity to recognise an allowance for all ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

**CONSOLIDATED**

| | 30 June 2018* $'000 | Re-measurement $'000 | ECL under AASB 9 as at 1 July 2018 $'000 |
|---|---|---|---|
| Loans and receivables under AASB 139 / financial assets at amortised cost under AASB 9 | (62,247) | (1,598) | (63,845) |

* *Allowance for impairment under AASB 139*

**PARENT**

| | 30 June 2018* $'000 | Re-measurement $'000 | ECL under AASB 9 as at 1 July 2018 $'000 |
|---|---|---|---|
| Loans and receivables under AASB 139 / financial assets at amortised cost under AASB 9 | - | - | - |

* *Allowance for impairment under AASB 139*

## 1. Statement of Significant Accounting Policies (continued)

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

*(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 consolidated entity, have not been applied and are not yet effective. The possible impact of these standards in the period of initial application includes:

**AASB 16 *Leases*** replaces all existing lease 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 new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also 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.

## 1. Statement of Significant Accounting Policies (continued)

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

*(ii) Issued but not yet effective (continued)*

**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.

**AASB 1059 *Service Concession Arrangements*** is applicable to public sector entities only and is effective for annual reporting periods beginning on or after 1 January 2020. The standard 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**

Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess 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.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

*Work currently underway includes:*

- implementation of an IT solution for lease management and accounting
- comprehensive review and capture of lease information
- review of accounting policies and processes surrounding leases and revenue
- detailed contract reviews for revenue contracts

## 1. Statement of Significant Accounting Policies (continued)

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

*(ii) Issued but not yet effective (continued)*

**Potential Impact on the consolidated financial report**

While the consolidated entity is yet to complete 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 total liabilities on the Statement of Financial Position will increase by approximately $680.53 million (for the parent entity $23.59 million) on the date of transition (1 July 2019). Net assets are expected to decrease due to a reduction in capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Total current liabilities will show an increase due to an element of the lease liability being disclosed as current liability.

- Interest expense will increase by approximately $15.60 million (for the parent entity $0.49 million) in the 2019-20 financial year 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 leases life. This effect may be partially mitigated due to the number of leases held by the consolidated 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. For 2019-20 financial year, depreciation expense is expected to be higher by approximately $142.30 million (for the parent entity $8.73 million).

- Operating lease expense recognised under *AASB 117 Lease* will decrease by approximately $147.47 million (for the parent entity $8.76 million) in the 2019-20 financial year and onwards.

- Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

- The assessment outcomes are indicative only and there are likely to be variances with the actual impacts to be reported in 2019-20 financial year and onwards.

**Revenue and Income of Not-for-Profit Entities**

The consolidated entity has performed a preliminary impact assessment by the major revenue lines. The review has not indicated an material impact arising from the adoption of the new revenue accounting standards. The likely impacts are:

- Deferral of 'Grants and other contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.

- Specific quantitative and qualitative disclosures may be required under AASB 15 *Revenue from Contracts with Customers* .

**1. Statement of Significant Accounting Policies (continued)**

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

*(ii) Issued but not yet effective (continued)*

**Service Concession Arrangements**

- Service Concession assets and liabilities may be brought onto the Statement of Financial Position which are currently treated as emerging assets. A detailed scoping assessment is in progress. Quantification of the impacts will follow the scoping assessment.

**Application Date**

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

## 2. Employee related expenses

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Salaries and wages (including annual leave and ADOs) | 12,176,034 | 11,592,170 | 130,284 | 117,346 |
| Superannuation - defined benefit plan | 93,355 | 100,453 | 980 | 1,018 |
| Superannuation - defined contribution plan | 1,058,471 | 998,988 | 10,695 | 9,431 |
| Long service leave | 887,664 | 496,581 | 10,462 | 4,463 |
| Redundancies | 3,915 | 33,662 | 451 | 1,387 |
| Workers' compensation insurance | 176,575 | 163,069 | 246 | 532 |
| Payroll tax and fringe benefits tax | 11,804 | 12,250 | 10,477 | 10,232 |
| | **14,407,818** | **13,397,173** | **163,595** | **144,409** |

Employee related costs of $40.0 million (2018: $33.6 million) (parent entity: $Nil (2018: $Nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

## 3. Operating expenses

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Ambulance transportation costs | 154,081 | 163,086 | - | - |
| Auditor's remuneration | 4,553 | 4,158 | 568 | 393 |
| Blood and blood products | 146,545 | 138,187 | 26,663 | 19,429 |
| Capital project expense | 53,505 | 66,521 | 12,486 | 14,252 |
| Consultants | 40,805 | 36,644 | 4,307 | 3,301 |
| Contractors | 162,313 | 176,403 | 12,161 | 15,207 |
| Domestic supplies and services | 143,652 | 136,679 | 1,046 | 679 |
| Electricity, gas and water | 183,543 | 161,575 | 489 | 516 |
| Staff related costs | 177,957 | 176,262 | 7,518 | 6,035 |
| Food Supplies | 116,764 | 110,332 | - | 1 |
| Information management expenses | 282,835 | 234,860 | 37,760 | 21,847 |
| Insurance | 292,934 | 282,974 | 268,263 | 260,558 |
| Interstate patient outflows | 262,252 | 266,546 | 262,214 | 266,546 |
| Isolated patient travel and accommodation assistance scheme | 24,476 | 22,049 | - | - |
| Maintenance (see (a) below) | 574,442 | 585,659 | 6,448 | 8,461 |
| Medical and surgical supplies | 905,410 | 871,168 | 6,192 | 1,198 |
| Motor vehicle expenses | 48,017 | 44,718 | 99 | 74 |
| Office expenses | 99,732 | 98,390 | 4,501 | 4,397 |
| Operating lease rental expenses | 174,179 | 158,665 | 11,216 | 7,107 |
| Other management services | 221,040 | 142,314 | 62,573 | 51,504 |
| Outsourced patient care | 258,125 | 149,733 | - | - |
| Pharmaceutical supplies | 869,197 | 872,281 | 138,139 | 135,372 |
| Specialised health services | 407,907 | 402,268 | 45 | 56 |
| Travel expenses | 111,008 | 101,749 | 1,918 | 1,672 |
| Visiting medical officers | 862,108 | 820,651 | - | - |
| General expenses | 138,485 | 128,356 | 21,023 | 21,798 |
| | **6,715,865** | **6,352,228** | **885,629** | **840,403** |

General expenses of $138.5 million (2018: $128.4 million) includes advertising and marketing, courier and freight, taxes, rates and related charges, hosted services purchased from local health districts (for parent entity), and security services.

## 3. Operating expenses (continued)

### (a) Reconciliation of total maintenance

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Maintenance contracts | 217,207 | 211,882 | 1,844 | 2,138 |
| New/replacement equipment under $10,000 | 217,939 | 252,068 | 3,315 | 4,926 |
| Repairs maintenance/non contract | 138,098 | 120,331 | 1,124 | 1,388 |
| Other | 1,198 | 1,378 | 165 | 9 |
| Maintenance expense - contracted labour and other (non-employee related), as above | 574,442 | 585,659 | 6,448 | 8,461 |
| Employee related maintenance expense (Note 2) | 60,524 | 60,129 | - | - |
| **Total maintenance expenses** | **634,966** | **645,788** | **6,448** | **8,461** |

## 4. Depreciation and amortisation

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Depreciation - buildings | 532,834 | 480,895 | 3,410 | 2,751 |
| Depreciation - plant and equipment | 229,922 | 213,050 | 516 | 550 |
| Depreciation - infrastructure systems | 24,448 | 22,626 | 70 | 60 |
| Depreciation - leasehold improvements | 9,455 | 8,681 | 812 | 1,182 |
| Amortisation - intangible assets | 70,269 | 61,834 | 305 | 237 |
| | **866,928** | **787,086** | **5,113** | **4,780** |

## 5. Grants and subsidies

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Payments to entities controlled by the Ministry | - | - | 18,610,047 | 16,990,056 |
| Payments to other Affiliated Health Organisations | 914,809 | 892,092 | 607,835 | 593,126 |
| Grants provided to support: | | | | |
| - Community packages | 28,431 | 24,817 | - | - |
| - Grants to research organisations | 131,954 | 116,752 | 95,056 | 77,454 |
| - Non-Government organisations | 164,529 | 159,227 | 84,090 | 79,136 |
| Grants paid to entities controlled by the ultimate parent | 26,625 | 1,058 | 23,192 | - |
| Other grants | 154,771 | 142,446 | 129,071 | 117,825 |
| | **1,421,119** | **1,336,392** | **19,549,291** | **17,857,597** |

## 6. Finance costs

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Finance lease interest charges | 102,474 | 102,696 | - | - |
| Interest on loans | 1,495 | 898 | - | - |
| Other interest and charges | 4,138 | 3,839 | 580 | 19 |
| | **108,107** | **107,433** | **580** | **19** |

## 7. Summary of compliance

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 2019 $'000 | 2019 $'000 | 2018 $'000 | 2018 $'000 |
| | Appropriations | Expenditure | Appropriations | Expenditure |
| Original budget per Appropriation Act | 13,514,974 | 13,272,795 | 12,179,464 | 12,151,989 |
| Other appropriations / expenditure: | | | | |
| Section 24 PFAA – transfers of functions between entities | - | - | - | - |
| Section 26 PFAA – Commonwealth specific purpose payments | 11,390 | - | - | - |
| **Total appropriations / expenditure / net claim on consolidated fund (includes transfer payments)** | **13,526,364** | **13,272,795** | **12,179,464** | **12,151,989** |
| Appropriations drawn down (per consolidated statement of comprehensive income): | | | | |
| Recurrent | | 11,422,907 | | 10,961,359 |
| Capital | | 1,849,888 | | 1,190,630 |
| | | **13,272,795** | | **12,151,989** |

**Notes:**

1. The summary of compliance is based on the assumption that consolidated fund monies are spent first (except where otherwise identified or prescribed)

2. If there is a 'Liability to Consolidated Fund', the entity must state that this represents the difference between the 'Amount drawn down against Appropriation' and the 'Expenditure / Net Claim on Consolidated Fund'.

## 8. Sale of goods and services

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Ambulance transportation fees | 56,663 | 52,705 | - | - |
| Commercial activities | 95,278 | 88,792 | - | - |
| Fees for clinical services | 44,503 | 39,475 | - | - |
| Fees for medical services rendered | 1,228,622 | 1,259,829 | 61,304 | 77,406 |
| Fees for non-medical services | 2,651 | 2,581 | - | - |
| Fees for private usage of hospital's facilities | 505,512 | 500,465 | - | - |
| General user charges fees | 100,388 | 73,834 | 7,788 | 3,907 |
| Interstate patient inflows | 128,945 | 85,732 | 128,945 | 85,732 |
| Motor accident third party insurance covered | 153,205 | 160,376 | 1,812 | 5,468 |
| Personal service fees recharged | 20,812 | 18,327 | 20,812 | 18,327 |
| Sales and recoveries of pharmacuetical supplies | 393,136 | 402,439 | - | - |
| Shared corporate services fees | - | - | 394 | 1,012 |
| Services provided to non NSW Health organisations | 18,174 | 16,625 | - | - |
| Other services | 34,596 | 80,030 | 138 | 168 |
| | **2,782,485** | **2,781,210** | **221,193** | **192,020** |

## 9. Investment revenue

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Interest | | | | |
| - TCorpIM Funds Investment facilities designated at fair value through profit or loss | 4,509 | 2,959 | - | - |
| - Bank | 26,479 | 26,452 | 3,427 | 4,208 |
| Royalties | 245 | 224 | - | - |
| Dividends | 13 | - | - | - |
| Other | 5,400 | 5,086 | - | - |
| | **36,646** | **34,721** | **3,427** | **4,208** |

## 10. Grants and other contributions

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Clinical drug trials | 43,562 | 37,494 | - | - |
| Commonwealth National Health Reform Funding | 6,740,998 | 6,068,200 | 6,740,998 | 6,068,200 |
| Commonwealth Government grants | 255,521 | 276,712 | 109,854 | 133,739 |
| Industry contributions / donations | 48,686 | 81,468 | - | - |
| Grants from entities controlled by the ultimate parent | 219,161 | 170,111 | 105,756 | 44,256 |
| Grants received from entities controlled by the Ministry | - | - | 5,500 | 15,008 |
| Research grants | 25,132 | 20,872 | - | - |
| Other grants | 105,189 | 77,429 | 680 | 542 |
| | **7,438,249** | **6,732,286** | **6,962,788** | **6,261,745** |

## 11. Acceptance by the Crown Entity of employee benefits

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Superannuation - defined benefit plan | 93,355 | 100,453 | 980 | 1,018 |
| Long service leave provision | 825,868 | 445,745 | 9,461 | 4,007 |
| Payroll tax | 53 | 55 | 53 | 55 |
| | **919,276** | **546,253** | **10,494** | **5,080** |

## 12. Other income

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Commissions | 3,471 | 3,839 | - | - |
| Discounts | 3,941 | 4,800 | 3 | 1,842 |
| Emerging assets of private sector provided infrastructure | 6,643 | 5,991 | - | - |
| Insurance refunds | 7,806 | 4,499 | - | - |
| Lease and rental income | 36,698 | 34,252 | 1,659 | 1,845 |
| Treasury Managed Fund hindsight adjustment | 47,001 | 27,034 | 426 | 310 |
| Other | 114,668 | 90,969 | 7,251 | 40,054 |
| | **220,228** | **171,384** | **9,339** | **44,051** |

## 13. Gains / (losses) on disposal

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Gains / (losses) on disposal of:** | | | | |
| **Property, plant and equipment** | | | | |
| Written down value of assets disposed | 79,451 | 43,697 | 17,363 | 3,023 |
| Less: Proceeds from disposal | 36,396 | 11,301 | 17,332 | 3,017 |
| Less: Proceeds received in advance for disposal | - | 19,690 | - | - |
| Less: Finance lease receivable | 7,103 | - | - | - |
| **Net gains / (losses) on disposal** | **(35,952)** | **(12,706)** | **(31)** | **(6)** |
| **Intangible assets** | | | | |
| Written down value of assets disposed | 379 | - | - | - |
| Less: Proceeds from disposal | - | - | - | - |
| **Net gains / (losses) on disposal** | **(379)** | **-** | **-** | **-** |
| **Assets held for sale** | | | | |
| Written down value of assets disposed | 6,318 | 3,197 | - | - |
| Less: Proceeds from disposal | 6,830 | 3,986 | - | - |
| **Net gains / (losses) on disposal** | **512** | **789** | **-** | **-** |
| **Financial assets** | | | | |
| Written down value of financial assets | 364,765 | 59,115 | - | - |
| Less: Proceeds from sale of financial assets | 364,765 | 59,115 | - | - |
| **Net gains / (losses) on disposal** | **-** | **-** | **-** | **-** |
| **Total gains / (losses) on disposal** | **(35,819)** | **(11,917)** | **(31)** | **(6)** |

## 14. Other gains / (losses)

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Impairment of receivables | - | (47,913) | - | - |
| | **-** | **(47,913)** | **-** | **-** |

**15. Program groups of the Consolidated Entity**

**(a) Program group statements of the Consolidated Entity**

**CONSOLIDATED**

| CONSOLIDATED ENTITY EXPENSES AND INCOME | Program Group 1 * Acute Health Services | | Program Group 2 * Sub-Acute Health Services | | Program Group 3 * Mental Health Services | | Program Group 4 * Small Rural Hospitals and Specialist Hospitals ** | | Program Group 5 * Community Health Care Services | | Program Group 6 * Public Health Services | | Program Group 7 * Research Capability | | Program Group 8 * Ambulance Emergency Services | | Program Group 9 * Independent Advisory Bodies | | Not Attributable *** | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Continuing operations** | | | | | | | | | | | | | | | | | | | | | | |
| **Expenses excluding losses** | | | | | | | | | | | | | | | | | | | | | | |
| Employee related expenses | 10,447,088 | 9,300,168 | 856,502 | 799,999 | 1,450,203 | 1,354,907 | - | 381,371 | 601,906 | 575,539 | 383,970 | 357,239 | 2,821 | 2,446 | 665,328 | 625,504 | - | - | - | - | 14,407,818 | 13,397,173 |
| Operating expenses | 5,170,357 | 4,736,076 | 310,492 | 289,690 | 392,521 | 359,745 | - | 167,692 | 187,191 | 186,567 | 349,569 | 317,470 | 2,384 | 13,429 | 303,351 | 285,325 | - | - | - | - | 6,715,865 | 6,352,228 |
| Depreciation and amortisation | 691,066 | 590,980 | 48,864 | 39,919 | 62,026 | 59,805 | - | 42,376 | 16,946 | 14,190 | 18,479 | 16,482 | - | - | 29,547 | 23,334 | - | - | - | - | 866,928 | 787,086 |
| Grants and subsidies | 986,197 | 922,764 | 89,312 | 85,792 | 161,269 | 167,121 | - | 2,874 | 13,023 | 11,133 | 52,370 | 51,790 | 87,486 | 66,579 | 3,172 | 2,498 | 28,290 | 25,841 | - | - | 1,421,119 | 1,336,392 |
| Finance costs | 93,655 | 91,735 | 4,049 | 3,867 | 6,063 | 5,822 | - | 14 | 483 | 429 | 1,909 | 1,795 | - | - | 1,948 | 5 | - | - | - | - | 108,107 | 107,433 |
| **Total expenses excluding losses** | **17,388,363** | **15,641,723** | **1,309,219** | **1,219,267** | **2,072,082** | **1,947,400** | **-** | **594,327** | **819,549** | **787,858** | **806,297** | **744,776** | **92,691** | **82,454** | **1,003,346** | **936,666** | **28,290** | **25,841** | **-** | **-** | **23,519,837** | **21,980,312** |
| **Revenue** | | | | | | | | | | | | | | | | | | | | | | |
| Appropriations *** | | | | | | | | | | | | | | | | | | | 13,272,795 | 12,151,989 | 13,272,795 | 12,151,989 |
| Acceptance by the Crown Entity of employee benefits and other liabilities | 679,089 | 388,076 | 59,111 | 34,614 | 82,962 | 51,130 | - | 9,971 | 26,989 | 21,862 | 26,648 | 16,329 | 96 | 72 | 44,381 | 24,199 | - | - | - | - | 919,276 | 546,253 |
| Sale of goods and services | 2,169,451 | 1,942,347 | 265,438 | 262,078 | 117,274 | 116,151 | - | 216,086 | 69,910 | 75,617 | 7,133 | 7,105 | - | - | 153,279 | 149,230 | - | - | - | - | 2,782,485 | 2,781,210 |
| Investment revenue | 27,797 | 24,875 | 2,511 | 2,377 | 3,345 | 3,138 | - | 1,434 | 1,347 | 1,272 | 1,203 | 1,127 | - | - | 443 | 498 | - | - | - | - | 36,646 | 34,721 |
| Grants and other contributions | 6,130,204 | 5,183,266 | 381,559 | 345,672 | 520,031 | 471,086 | - | 363,663 | 248,429 | 225,408 | 157,785 | 142,839 | - | - | 241 | 352 | - | - | - | - | 7,438,249 | 6,732,286 |
| Other income | 153,623 | 125,438 | 13,473 | 11,944 | 19,511 | 17,060 | - | 9,472 | 9,133 | 9,777 | 6,771 | 5,754 | 871 | 2,156 | 16,846 | 2,379 | - | - | - | - | 220,228 | 171,384 |
| **Total revenue** | **9,160,164** | **7,664,002** | **722,092** | **656,685** | **743,123** | **658,565** | **-** | **600,626** | **355,808** | **333,936** | **199,540** | **173,154** | **967** | **2,228** | **215,190** | **176,658** | **-** | **-** | **13,272,795** | **12,151,989** | **24,669,679** | **22,417,843** |
| Gains / (losses) on disposal | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (35,819) | (11,917) | (35,819) | (11,917) |
| Impairment losses on financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (37,805) | - | (37,805) | - |
| Other gains / (losses) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (47,913) | - | (47,913) |
| **Net result from continuing operations** | **(8,228,199)** | **(7,977,721)** | **(587,127)** | **(562,582)** | **(1,328,959)** | **(1,288,835)** | **-** | **6,299** | **(463,741)** | **(453,922)** | **(606,757)** | **(571,622)** | **(91,724)** | **(80,226)** | **(788,156)** | **(760,008)** | **(28,290)** | **(25,841)** | **13,199,171** | **12,092,159** | **1,076,218** | **377,701** |
| Net result from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net result** | **(8,228,199)** | **(7,977,721)** | **(587,127)** | **(562,582)** | **(1,328,959)** | **(1,288,835)** | **-** | **6,299** | **(463,741)** | **(453,922)** | **(606,757)** | **(571,622)** | **(91,724)** | **(80,226)** | **(788,156)** | **(760,008)** | **(28,290)** | **(25,841)** | **13,199,171** | **12,092,159** | **1,076,218** | **377,701** |
| **Other comprehensive income** | | | | | | | | | | | | | | | | | | | | | | |
| *Items that will not be reclassified to net result in subsequent periods* | | | | | | | | | | | | | | | | | | | | | | |
| Changes in revaluation surplus of property, plant and equipment | 1,511,750 | 642,754 | 106,894 | 43,416 | 135,686 | 65,044 | - | 46,088 | 37,071 | 15,433 | 40,424 | 17,926 | - | - | 9,925 | 25,379 | - | - | - | - | 1,841,750 | 856,040 |
| Change in revaluation surplus of other assets | (1,274) | 111 | (156) | 15 | (69) | 7 | - | 12 | (41) | 4 | (4) | - | - | - | - | 8 | - | - | - | - | (1,544) | 157 |
| **Total other comprehensive income** | 1,510,476 | 642,865 | 106,738 | 43,431 | 135,617 | 65,051 | - | 46,100 | 37,030 | 15,437 | 40,420 | 17,926 | - | - | 9,925 | 25,387 | - | - | - | - | 1,840,206 | 856,197 |
| **Total comprehensive income** | **(6,717,723)** | **(7,334,856)** | **(480,389)** | **(519,151)** | **(1,193,342)** | **(1,223,784)** | **-** | **52,399** | **(426,711)** | **(438,485)** | **(566,337)** | **(553,696)** | **(91,724)** | **(80,226)** | **(778,231)** | **(734,621)** | **(28,290)** | **(25,841)** | **13,199,171** | **12,092,159** | **2,916,424** | **1,233,898** |

** The name and purpose of each program group is summarised in Note 15 (b).*

*** 'Small Rural Hospitals and Specialists Hospitals' (Program Group 4) is now included under the 'Acute Health Service' (Program Group 1) from 1 July 2018.*

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

15. Program groups of the Consolidated Entity (continued)

(a) Program group statements of the Consolidated Entity (continued)

CONSOLIDATED

| CONSOLIDATED ENTITY ASSETS AND LIABILITIES | Program Group 1 * Acute Health Services | | Program Group 2 * Sub-Acute Health Services | | Program Group 3 * Mental Health Services | | Program Group 4 * Small Rural Hospitals and Specialist Hospitals ** | | Program Group 5 * Community Health Care Services | | Program Group 6 * Public Health Services | | Program Group 7 * Research Capability | | Program Group 8 * Ambulance Emergency Services | | Program Group 9 * Independent Advisory Bodies | | Not Attributable *** | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | | | | | | | | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 968,527 | 948,124 | 72,923 | 73,906 | 115,415 | 118,042 | - | 36,025 | 45,649 | 47,756 | 44,911 | 45,145 | 5,163 | 1,586 | 64,261 | 41,621 | - | 1,062 | - | - | 1,316,849 | 1,313,267 |
| Receivables | 697,499 | 563,356 | 85,341 | 76,013 | 37,705 | 33,688 | - | 62,673 | 22,477 | 21,932 | 2,293 | 2,061 | - | - | 42,754 | 43,282 | - | - | - | - | 888,069 | 803,005 |
| Inventories | 143,234 | 153,640 | 8,602 | 9,398 | 10,874 | 11,670 | - | 5,440 | 5,186 | 6,052 | 9,684 | 10,299 | 66 | 436 | - | 9,256 | - | - | - | - | 177,646 | 206,191 |
| Financial assets at fair value | 93,814 | 32,090 | 7,063 | 2,501 | 11,179 | 3,995 | - | 1,219 | 4,422 | 1,616 | 4,350 | 1,528 | 500 | 54 | - | 1,409 | - | 36 | - | - | 121,328 | 44,448 |
| Other Financial Assets | 197,432 | 227,263 | 14,865 | 17,715 | 23,527 | 28,294 | - | 8,635 | 9,305 | 11,447 | 9,155 | 10,821 | 1,052 | 380 | - | 9,976 | - | 255 | - | - | 255,336 | 314,786 |
| Non-current assets held for sale | 42,070 | 30,742 | 2,975 | 2,077 | 3,776 | 3,111 | - | 2,204 | 1,032 | 738 | 1,125 | 857 | - | - | 4,600 | 1,214 | - | - | - | - | 55,578 | 40,943 |
| **Total current assets** | **2,142,576** | **1,955,215** | **191,769** | **181,610** | **202,476** | **198,800** | **-** | **116,196** | **88,071** | **89,541** | **71,518** | **70,711** | **6,781** | **2,456** | **111,615** | **106,758** | **-** | **1,353** | **-** | **-** | **2,814,806** | **2,722,640** |
| **Non-current assets** | | | | | | | | | | | | | | | | | | | | | | |
| Receivables | 18,378 | 8,314 | 2,248 | 1,122 | 993 | 497 | - | 925 | 592 | 324 | 60 | 30 | - | - | 537 | 639 | - | - | - | - | 22,808 | 11,851 |
| Financial assets at fair value | 24,812 | 26,744 | 1,868 | 2,085 | 2,957 | 3,330 | - | 1,016 | 1,169 | 1,347 | 1,150 | 1,273 | 132 | 45 | - | 1,174 | - | 30 | - | - | 32,088 | 37,044 |
| Property, plant and equipment | | | | | | | | | | | | | | | | | | | | | | |
| - Land and buildings | 14,547,216 | 11,201,761 | 1,028,616 | 756,647 | 1,305,674 | 1,133,577 | - | 803,212 | 356,729 | 268,959 | 388,987 | 312,408 | - | - | 459,118 | 442,291 | - | - | - | - | 18,086,340 | 14,918,855 |
| - Plant and equipment | 947,356 | 905,139 | 66,986 | 61,140 | 85,029 | 91,597 | - | 64,902 | 23,231 | 21,733 | 25,332 | 25,244 | - | - | 84,251 | 35,739 | - | - | - | - | 1,232,185 | 1,205,494 |
| - Infrastructure systems | 382,758 | 348,105 | 27,064 | 23,514 | 34,354 | 35,227 | - | 24,961 | 9,386 | 8,358 | 10,235 | 9,708 | - | - | - | 13,745 | - | - | - | - | 463,797 | 463,618 |
| - Leasehold improvements | 34,313 | 31,168 | 2,426 | 2,105 | 3,080 | 3,154 | - | 2,235 | 841 | 748 | 918 | 869 | - | - | - | 1,231 | - | - | - | - | 41,578 | 41,510 |
| Intangible assets | 579,871 | 506,926 | 41,002 | 34,242 | 52,046 | 51,299 | - | 36,349 | 14,220 | 12,172 | 15,506 | 14,138 | - | - | 1,593 | 20,016 | - | - | - | - | 704,238 | 675,142 |
| Other non-current assets | 52,040 | 44,909 | 3,918 | 3,501 | 6,201 | 5,591 | - | 1,706 | 2,453 | 2,262 | 2,413 | 2,138 | 277 | 75 | - | 1,971 | - | 50 | - | - | 67,302 | 62,203 |
| **Total non-current assets** | **16,586,744** | **13,073,066** | **1,174,128** | **884,356** | **1,490,334** | **1,324,272** | **-** | **935,306** | **408,621** | **315,903** | **444,601** | **365,808** | **409** | **120** | **545,499** | **516,806** | **-** | **80** | **-** | **-** | **20,650,336** | **17,415,717** |
| **TOTAL ASSETS** | **18,729,320** | **15,028,281** | **1,365,897** | **1,065,966** | **1,692,810** | **1,523,072** | **-** | **1,051,502** | **496,692** | **405,444** | **516,119** | **436,519** | **7,190** | **2,576** | **657,114** | **623,564** | **-** | **1,433** | **-** | **-** | **23,465,142** | **20,138,357** |
| **LIABILITIES** | | | | | | | | | | | | | | | | | | | | | | |
| **Current liabilities** | - | | | | | | | | | | | | | | | | | | | | | |
| Payables | 1,383,552 | 1,258,000 | 83,086 | 76,947 | 105,036 | 95,555 | - | 44,542 | 50,091 | 49,556 | 93,542 | 84,326 | 638 | 3,567 | 94,300 | 75,788 | - | - | - | - | 1,810,245 | 1,688,281 |
| Borrowings | 9,194 | 13,423 | 692 | 1,046 | 1,095 | 1,671 | - | 510 | 433 | 676 | 426 | 639 | 49 | 22 | 28 | 589 | - | 15 | - | - | 11,917 | 18,591 |
| Provisions | 1,659,375 | 1,504,660 | 136,043 | 129,431 | 230,344 | 219,208 | - | 61,701 | 95,604 | 93,116 | 60,988 | 57,797 | 448 | 396 | 126,585 | 101,199 | - | - | - | - | 2,309,387 | 2,167,508 |
| Other current liabilities | 80,448 | 19,804 | 6,057 | 1,544 | 9,587 | 2,466 | - | 753 | 3,792 | 998 | 3,730 | 943 | 429 | 33 | 4,647 | 869 | - | 22 | - | - | 108,690 | 27,432 |
| **Total current liabilities** | **3,132,569** | **2,795,887** | **225,878** | **208,968** | **346,062** | **318,900** | **-** | **107,506** | **149,920** | **144,346** | **158,686** | **143,705** | **1,564** | **4,018** | **225,560** | **178,445** | **-** | **37** | **-** | **-** | **4,240,239** | **3,901,812** |
| **Non-current liabilities** | | | | | | | | | | | | | | | | | | | | | | |
| Borrowings | 842,947 | 795,280 | 63,468 | 61,992 | 100,450 | 99,013 | - | 30,218 | 39,730 | 40,057 | 39,087 | 37,867 | 4,493 | 1,330 | - | 34,912 | - | 891 | - | - | 1,090,175 | 1,101,560 |
| Provisions | 29,024 | 30,590 | 2,380 | 2,631 | 4,029 | 4,456 | - | 1,254 | 1,672 | 1,893 | 1,067 | 1,175 | 8 | 8 | 3,540 | 2,057 | - | - | - | - | 41,720 | 44,064 |
| Other non-current liabilities | 141,377 | 69,006 | 10,645 | 5,379 | 16,847 | 8,591 | - | 2,622 | 6,663 | 3,476 | 6,556 | 3,286 | 754 | 115 | - | 3,029 | - | 77 | - | - | 182,842 | 95,581 |
| **Total non-current liabilities** | **1,013,348** | **894,876** | **76,493** | **70,002** | **121,326** | **112,060** | **-** | **34,094** | **48,065** | **45,426** | **46,710** | **42,328** | **5,255** | **1,453** | **3,540** | **39,998** | **-** | **968** | **-** | **-** | **1,314,737** | **1,241,205** |
| **TOTAL LIABILITIES** | **4,145,917** | **3,690,763** | **302,371** | **278,970** | **467,388** | **430,960** | **-** | **141,600** | **197,985** | **189,772** | **205,396** | **186,033** | **6,819** | **5,471** | **229,100** | **218,443** | **-** | **1,005** | **-** | **-** | **5,554,976** | **5,143,017** |
| **NET ASSETS** | **14,583,403** | **11,337,518** | **1,063,526** | **786,996** | **1,225,422** | **1,092,112** | **-** | **909,902** | **298,707** | **215,672** | **310,723** | **250,486** | **371** | **(2,895)** | **428,014** | **405,121** | **-** | **428** | **-** | **-** | **17,910,166** | **14,995,340** |

** The name and purpose of each program group is summarised in Note 15 (b).*

*** 'Small Rural Hospitals and Specialists Hospitals' (Program Group 4) is now included under the 'Acute Health Service' (Program Group 1) from 1 July 2018.*

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

## 15. Program groups of the Consolidated Entity (continued)

### (b) Program Group Name and Purpose of the Consolidated Entity

| Name | Program Group's Purpose |
|---|---|
| **Program Group 1 - Acute Health Services** | This program group include the treatment of patients admitted to a NSW public hospital, attending an emergency department or an outpatient-type clinic. The clinical services provided include medical, surgical, obstetric, diagnostic and therapeutic. The program group also covers the provision of clinical professional training and the strategic investment in medical research and development to improve the health and wellbeing of the people of New South Wales. |
| **Program Group 2 - Sub-Acute Health Services** | This program group covers rehabilitation, palliative care, geriatric and psychogeriatric care, aimed at maintaining and/or optimising patients' functioning and quality of life, in public designated facilities and specialist clinics. |
| **Program Group 3 - Mental Health Services** | This program group delivers an integrated and comprehensive network of services by Local Health Districts and community-based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups. |
| **Program Group 4 - Small Rural Hospitals and Specialist Hospitals** | This program group covers services from 126 small rural and specialist hospitals and facilities. These hospitals typically deliver multipurpose services that may include inpatient, emergency, community health and residential aged care services for rural patients closer to home. Specialist hospitals include The Forensic Hospital at Malabar and two dental hospitals at Sydney and Westmead. Small Rural Hospitals and Specialists Hospitals is now included under the 'Acute Health Service' (Program Group 1) from 1 July 2018. |
| **Program Group 5 - Community Health Care Services** | The community health care services program group includes health services for persons attending community health centres, services delivered in the home, oral health and targeted community drug and alcohol services. |
| **Program Group 6 - Public Health Services** | Public health program group includes services related to:<br>**Protective health** – services targeted at broad population groups including environmental health promotion and regulations, immunisation strategies, tobacco control, food and poisons regulation and monitoring of communicable diseases.<br>**Preventative health** – services targeting prevention initiatives that reduce lifestyle-related risk factors that can result in chronic disease and unnecessary hospitalisation, including the healthy children initiative and get healthy programs. |
| **Program Group 7 - Research Capability** | This program group, delivered through the Office of Health and Medical Research, includes initiatives aimed at building health and medical research capability and capacity across the state, as well as providing support for New South Wales organisations reaching commercial market scale as New South Wales based enterprises. |

## 15. Program groups of the Consolidated Entity (continued)

### (b) Program Group Name and Purpose of the Consolidated Entity (continued)

| Name | Program Group's Purpose |
|---|---|
| **Program Group 8 - Ambulance Emergency Services** | Ambulance emergency services program group includes high quality clinical care and emergency road, rotary and fixed air wing patient and transport services provided by the Ambulance Service of NSW, a division of Health Administration Corporation. Non-emergency patient transports in the metropolitan area are excluded. |
| **Program Group 9 - Independent Advisory Bodies** | This program covers the provision of services by independent health cluster agencies. The health cluster consists of the consolidated entity and two independent agencies; Health Care Complaints Commission and the Mental Health Commission:<br>**Health Care Complaints Commission** – responsible for processing, assessing and resolving health care complaints through assisted resolution, facilitated conciliation or referral for investigation and also investigates and prosecutes any serious cases of inappropriate health care, making recommendations to health organisations to address any systemic health care issues.<br>**Mental Health Commission** – responsible for monitoring, reviewing and improving the mental health system, working with Government and community to secure better mental health for everyone, help prevent mental illness and ensure appropriate support is available close to home. |

## 16. Cash and cash equivalents

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 1,055,929 | 969,373 | 334,204 | 368,065 |
| Short term deposits | 260,920 | 343,894 | - | - |
| | **1,316,849** | **1,313,267** | **334,204** | **368,065** |

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 outstanding bank overdraft.

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

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Cash and cash equivalents (per Statement of Financial Position) | 1,316,849 | 1,313,267 | 334,204 | 368,065 |
| Cash and cash equivalents (per Statement of Cash Flows) | **1,316,849** | **1,313,267** | **334,204** | **368,065** |

Refer to Note 41 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

## 17. Receivables

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Sale of goods and services | 441,897 | 413,836 | 67,682 | 54,052 |
| Intra health receivables | - | - | 93,872 | 47,810 |
| Goods and Services Tax | 115,505 | 109,824 | 12,505 | 9,818 |
| Other debtors | 309,217 | 277,950 | 185,974 | 124,110 |
| | **866,619** | **801,610** | **360,033** | **235,790** |
| Less: allowance for expected credit losses* | (61,393) | - | - | - |
| Less: allowance for impairment** | - | (61,653) | - | - |
| | **805,226** | **739,957** | **360,033** | **235,790** |
| Prepayments | 82,843 | 63,048 | 558 | 1,218 |
| **Current receivables** | **888,069** | **803,005** | **360,591** | **237,008** |
| Sale of goods and services | 67 | 537 | - | - |
| Other debtors | 7,319 | 215 | - | - |
| Prepayments | 15,508 | 11,693 | - | - |
| | **22,894** | **12,445** | **-** | **-** |
| Less: allowance for expected credit losses* | (86) | - | - | - |
| Less: allowance for impairment** | - | (594) | | |
| **Non-current receivables** | **22,808** | **11,851** | **-** | **-** |
| *** Movement in the allowance for expected credit losses** | | | | |
| Balance at 30 June 2018 under AASB 139 | (62,247) | - | - | - |
| Amounts restated through opening accumulated funds | (1,598) | - | - | - |
| Balance at 1 July 2018 under AASB 9 | (63,845) | - | - | - |
| Amounts written off during the year | 40,171 | - | - | - |
| (Increase) / decrease in allowance recognised in net result | (37,805) | - | - | - |
| **Balance at 30 June 2019** | **(61,479)** | **-** | **-** | **-** |
| **** Movement in the allowance for impairment** | | | | |
| Balance at 1 July 2017 | - | (41,038) | - | - |
| Amounts written off during the year | - | 26,704 | - | - |
| (Increase) / decrease in allowance recognised in net result | - | (47,913) | - | - |
| **Balance at 30 June 2018** | **-** | **(62,247)** | **-** | **-** |

Allowance for expected credit losses of $61.5 million (2018: $62.2 million) includes an allowance on sale of goods and services of $58.2 million (2018: $56.8 million) and other debtors of $3.2 million (2018: $5.5 million).

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 41.

## 18. Inventories

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Drug supplies | 79,652 | 112,713 | 32,602 | 59,489 |
| Medical and surgical supplies | 89,649 | 85,613 | 271 | 379 |
| Food and hotel supplies | 4,529 | 3,452 | - | - |
| Other | 3,816 | 4,413 | - | - |
| | **177,646** | **206,191** | **32,873** | **59,868** |

## 19. Financial assets at fair value

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| TCorpIM Funds Investment facilities | 121,328 | 44,448 | - | - |
| | **121,328** | **44,448** | **-** | **-** |
| **Non-current** | | | | |
| TCorpIM Funds Investment facilities | 32,088 | 37,044 | - | - |
| | **32,088** | **37,044** | **-** | **-** |

Refer to note 41 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.

## 20. Other financial assets

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Other loans and deposits | 255,336 | 314,786 | - | - |
| Intra health loans receivable | - | - | 5,000 | 5,000 |
| | **255,336** | **314,786** | **5,000** | **5,000** |
| **Non-current** | | | | |
| Intra health loans receivable | - | - | 14,651 | 17,972 |
| | **-** | **-** | **14,651** | **17,972** |

## 21. Property, plant and equipment

| | Land and Buildings $'000 | Plant and Equipment $'000 | Infrastructure systems $'000 | Leasehold Improvement $'000 | Total $'000 |
|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | |
| **As at 30 June 2019** | | | | | |
| Gross carrying amount | 26,482,893 | 2,717,434 | 951,741 | 102,957 | 30,255,025 |
| Less: accumulated depreciation and impairment | (8,396,553) | (1,485,249) | (487,944) | (61,379) | (10,431,125) |
| Net carrying amount | **18,086,340** | **1,232,185** | **463,797** | **41,578** | **19,823,900** |
| **As at 30 June 2018** | | | | | |
| Gross carrying amount | 23,967,931 | 2,612,012 | 949,589 | 90,660 | 27,620,192 |
| Less: accumulated depreciation and impairment | (9,049,076) | (1,406,518) | (485,971) | (49,150) | (10,990,715) |
| Net carrying amount | **14,918,855** | **1,205,494** | **463,618** | **41,510** | **16,629,477** |
| **PARENT** | | | | | |
| **As at 30 June 2019** | | | | | |
| Gross carrying amount | 185,260 | 8,338 | 3,879 | 18,667 | 216,144 |
| Less: accumulated depreciation and impairment | (52,683) | (6,261) | (2,812) | (18,667) | (80,423) |
| Net carrying amount | **132,577** | **2,077** | **1,067** | **-** | **135,721** |
| **As at 30 June 2018** | | | | | |
| Gross carrying amount | 238,847 | 8,544 | 3,075 | 15,055 | 265,521 |
| Less: accumulated depreciation and impairment | (115,116) | (5,800) | (2,395) | (14,202) | (137,513) |
| Net carrying amount | **123,731** | **2,744** | **680** | **853** | **128,008** |

## 21. Property, plant and equipment - reconciliation (continued)

**CONSOLIDATED**

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

| | Land and Buildings $'000 | Plant and Equipment $'000 | Infrastructure Systems $'000 | Leasehold Improvements $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Net carrying amount at beginning of year | 14,918,855 | 1,205,494 | 463,618 | 41,510 | **16,629,477** |
| Additions | 1,927,489 | 289,843 | 25,844 | 8,199 | **2,251,375** |
| Reclassifications to intangibles | - | (1,638) | - | - | **(1,638)** |
| Reclassification of assets held for sale | (20,954) | - | - | - | **(20,954)** |
| Disposals | (64,118) | (15,048) | - | (285) | **(79,451)** |
| Net revaluation increment less revaluation decrements[(i)] | 1,838,830 | - | 2,302 | 618 | **1,841,750** |
| Depreciation expense | (532,834) | (229,922) | (24,448) | (9,455) | **(796,659)** |
| Other reclassifications within property, plant and equipment | 19,072 | (16,544) | (3,519) | 991 | **-** |
| **Net carrying amount at end of year** | **18,086,340** | **1,232,185** | **463,797** | **41,578** | **19,823,900** |

| | Land and Buildings $'000 | Plant and Equipment $'000 | Infrastructure Systems $'000 | Leasehold Improvements $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Net carrying amount at beginning of year | 13,547,046 | 1,171,574 | 403,918 | 32,589 | **15,155,127** |
| Additions | 1,176,075 | 251,800 | 708 | 10,888 | **1,439,471** |
| Reclassifications to intangibles | - | (14,806) | - | - | **(14,806)** |
| Reclassification of assets held for sale | (37,025) | (11) | (370) | - | **(37,406)** |
| Disposals | (28,821) | (14,768) | - | (108) | **(43,697)** |
| Net revaluation increment less revaluation decrements[(i)] | 822,177 | (60) | 33,923 | - | **856,040** |
| Depreciation expense | (480,895) | (213,050) | (22,626) | (8,681) | **(725,252)** |
| Other reclassifications within property, plant and equipment | (79,702) | 24,815 | 48,065 | 6,822 | **-** |
| **Net carrying amount at end of year** | **14,918,855** | **1,205,494** | **463,618** | **41,510** | **16,629,477** |

*(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 25(b).*

## 21. Property, plant and equipment - reconciliation (continued)

**PARENT**

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

| | Land and Buildings $'000 | Plant and Equipment $'000 | Infrastructure Systems $'000 | Leasehold Improvements $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Net carrying amount at beginning of year | 123,731 | 2,744 | 680 | 853 | **128,008** |
| Additions | 33 | 156 | - | - | **189** |
| Reclassifications to intangibles | - | (284) | - | - | **(284)** |
| Disposals | (17,299) | (23) | - | (41) | **(17,363)** |
| Equity transfers - transfers in/(out) - Note 40(a)[(ii)] | 17,299 | - | - | - | **17,299** |
| Net revaluation increment less revaluation decrements[(i)] | 12,534 | - | 146 | - | **12,680** |
| Depreciation expense | (3,410) | (516) | (70) | (812) | **(4,808)** |
| Other reclassifications within property, plant and equipment | (311) | - | 311 | - | **-** |
| **Net carrying amount at end of year** | **132,577** | **2,077** | **1,067** | **-** | **135,721** |

| | Land and buildings $'000 | Plant and equipment $'000 | Infrastructure systems $'000 | Leasehold improvements $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Net carrying amount at beginning of year | 126,442 | 2,734 | 740 | 1,639 | 131,555 |
| Additions | 40 | 649 | - | 396 | 1,085 |
| Disposals | (2,934) | (89) | - | - | (3,023) |
| Equity transfers - transfers in/(out) - Note 40(a)[(ii)] | 2,934 | - | - | - | 2,934 |
| Depreciation expense | (2,751) | (550) | (60) | (1,182) | (4,543) |
| **Net carrying amount at end of year** | **123,731** | **2,744** | **680** | **853** | **128,008** |

(i) *Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 25(b).*

(ii) *Further details regarding acquisitions made through equity transfers are disclosed in Note 40(a).*

## 22. Intangible assets

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Cost (gross carrying amount) | 1,117,836 | 1,018,826 | 1,772 | 1,414 |
| Less: accumulated amortisation and impairment | 413,598 | 343,684 | 895 | 589 |
| **Net carrying amount** | **704,238** | **675,142** | **877** | **825** |

A reconciliation of the carrying amount of 'intangibles' at the beginning and end of the current reporting year is set out below:

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Net carrying amount at beginning of year | 675,142 | 622,937 | 825 | 1,062 |
| Additions | 98,106 | 99,233 | 73 | - |
| Reclassifications from property, plant and equipment | 1,638 | 14,806 | 284 | - |
| Disposals | (379) | - | - | - |
| Amortisation (recognised in depreciation and amortisation) | (70,269) | (61,834) | (305) | (237) |
| **Net carrying amount at the end of the year** | **704,238** | **675,142** | **877** | **825** |

## 23. Other assets

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Emerging rights to assets | 67,302 | 62,203 | - | - |
| | **67,302** | **62,203** | **-** | **-** |

A reconciliation of the carrying amount of 'other assets' at the beginning and end of the current reporting year is set out below:

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Net carrying amount at beginning of year | 62,203 | 56,055 | - | - |
| Additions | 6,643 | 5,991 | - | - |
| Net revaluation increment less revaluation decrements | (1,544) | 157 | - | - |
| **Net carrying amount at the end of the year** | **67,302** | **62,203** | **-** | **-** |

## 24. Non-current assets held for sale

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Assets held for sale** | | | | |
| Land and buildings | 55,290 | 40,644 | - | - |
| Plant and equipment | - | 11 | - | - |
| Infrastructure systems | 288 | 288 | - | - |
| | **55,578** | **40,943** | **-** | **-** |

Further details regarding the fair value measurement are disclosed in Note 25.

## 25. Fair value measurement of non-financial assets

### (a) Fair value hierarchy

| CONSOLIDATED | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **2019** | | | | |
| Land and buildings[(i)] | - | 1,148,213 | 13,549,623 | 14,697,836 |
| Infrastructure systems[(i)] | - | - | 424,401 | 424,401 |
| Other assets (Note 23) | - | - | 67,302 | 67,302 |
| Non-current assets held for sale (Note 24) | - | 55,578 | - | 55,578 |
| | **-** | **1,203,791** | **14,041,326** | **15,245,117** |
| **2018** | | | | |
| Land and buildings[(i)] | - | 1,173,502 | 10,953,554 | 12,127,056 |
| Infrastructure systems[(i)] | - | - | 437,683 | 437,683 |
| Other assets (Note 23) | - | - | 62,203 | 62,203 |
| Non-current assets held for sale (Note 24) | - | 40,943 | - | 40,943 |
| | **-** | **1,214,445** | **11,453,440** | **12,667,885** |

*(i) Work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 21 will not reconcile with balances disclosed above.*

There were no transfers between Level 1 and 2 during the year ended 30 June 2019 and 2018.

| PARENT | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **2019** | | | | |
| Land and buildings[(i)] | - | 5,030 | 127,547 | 132,577 |
| Infrastructure systems[(i)] | - | - | 761 | 761 |
| | **-** | **5,030** | **128,308** | **133,338** |
| **2018** | | | | |
| Land and buildings[(i)] | - | 79,250 | 44,202 | 123,452 |
| Infrastructure systems[(i)] | - | - | 680 | 680 |
| | **-** | **79,250** | **44,882** | **124,132** |

*(i) Work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 21 will not reconcile with balances disclosed above.*

There were no transfers between Level 1 and 2 during the year ended 30 June 2019 and 2018.

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

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

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

At the end of each reporting period, the consolidated entity updates its assessment of the fair value of each category of non-financial assets, taking into account the most recent independent valuations. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the consolidated entity considers information from other sources, such as the indices provided by the Valuer General. These fair value adjustments are reflected in Note 21 Property, plant and equipment - reconciliation.

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

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

- **For land**, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre. All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs, although these lands are not identical. The majority of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

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

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

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

*Level 3 disclosures:*

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

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

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

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

| CONSOLIDATED | Land and Buildings $'000 | Infrastructure Systems $'000 | Other Assets $'000 | Total Level 3 Recurring $'000 |
|---|---|---|---|---|
| **2019** | | | | |
| Fair value as at 1 July 2018 | 10,953,554 | 437,683 | 62,203 | 11,453,440 |
| Additions | 892,755 | 14,971 | 6,643 | 914,369 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' | 1,788,153 | 2,302 | - | 1,790,455 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets' | - | - | (1,544) | (1,544) |
| Transfers from Level 2 | 458,313 | 566 | - | 458,879 |
| Transfers to Level 2 | (98,424) | - | - | (98,424) |
| Disposals | (34,660) | - | - | (34,660) |
| Depreciation expense | (493,654) | (23,652) | - | (517,306) |
| Prior year carry over adjustments | (11,008) | - | - | (11,008) |
| Reclassification | 94,594 | (7,469) | - | 87,125 |
| **Fair value as at 30 June 2019** | **13,549,623** | **424,401** | **67,302** | **14,041,326** |
| | | | | |
| **2018** | | | | |
| Fair value as at 1 July 2017 | 10,588,852 | 403,921 | 56,055 | 11,048,828 |
| Additions | 276,665 | 22,700 | 5,991 | 305,356 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' | 785,541 | 33,923 | - | 819,464 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets' | - | - | 157 | 157 |
| Transfers from Level 2 | 29,590 | - | - | 29,590 |
| Transfers to Level 2 | (48,341) | - | - | (48,341) |
| Disposals | (28,528) | - | - | (28,528) |
| Depreciation expense | (453,046) | (22,121) | - | (475,167) |
| Prior year carry over adjustments | (134,659) | (24,298) | - | (158,957) |
| Reclassification | (62,520) | 23,558 | - | (38,962) |
| **Fair value as at 30 June 2018** | **10,953,554** | **437,683** | **62,203** | **11,453,440** |

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

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

| PARENT | Land and Buildings $'000 | Infrastructure Systems $'000 | Other Assets $'000 | Total Level 3 Recurring $'000 |
|---|---|---|---|---|
| **2019** | | | | |
| Fair value as at 1 July 2018 | 44,202 | 680 | - | 44,882 |
| Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' | 12,255 | 146 | - | 12,401 |
| Transfers from Level 2 | 79,250 | - | - | 79,250 |
| Transfers to Level 2 | (4,750) | - | - | (4,750) |
| Disposals | (1,045) | - | - | (1,045) |
| Depreciation expense | (3,410) | (65) | - | (3,475) |
| Equity transfers | 1,045 | - | - | 1,045 |
| **Fair value as at 30 June 2019** | **127,547** | **761** | **-** | **128,308** |
| | | | | |
| **2018** | | | | |
| Fair value as at 1 July 2017 | 46,953 | 740 | - | 47,693 |
| Disposals | (2,934) | - | - | (2,934) |
| Depreciation expense | (2,751) | (60) | - | (2,811) |
| Equity transfers | 2,934 | - | - | 2,934 |
| **Fair value as at 30 June 2018** | **44,202** | **680** | **-** | **44,882** |

## 26. Restricted assets

The financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

| CONSOLIDATED | 30 June 2018 | | | 30 June 2019 |
|---|---|---|---|---|
| | Opening | Revenue | Expense | Closing |
| | $000 | $000 | $000 | $000 |
| **Category** | | | | |
| Community welfare | 11,670 | 14,751 | (10,907) | 15,514 |
| Facility improvements | 289,982 | 238,511 | (98,198) | 430,295 |
| Hold Funds in Perpetuity | 12,649 | 4,767 | (1,377) | 16,039 |
| Patient welfare | 95,907 | 39,588 | (34,433) | 101,062 |
| Private practice disbursements (No.2 Accounts) | 453,527 | 105,028 | (90,724) | 467,831 |
| Public contributions | 40,891 | 8,249 | (12,285) | 36,855 |
| Research | 197,758 | 72,233 | (74,976) | 195,015 |
| Staff welfare | 7,662 | 12,451 | (1,854) | 18,259 |
| Training and education including conferences | 91,258 | 17,722 | (14,670) | 94,310 |
| Other | - | 13,900 | - | 13,900 |
| **Total Restricted Assets** | **1,201,304** | **527,200** | **(339,424)** | **1,389,080** |

| PARENT | 30 June 2018 | | | 30 June 2019 |
|---|---|---|---|---|
| | Opening | Revenue | Expense | Closing |
| | $000 | $000 | $000 | $000 |
| **Category** | | | | |
| Facility improvements | - | 147,239 | (26,890) | 120,349 |
| **Total Restricted Assets** | **-** | **147,239** | **(26,890)** | **120,349** |

| Category | Purpose |
|---|---|
| Community welfare | Improvements to service access, health literacy, public and preventative health care. |
| Facility improvements | Repairs, maintenance, renovations and/or new equipment or building related expenditure. |
| Hold funds in perpetuity | Donor has explicitly requested funds be invested permanently and not otherwise expended. |
| Patient welfare | Improvements such as medical needs, financial needs and standards for patients' privacy and dignity. |
| Private practice disbursements | Staff specialists' private practice arrangements to improve the level of clinical services provided (No. 2 Accounts). |
| Public contributions | Donations or legacies received without any donor-specified conditions as to its use. |
| Research | Research to gain knowledge, understanding and insight. |
| Staff welfare | Staff benefits such as staff recognition awards, functions and staff amenity improvements. |
| Training and education including conferences | Professional training, education and conferences. |
| Other | This does not meet the definition of any of the above categories. |

## 27. Payables

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Accrued salaries, wages and on-costs | 348,342 | 304,988 | 843 | 493 |
| Payroll tax | 84,121 | 76,575 | 1,277 | 1,774 |
| Trade operating creditors | 866,100 | 800,834 | 265,308 | 214,666 |
| Interest | 14 | 14 | - | - |
| Other creditors | | | | |
| - Capital works | 175,826 | 168,892 | - | - |
| - Payables to controlled health entities | - | - | 98,919 | 46,360 |
| - Other | 335,842 | 336,978 | 31,450 | 24,510 |
| **Total current payables** | **1,810,245** | **1,688,281** | **397,797** | **287,803** |

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

## 28. Borrowings

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Other loans and deposits | 5,525 | 6,112 | - | - |
| Finance leases | 951 | 951 | - | - |
| Public, Private Partnerships (PPP) | | | | |
| Long Bay Forensic Hospital | 2,193 | 1,982 | - | - |
| Calvary Mater Newcastle Hospital | 1,498 | 8,214 | - | - |
| Orange Hospital & Associated Health Services | 1,519 | 1,004 | - | - |
| Royal North Shore Hospital Redevelopment | 231 | 328 | - | - |
| | **11,917** | **18,591** | **-** | **-** |
| **Non-Current** | | | | |
| Other loans and deposits | 39,023 | 44,548 | - | - |
| Finance leases | 32,912 | 33,332 | - | - |
| Public, Private Partnerships (PPP) | | | | |
| Long Bay Forensic Hospital | 69,400 | 71,592 | - | - |
| Calvary Mater Newcastle Hospital | 68,909 | 70,407 | - | - |
| Orange Hospital & Associated Health Services | 158,828 | 160,346 | - | - |
| Royal North Shore Hospital Redevelopment | 721,103 | 721,335 | - | - |
| | **1,090,175** | **1,101,560** | **-** | **-** |

## 28. Borrowings (continued)

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

**Changes in liabilities arising from financing activities**

| | 1 July 2018 Opening $000 | Cash flows $000 | Others $000 | 30 June 2019 Closing $000 |
|---|---|---|---|---|
| Borrowings | **1,120,151** | **(18,059)** | **-** | **1,102,092** |

| | 1 July 2017 Opening $000 | Cash flows $000 | Others $000 | 30 June 2018 Closing $000 |
|---|---|---|---|---|
| Borrowings | **1,117,570** | **2,581** | **-** | **1,120,151** |

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

### (a) Finance lease commitments

The Public, Private Partnerships relates to the provision of development of a facility and its maintenance provided by the private sector for the purpose of public services. These are 'deemed finance leases' arrangements and included in the future commitments below.

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Within one year | 114,474 | 120,333 | - | - |
| Later than one year but not later than five years | 500,866 | 488,155 | - | - |
| Later than five years | 1,810,795 | 1,944,732 | - | - |
| **Minimum lease payments** | 2,426,135 | 2,553,220 | - | - |
| Less: Future finance charges | 1,368,591 | 1,483,729 | - | - |
| **Recognised as a liability** | **1,057,544** | **1,069,491** | **-** | **-** |
| **The present value of finance lease liabilities is as follows:** | | | | |
| Within one year | 6,392 | 12,479 | - | - |
| Later than one year but not later than five years | 71,060 | 53,061 | - | - |
| Later than five years | 980,091 | 1,003,951 | - | - |
| **Minimum lease payments** | **1,057,544** | **1,069,491** | **-** | **-** |

## 29. Provisions

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Annual leave | 1,799,566 | 1,709,990 | 13,354 | 12,380 |
| Long service leave | 358,518 | 301,665 | 5,515 | 4,594 |
| Allocated days off | 45,861 | 38,202 | - | - |
| Sick leave | 237 | 275 | - | - |
| Death and disability (ambulance officers) | 1,249 | 3,155 | - | - |
| Other | 103,956 | 114,221 | - | - |
| **Total current provisions** | **2,309,387** | **2,167,508** | **18,869** | **16,974** |
| **Non-current** | | | | |
| Long service leave | 31,175 | 26,232 | 480 | 399 |
| Death and disability (ambulance officers) | 1,049 | 8,654 | - | - |
| Other | 9,496 | 9,178 | 233 | 396 |
| **Total non-current provisions** | **41,720** | **44,064** | **713** | **795** |
| **Aggregate employee benefits and related on-costs** | | | | |
| Provisions - current | 2,208,860 | 2,066,941 | 18,869 | 16,974 |
| Provisions - non-current | 32,224 | 34,886 | 480 | 399 |
| Accrued salaries, wages and on-costs and payroll tax (Note 27) | 432,463 | 381,563 | 2,120 | 2,267 |
| | **2,673,547** | **2,483,390** | **21,469** | **19,640** |

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

The majority of 'other' current provision represent a provision for a judgement that was handed down in regards to a legal matter. Final damages to be awarded to the claimant are yet to the determined by the Court.

Movements in 'other' provisions during the financial year, are set below:

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Carrying amount at beginning of year | 123,399 | 122,727 | 396 | - |
| - Additional provisions recognised | 1,040 | 15,820 | - | 396 |
| - Unused amounts reversed | - | (15,000) | - | - |
| Amounts used | (10,987) | (148) | (163) | - |
| **Carrying amount at end of year** | **113,452** | **123,399** | **233** | **396** |

## 30. Other liabilities

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Unearned revenue | 108,690 | 27,294 | 54,442 | 2,427 |
| Other | - | 138 | - | - |
| | **108,690** | **27,432** | **54,442** | **2,427** |

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Unearned revenue | 182,016 | 95,490 | 43,694 | 46,121 |
| Other | 826 | 91 | - | - |
| | **182,842** | **95,581** | **43,694** | **46,121** |

## 31. Commitments

### (a) Capital commitments

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

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Within one year | 1,477,730 | 1,066,486 | 125,854 | 105 |
| Later than one year and not later than five years | 823,737 | 996,149 | - | - |
| Later than five years | 44,988 | 74,602 | - | - |
| **Total (including GST)** | **2,346,455** | **2,137,237** | **125,854** | **105** |

## 31. Commitments (continued)

### (b) Operating lease commitments

***Entity as lessee***

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

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Within one year | 169,711 | 232,704 | 9,706 | 9,123 |
| Later than one year and not later than five years | 416,497 | 681,924 | 12,512 | - |
| Later than five years | 182,341 | 747,653 | 5,565 | - |
| **Total (including GST)** | **768,549** | **1,662,281** | **27,783** | **9,123** |

***Entity as lessor***

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

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Within one year | 4,535 | 5,816 | 376 | 1,012 |
| Later than one year and not later than five years | 8,177 | 10,211 | 721 | 1,727 |
| Later than five years | 6,794 | 7,009 | 212 | 965 |
| **Total (including GST)** | **19,506** | **23,036** | **1,309** | **3,704** |

### (c) Input tax receivable related to commitments for expenditure

The total of 'commitments' payable, i.e. $3,115 million as at 30 June 2019 includes input tax credits of $283.2 million that are expected to be recoverable from the Australian Taxation Office (2018: $345.4 million).

**Output tax payable related to commitments for revenue**

The total of 'commitments' receivable, i.e. $20 million as at 30 June 2019 includes input tax of $2 million that is expected to be payable to the Australian Taxation Office (2018: $2.1 million).

## 32. Trust funds

### CONSOLIDATED

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

| 2019 | Opening Cash Balance | Add: Receipts | Less: Expenditure | Closing Cash Balance |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Patient Trust | 5,864 | 6,570 | (6,769) | **5,665** |
| Refundable Deposits | 8,699 | 2,106 | (2,134) | **8,671** |
| Private Patient Trust Funds | 13,829 | 573,031 | (572,745) | **14,115** |
| Third Party Funds | 12,799 | 48,843 | (49,675) | **11,967** |
| **Total trust funds** | **41,191** | **630,550** | **(631,323)** | **40,418** |

| 2018 | Opening Cash Balance | Add: Receipts | Less: Expenditure | Closing Cash Balance |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Patient Trust | 15,118 | 4,816 | (14,070) | **5,864** |
| Refundable Deposits | 6,338 | 4,652 | (2,291) | **8,699** |
| Private Patient Trust Funds | 54,441 | 537,384 | (577,996) | **13,829** |
| Third Party Funds | - | 45,441 | (32,642) | **12,799** |
| **Total trust funds** | **75,897** | **592,293** | **(626,999)** | **41,191** |

The parent entity does not administer any trust funds on behalf of others.

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

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

## 33. Contingent liabilities and assets

### CONSOLIDATED

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

### PARENT

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

## 34. Interests in associates

Set out below are the associates of the consolidated entity. The proportion of ownership interest held by the group equals the voting rights held by the group.

| Name of entity | Place of business and country of incorporation | Class of shares | Ownership interest | | Reporting Period | Measurement method | Carrying amount | |
|---|---|---|---|---|---|---|---|---|
| | | | 2019 % | 2018 % | | | 2019 $'000 | 2018 $'000 |
| Hunter Medical Research Institute | Australia | Not applicable | 25 | 25 | 31 December | Equity method | - | - |
| Illawarra Health and Medical Research | Australia | Not applicable | 50 | 50 | 31 December | Equity method | - | - |

Both associates are companies limited by guarantee, whose constitution prohibits the distribution of funds to its members. Accordingly the carrying amount has been equity accounted at nil value and as such no financial information has been disclosed.

## 35. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to net result as reported in the Statement of Comprehensive Income as follows:

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Net cash used on operating activities | 2,231,732 | 1,341,125 | (54,252) | (241,932) |
| Depreciation and amortisation expense | (866,928) | (787,086) | (5,113) | (4,780) |
| Allowance for impairment | (37,805) | (47,913) | - | - |
| (Increase) / decrease in unearned revenue | (70,998) | 31,958 | (49,587) | 2,427 |
| Decrease / (increase) in provisions | (139,534) | (164,644) | (1,812) | (2,712) |
| Increase / (decrease) in prepayments and other assets | 147,382 | 125,585 | 95,690 | 59,264 |
| Decrease / (increase) in payables | (163,235) | (117,340) | (109,098) | (382) |
| Net gain / (loss) on sale of property, plant and equipment | (35,819) | (11,917) | (31) | (6) |
| Non-cash revenue items | 3,342 | - | - | - |
| Assets donated or brought to account / emerging assets recognised (Note 36) | 8,081 | 7,933 | - | - |
| **Net result** | **1,076,218** | **377,701** | **(124,203)** | **(188,121)** |

## 36. Non-cash financing and investing activities

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Assets donated or brought to account | 1,438 | 1,942 | - | - |
| Emerging rights to assets recognised | 6,643 | 5,991 | - | - |
| | **8,081** | **7,933** | **-** | **-** |

## 37. 2018/19 Voluntary services

It is considered impracticable to quantify the monetary value of voluntary services provided to the Ministry. Services received free of charge, or for nominal consideration include:

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

## 38 Unclaimed monies

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

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

## 39. Budget Review - Consolidated

The 2018/19 budget represents the initial budget as allocated by the NSW Government at the time of the 2018/19 State Budget, which was presented to Parliament on 19 June 2018.

### NET RESULT

The actual net result ($1,076 million) is lower than the budgeted net result ($1,223 million) by $147 million for the year ended 30 June 2019.

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

| | $'000 |
|---|---|
| **Net result - actual** | **1,076,218** |
| Actuarial assessment impact of long service leave on annual leave on-costs resulted in additional employee related expenses of $62 million, not assumed by the Crown | 61,796 |
| The impact of the non-current asset revaluations resulted in higher depreciation movements compared to budget | 21,198 |
| Greater than expected net losses were recognised as a result of the disposal of buildings and impairment of receivables | 61,541 |
| Other minor variations | 2,081 |
| **Net result - budget** | **1,222,834** |

### ASSETS AND LIABILITIES

The actual net assets ($17,910 million) is greater than the budgeted net assets ($16,851 million) by $1,059 million as at 30 June 2019.

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

| | $'000 |
|---|---|
| **Net assets - actual** | **17,910,166** |
| Higher than expected non current asset movements as a result of revaluations of property, plant and equipment of $1,842 million | (1,389,838) |
| The timing of revenue received for major projects resulted in an increase to unearned revenue | 120,224 |
| Actuarial assessment impact of long service leave on annual leave on-costs resulted in additional employee related provisions of $62 million | 61,796 |
| Net movement across several asset and liability classes, including receivables, other financial assets and payables | 149,028 |
| **Net assets - budget** | **16,851,376** |

## 39. Budget Review - Consolidated (continued)

### CASH FLOWS

The actual net cash flows from operating activities was higher than the budget by $139 million. This is primarily due to in-year payments being lower than anticipated with a lower than budgeted year end position for other payments being slightly offset by higher employee related expenses and payment for suppliers goods and services. This is offset by lower receipt of appropriations than budgeted.

The net cash flows from investing activities were higher than expected by $62 million. This was attributable to an increase in purchases of property, plant and equipment and intangibles which exceeded budget by $176 million and purchase of financial assets and other investing activities which also exceeded budget by $279 million. The higher purchases to budget were mostly offset by higher proceeds to budget from the sale of financial assets and the proceeds from the sale of property, plant and equipment and intangibles by $393 million.

## 40. Increase / (decrease) in net assets from equity transfer

| | | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|---|
| Transfer of property, plant and equipment | (a) | - | - | 17,299 | 2,934 |
| Transfer of inventory | (b) | - | - | - | (3,947) |
| | | **-** | **-** | **17,299** | **(1,013)** |

### (a) Transfer of property, plant and equipment

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Carrying amount at transfer date** | | | | |
| Land & buildings | - | - | 17,299 | 2,934 |
| **Fair value at transfer date** | **-** | **-** | **17,299** | **2,934** |

**Parent**

In 2018-19, in accordance with the Real Property Disposal Framework, the following ambulance stations were transferred from Ambulance Service of NSW, a controlled entity, to the Ministry of Health, at the fair value of the asset: Bankstown ambulance station $2.5 million; Summerhill ambulance station $12.4 million and Auburn ambulance station $2.4 million.

On 14 November 2017, in accordance with the Real Property Disposal Framework, a decision was made to transfer the Rockdale ambulance station from Ambulance Service of NSW, a controlled entity, to the Ministry of Health, at $2.9 million which was the fair value of the asset (excluding selling costs).

### (b) Transfer of inventory

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Carrying amount at transfer date** | | | | |
| Medical and surgical supplies | - | - | | (3,947) |
| **Fair value at transfer date** | **-** | **-** | **-** | **(3,947)** |

**Parent**

On 15 March 2018, a Memorandum of Understanding was signed between the Ministry and HealthShare NSW (HSNSW), a controlled entity, to transfer the State Medical Stockpile (SMS) from the Ministry to HSNSW, valued at $3.9 million.

## 41. Financial instruments

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

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

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

### (a) Financial instrument categories

**i. As at 30 June 2019 under AASB 9**

| Class | Note | Category | Consolidated 2019 $'000 | Parent 2019 $'000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | 16 | N/A | 1,316,849 | 334,204 |
| Receivables[1] | 17 | Amortised cost | 697,021 | 347,528 |
| Financial assets at fair value | 19 | Fair value through profit or loss - mandatory classification | 153,416 | - |
| Other financial assets | 20 | Amortised cost | 255,336 | 19,651 |
| **Total financial assets** | | | **2,422,622** | **701,383** |
| **Financial Liabilities** | | | | |
| Borrowings | 28 | Financial Liabilities (at amortised cost) | 1,102,092 | - |
| Payables[2] | 27 | Financial Liabilities (at amortised cost) | 1,726,124 | 396,520 |
| Other liabilities[2] | 30 | Financial Liabilities (at amortised cost) | 826 | - |
| **Total financial liabilities** | | | **2,829,042** | **396,520** |

**Notes**

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

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

## 41. Financial instruments (continued)

### (a) Financial instrument categories (continued)

#### ii. As at 30 June 2018 under AASB 139 (comparative period)

| Class | Note | Category | Consolidated 2018 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and cash equivalents | 16 | N/A | 1,313,267 | 368,065 |
| Receivables[1] | 17 | Loans and receivables (at amortised cost) | 630,291 | 225,972 |
| Financial assets at fair value | 19 | Fair value through profit or loss (designated as such upon initial recognition) | 81,492 | - |
| Other financial assets | 20 | Loans and receivables (at amortised cost) | 314,786 | 22,972 |
| **Total financial assets** | | | **2,339,836** | **617,009** |
| **Financial Liabilities** | | | | |
| Borrowings | 28 | Financial Liabilities (at amortised cost) | 1,120,151 | - |
| Payables[2] | 27 | Financial Liabilities (at amortised cost) | 1,611,706 | 286,029 |
| Other liabilities[2] | 30 | Financial Liabilities (at amortised cost) | 229 | - |
| **Total financial liabilities** | | | **2,732,086** | **286,029** |

**Notes**

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

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

### (b) Financial Risk

#### i. Credit risk

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

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

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

#### Cash and cash equivalents

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

## 41. Financial instruments (continued)

### (b) Financial Risk (continued)

#### i. Credit risk (continued)

**Accounting policy for impairment of trade debtors and other financial assets under AASB 9**

**Receivables - trade debtors**

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

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The consolidated entity has not identified any relevant factors, and accordingly has not adjusted the historical loss rates.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (sale of goods and services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

**CONSOLIDATED**

| 30 June 2019 | Current $'000 | <30 days $'000 | 30-60 days $'000 | 61-90 days $'000 | >91 days $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 3.62% | 7.82% | 18.61% | 37.25% | 51.41% | 13.18% |
| Estimated total gross carrying amount at default | 295,698 | 45,527 | 19,428 | 10,153 | 71,158 | 441,964 |
| Expected credit loss | 10,704 | 3,558 | 3,616 | 3,782 | 36,583 | 58,243 |

| 1 July 2018 | Current $'000 | <30 days $'000 | 30-60 days $'000 | 61-90 days $'000 | >91 days $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 4.55% | 13.77% | 27.85% | 36.58% | 55.62% | 14.17% |
| Estimated total gross carrying amount at default | 300,406 | 30,233 | 14,519 | 8,756 | 60,459 | 414,373 |
| Expected credit loss | 13,664 | 4,163 | 4,043 | 3,203 | 33,626 | 58,699 |

### 41. Financial instruments (continued)

#### (b) Financial Risk (continued)

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

**PARENT**

| 30 June 2019 | Current $'000 | <30 days $'000 | 30-60 days $'000 | 61-90 days $'000 | >91 days $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Estimated total gross carrying amount at default | 66,442 | 651 | 20 | 109 | 460 | 67,682 |
| Expected credit loss | - | - | - | - | - | - |

| 1 July 2018 | Current $'000 | <30 days $'000 | 30-60 days $'000 | 61-90 days $'000 | >91 days $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0% | 0.00% | 0.00% |
| Estimated total gross carrying amount at default | 51,948 | 1,914 | - | 190 | - | 54,052 |
| Expected credit loss | - | - | - | - | - | - |

The consolidated entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

**Other financial assets - Authority Deposits**

The consolidated entity has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The consolidated entity didn't recognise a provision for expected credit losses on its other financial assets in 2019.

**Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only).**

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at reporting 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 Ministry 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.

## 41. Financial instruments (continued)

### (b) Financial Risk (continued)

### i. Credit risk (continued)

**Receivables - trade debtors (continued)**

The consolidated entity 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. In addition Patient Fees Compensable' are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the consolidated entity's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

| | Consolidated 2018 $'000 | Parent 2018 $'000 |
|---|---|---|
| Neither past due nor impaired | 561,536 | 176,058 |
| Past due but not impaired[1,2] | | |
| <3 months overdue | 41,588 | 2,104 |
| 3 - 6 months overdue | 19,787 | - |
| > 6 months overdue | 7,380 | - |
| Impaired[1,2] | | |
| <3 months overdue | 8,498 | - |
| 3 - 6 months overdue | 10,708 | - |
| > 6 months overdue | 43,041 | - |
| **Total [1,2]** | **692,538** | **178,162** |

**Notes**

[1] *The table reports 'gross receivables'.*

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

**Authority deposits**

The consolidated entity has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. There were no indicators for impairment on these securities during the year.

## 41. Financial instruments (continued)

### (b) Financial Risk (continued)

#### ii. Liquidity risk

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

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

However, the risk is minimised by the service agreement, 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 controlled entities fail to meet service agreement performance standards, the parent as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction.

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

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

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

### 41. Financial instruments (continued)

#### (b) Financial Risk (continued)

##### ii. Liquidity risk (continued)

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

*Maturity analysis and interest rate exposure of financial liabilities*

| | | | Interest Rate Exposure | | | Maturity Dates | | |
|---|---|---|---|---|---|---|---|---|
| | EIR[3] | Nominal Amount [1] $'000 | Fixed Interest Rate $'000 | Variable Interest Rate $'000 | Non - Interest Bearing $'000 | < 1 Year $'000 | 1-5 Years $'000 | > 5 Years $'000 |
| **CONSOLIDATED** | | | | | | | | |
| **2019** | | | | | | | | |
| Payables[2] | | 1,726,124 | - | - | 1,726,124 | 1,726,124 | - | - |
| Borrowings: | | | | | | | | |
| - Loans and deposits | 3% | 47,417 | 47,417 | - | - | 6,381 | 23,930 | 17,106 |
| - Finance leases | 2% | 44,720 | - | 44,720 | - | 970 | 4,077 | 39,673 |
| - PPP | 9% | 2,381,415 | 133,169 | 2,248,246 | - | 113,504 | 496,789 | 1,771,122 |
| - Other | 3% | 74 | - | - | 74 | 74 | - | - |
| | | **4,199,750** | **180,586** | **2,292,966** | **1,726,198** | **1,847,053** | **524,796** | **1,827,901** |
| **2018** | | | | | | | | |
| Payables[2] | | 1,611,706 | - | - | 1,611,706 | 1,611,706 | - | - |
| Borrowings: | | | | | | | | |
| - Loans and deposits | 4% | 83,111 | 83,111 | - | - | 11,304 | 44,550 | 27,257 |
| - Finance leases | 2% | 45,670 | - | 45,670 | - | 951 | 3,997 | 40,722 |
| - PPP | 9% | 2,507,551 | 148,069 | 2,359,482 | - | 119,383 | 484,158 | 1,904,010 |
| - Other | 3% | 148 | 57 | - | 91 | 148 | - | - |
| | | **4,248,186** | **231,237** | **2,405,152** | **1,611,797** | **1,743,492** | **532,705** | **1,971,989** |
| **PARENT** | | | | | | | | |
| **2019** | | | | | | | | |
| Payables[2] | | 396,520 | - | - | 396,520 | 396,520 | - | - |
| | | **396,520** | **-** | **-** | **396,520** | **396,520** | **-** | **-** |
| **2018** | | | | | | | | |
| Payables[2] | | 286,029 | - | - | 286,029 | 286,029 | - | - |
| | | **286,029** | **-** | **-** | **286,029** | **286,029** | **-** | **-** |

**Notes**

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

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

[3] *Weighted Average Effective Interest Rate.*

## 41. Financial instruments (continued)

### (b) Financial Risk (continued)

#### iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The consolidated entity's exposures to market risk are primarily through interest rate risk on the consolidated entity's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The consolidated entity 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 consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis was performed on the same basis for 2018. The analysis assumes that all other variables remain constant.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the consolidated entity's interest bearing liabilities.

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

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

## 41. Financial instruments (continued)

### (b) Financial Risk (continued)

### iii. Market risk (continued)

***Interest rate risk (conitinued)***

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

| | Carrying Amount | -1% | | +1% | |
|---|---|---|---|---|---|
| | | Net Result | Equity | Net Result | Equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **CONSOLIDATED** | | | | | |
| **2019** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,316,849 | (13,168) | (13,168) | 13,168 | 13,168 |
| Receivables | 697,021 | - | - | - | - |
| Financial assets at fair value | 153,416 | (1,534) | (1,534) | 1,534 | 1,534 |
| Other Financial Assets | 255,336 | (2,553) | (2,553) | 2,553 | 2,553 |
| **Financial liabilities** | | | | | |
| Payables | 1,726,124 | - | - | - | - |
| Borrowings | 1,102,092 | 11,021 | 11,021 | (11,021) | (11,021) |
| Other | 826 | 8 | 8 | (8) | (8) |
| **2018** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,313,267 | (13,133) | (13,133) | 13,133 | 13,133 |
| Receivables | 630,291 | - | - | - | - |
| Financial assets at fair value | 81,492 | (815) | (815) | 815 | 815 |
| Other financial assets | 314,786 | (3,148) | (3,148) | 3,148 | 3,148 |
| **Financial liabilities** | | | | | |
| Payables | 1,611,706 | - | - | - | - |
| Borrowings | 1,120,151 | 11,202 | 11,202 | (11,202) | (11,202) |
| Other | 229 | 2 | 2 | (2) | (2) |

41. Financial instruments (continued)

(b) Financial Risk (continued)

iii. Market risk (continued)

*Interest rate risk (conitinued)*

| | Carrying Amount | -1% | | +1% | |
|---|---|---|---|---|---|
| | | Net Result | Equity | Net Result | Equity |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **PARENT** | | | | | |
| **2019** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 334,204 | (3,342) | (3,342) | 3,342 | 3,342 |
| Receivables | 347,528 | - | - | - | - |
| Other financial assets | 19,651 | (197) | (197) | 197 | 197 |
| **Financial liabilities** | | | | | |
| Payables | 396,520 | - | - | - | - |
| **2018** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 368,065 | (3,681) | (3,681) | 3,681 | 3,681 |
| Receivables | 225,972 | - | - | - | - |
| Other financial assets | 22,972 | (230) | (230) | 230 | 230 |
| **Financial liabilities** | | | | | |
| Payables | 286,029 | - | - | - | - |

**41. Financial instruments (continued)**

**(b) Financial Risk (continued)**

**iii. Market risk (continued)**

***Other price risk - TCorpIM Funds***

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

| Facility | Investment Sectors | Investment Horizon | 2019 $'000 | 2018 $'000 |
|---|---|---|---|---|
| Cash facility | Cash and money market instruments | Up to 1.5 years | 254,787 | 1,015 |
| Strategic cash facility | Cash and money market instruments | 1.5 years to 3 years | 84,928 | 21,560 |
| Medium term growth facility | Cash, money market instruments, Australian and International bonds, listed property and Australian shares | 3 years to 7 years | 16,390 | 10,478 |
| Long-term growth facility | Cash, money market instruments, Australian and International bonds, listed property and Australian shares | 7 years and over | 52,098 | 48,439 |

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

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

TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorpIM Funds are designated at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from TCorpIM Funds statement).

| | | Impact on net result | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Change in unit price | $'000 | $'000 |
| TCorpIM Funds - Cash facility | +/- 1% | 2,548 | 10 |
| TCorpIM Funds - Strategic cash facility | +/- 1% | 849 | 216 |
| TCorpIM Funds - Medium-term growth facility | +/- 6% | 983 | 629 |
| TCorpIM Funds - Long-term growth facility | +/- 13% (2018: +/-15%) | 6,773 | 7,267 |

## 41. Financial instruments (continued)

### (c) Fair value measurement

#### i. Fair value compared to carrying amount

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

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

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

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

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

| 2019 | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| TCorpIM Funds Investment Facility | - | 408,203 | - | **408,203** |

| 2018 | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| TCorpIM Funds Investment Facility | - | 81,492 | - | **81,492** |

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

There were no transfers between Level 1 and 2 during the year ended 30 June 2019 (2018: Nil).

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

## 42. Related party transactions

### (a) Key management personnel compensation

Key management personnel compensation is as follows:

| | Consolidated 2019 $'000 | Consolidated 2018 $'000 | Parent 2019 $'000 | Parent 2018 $'000 |
|---|---|---|---|---|
| Short-term employee benefits | 3,057 | 2,895 | 3,057 | 2,895 |
| Post-employment benefits | 62 | 45 | 62 | 45 |
| | **3,119** | **2,940** | **3,119** | **2,940** |

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

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

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

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

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

*Operating expenses incurred as follows:*

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Cost for mobile radio network services
- Utilities, including electricity, gas and water expenses
- Property lease expenses
- Insurance costs
- Legal and consultancy costs
- Advertising costs for employee recruitment services
- Motor vehicle toll expenses
- Various grants and contributions towards research and other projects
- Project management costs for capital works projects

**42. Related party transactions (continued)**

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

*Revenue earned as follows:*

- Revenue and Capital appropriations as per the Appropriations Act
- Motor Accident Third Party revenue is received from State Insurance Regulatory Authority (SIRA) under a bulk billing agreement
- Clinical services revenue was earned from the NSW Police Force and Transport for NSW
- Various grants and contributions towards research and other projects
- Interest income on TCorpIM Funds Investment facilities
- Motor vehicle rebates
- Contract revenue for the construction works
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit superannuation

*Assets and Liabilities as follows:*

- Receivables / payables in respect of the above noted related party revenue and expense transactions
- Some term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown Finance Entity
- Prepayment for land purchase

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

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

*Operating expenses incurred as follows:*

- Grants and subsidies provided to health entities

*Revenue earned as follows:*

- Revenue from personnel services provided

*Assets and Liabilities as follows:*

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

## 42. Related party transactions (continued)

### (d) Individually significant transactions with Government-related entities

*Peppercorn Lease 1: Doonside Lease*

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

*Peppercorn Lease 2: Mt Druitt Lease*

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

Finance lease with associate

On 01 July 2012, South West Sydney Local Health District entered into a collaborative relationship with the Ingham Institute (an associate entity of NSW Health) for Applied Medical Research to create a research precinct on the grounds of Liverpool Hospital. The goal is to undertake medical research that can be translated & applied to the needs of the local population and wider Australia. As part of the arrangement the Ingham Institute Building has been sub-leased to South West Sydney Local Health District to allow its employees to conduct research across a number of streams. This arrangement has been classified as a finance lease. The final repayments for the Ingham Finance Lease are to be made during the year ending 30 June 2052.

## 43. Events after the reporting period

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

**END OF AUDITED FINANCIAL STATEMENTS**