Graythwaite Charitable Trust

Financial Statements

for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

Graythwaite Charitable Trust

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Graythwaite Charitable Trust (the Trust), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 30 June 2019, and of its financial performance and its 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 Trust 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.

Other Information

The Secretary of the NSW Health 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 financial statements by the Secretary.

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 Act, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Trust's 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/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Trust carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Dominika Ryan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

17 September 2019
SYDNEY

Graythwaite Charitable Trust
Certification of 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 Graythwaite Charitable Trust for the year ended 30 June 2019 have been prepared in accordance with:

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

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

   c) Financial Reporting Directions mandated by the NSW Treasurer.

2) The financial statements exhibit a true and fair view of the financial position for the Graythwaite Charitable Trust as at 30 June 2019 and the financial performance for the year then ended; and

3) There are no 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

Graythwaite Charitable Trust

Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
Expenses			
Depreciation	2	1,014	1,014
Total expenses		**1,014**	**1,014**
Revenue			
Investment revenue	3	125	125
Total revenue		**125**	**125**
Net result	8	**(889)**	**(889)**
Other comprehensive income / (loss)		**-**	**-**
Total other comprehensive income / (loss)		**-**	**-**
Total comprehensive loss		**(889)**	**(889)**

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust

Statement of Financial Position as at 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	4	8,512	8,387
Total current assets		**8,512**	**8,387**
Non-current assets			
Property, plant and equipment			
- Land and buildings	5	36,741	37,690
- Plant and equipment	5	277	342
Total property, plant and equipment		37,018	38,032
Total non-current assets		**37,018**	**38,032**
Total assets		**45,530**	**46,419**
Liabilities			
Total liabilities		**-**	**-**
Net assets		**45,530**	**46,419**
Equity			
Reserves		8,274	8,274
Accumulated funds		37,256	38,145
Total equity		**45,530**	**46,419**

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust

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

	Notes	Accumulated funds $'000	Asset revaluation surplus $'000	Total $'000
Balance at 1 July 2018		38,145	8,274	46,419
Net result for the year		(889)	-	(889)
Total comprehensive loss for the year		(889)	-	(889)
Balance at 30 June 2019		**37,256**	**8,274**	**45,530**
Balance at 1 July 2017		39,034	8,274	47,308
Net result for the year		(889)	-	(889)
Total comprehensive loss for the year		(889)	-	(889)
Balance at 30 June 2018		**38,145**	**8,274**	**46,419**

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Statement of Cash Flows for the year ended 30 June 2019

	Notes	Actual 2019 $'000	Actual 2018 $'000
Cash flows from operating activities			
Receipts			
Interest received		125	185
Total receipts		**125**	**185**
Net cash flows from operating activities	8	**125**	**185**
Net cash flows from investing activities		**-**	**-**
Net cash flows from financing activities		**-**	**-**
Net increase in cash and cash equivalents		125	185
Opening cash and cash equivalents		8,387	8,202
Closing cash and cash equivalents	4	**8,512**	**8,387**

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of significant accounting policies

a) The reporting entity

The Graythwaite Trust (the Trust) was incorporated on 1 July 2009 by Trust Deed. The Trustee of the Graythwaite estate is Her Majesty Queen Elizabeth II, who acts through the NSW Minister for Health.

The Trust encompasses the property, plant and equipment of the Graythwaite Rehabilitation Facility opened on 19 September 2013, together with the residual proceeds from the sale of the former Graythwaite Nursing Home.

The Trust is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales, which is the ultimate parent. The Entity is a not for profit entity (as profit is not its principle objective).

The financial statements for the year ended 30 June 2019 have been authorised for issue by the Secretary, NSW Health on 9 September 2019.

b) Basis of preparation

The Trust's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Health Services Act 1997* and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the *Public Finance and Audit Act 1983 (the Act)* and the *Public Finance and Audit Regulation 2015 (Regulation),* and NSW Treasurer's directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

Property, plant and equipment is measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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

c) Comparative information

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

d) Statement of compliance

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

e) 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).

1. Statement of significant accounting policies (continued)

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

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

g) Depreciation of property, plant and equipment (PPE)

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 Trust. Land is not a depreciable asset.

Depreciation rates for each asset class are as follows:

- Building	2.5%
- Plant and equipment	10%

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

h) Revaluation of non-current assets

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

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

Fair value of property, plant and equipment is based on a market participant's perspective, using a market valuation technique that maximises relevant observable inputs and minimises unobservable inputs. Also refer to Note 5 and Note 6 for further information regarding fair value.

Revaluations are undertaken 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 Trust conducts a comprehensive independent revaluation every three years. The last comprehensive revaluation was completed on 31 December 2016 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

1. Statement of significant accounting policies (continued)

h) Revaluation of non-current assets (continued)

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. The Trust has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

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

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

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

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

i) Receivables

Recognition and Measurement

All 'regular way' purchases or sales of financial asset 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.

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

1. Statement of significant accounting policies (continued)

i) Receivables (continued)

Subsequent measurement under AASB 9 (from 1 July 2018)

The Trust holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method.

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

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the Trust'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 Trust's net investment outstanding in respect of the leases.

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

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

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

j) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

The Trust 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 Trust expects to receive, discounted at the original effective interest rate.

Receivables

For trade and other receivables, the Trust applies a simplified approach in calculating ECLs. The Trust recognises a loss allowance based on lifetime ECLs at each reporting date. The loss allowance is determined based on the historical credit loss experience for trade and other receivables, adjusted for forward looking factors specific to the receivable.

Impairment of available-for-sale 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 Trust will not be able to collect all amounts due.

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

1 Statement of significant accounting policies (continued)

j) Impairment of Financial Assets (continued)

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

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

k) 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.

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 Trust 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 Trust 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 6 and Note 10 for further disclosures regarding fair value measurements of financial and non-financial assets.

l) Equity and reserves

(i) Accumulated funds

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

(ii) Revaluation surplus

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

m) 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 Trust 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).

The Trust 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 and other components of equity.

a) Classification and measurement of financial instruments

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

The Trust 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 Trust's financial assets:

- Trade and other receivables 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.

- The Trust has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Trust's financial liabilities.

b) Impairment

The adoption of AASB 9 has changed the Trust'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 Trust to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

The impairment requirement of AASB 9 did not have a significant impact to the Trust.

(ii) Issued but not yet effective

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

	Actual 2019 $'000	Actual 2018 $'000
2. Depreciation		
Depreciation - Buildings	949	949
Depreciation - Plant and equipment	65	65
	1,014	**1,014**
3. Investment revenue		
Interest revenue	125	125
	125	**125**
4. Cash and cash equivalents		
Cash at bank	8,512	8,387

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, which are subject to an insignificant risk of changes in value. Cash and cash equivalents are restricted by externally imposed conditions in accordance with the terms of the donor's restrictions.

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:

	2019	2018
Cash and cash equivalents (per Statement of Financial Position)	8,512	8,387
Closing cash and cash equivalents (per Statement of Cash Flows)	**8,512**	**8,387**

Refer to Note 10 for details regarding credit risk and market risk arising from financial instruments.

	Actual 2019 $'000	Actual 2018 $'000
5. Property, plant and equipment		
Land and buildings - fair value		
Gross carrying amount	43,087	43,087
Less: Accumulated depreciation and impairment	6,346	5,397
Net carrying amount	**36,741**	**37,690**
Plant and equipment		
Gross carrying amount	651	651
Less: Accumulated depreciation and impairment	374	309
Net carrying amount	**277**	**342**
Total property, plant and equipment	**37,018**	**38,032**

Reconciliation

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

2019	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
Net carrying amount at beginning of year	37,690	342	**38,032**
Depreciation expense	(949)	(65)	**(1,014)**
Net carrying amount at end of year	**36,741**	**277**	**37,018**

2018	**Land and buildings $000**	**Plant and equipment $000**	**Total $000**
Net carrying amount at beginning of year	38,639	407	**39,046**
Depreciation expense	(949)	(65)	**(1,014)**
Net carrying amount at end of year	**37,690**	**342**	**38,032**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 6.

6. Fair value measurement of non-financial assets

a) Fair value hierarchy

2019	Level 1	Level 2	Level 3	Total fair value
	$'000	$'000	$'000	$'000
Property, plant and equipment (Note 5)				
- Land and buildings	-	-	36,741	36,741
	-	**-**	**36,741**	**36,741**

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

2018	Level 1	Level 2	Level 3	Total fair value
	$'000	$'000	$'000	$'000
Property, plant and equipment (Note 5)				
- Land and buildings	-		37,690	37,690
	-	**-**	**37,690**	**37,690**

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

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

b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Trust obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Egan National Valuers for the 2016/17 financial year. Egan National Valuers is an independent entity and is not an associated entity of the Trust.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. No adjustments were required for 2018/19 and 2017/18.

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

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

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

Buildings 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.

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

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

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

c) Reconciliation of recurring level 3 fair value measurements

2019	**Land and buildings**	**Total level 3 recurring fair value**
	$'000	**$'000**
Fair value as at 1 July 2018	37,690	37,690
Depreciation	(949)	(949)
Fair value as at 30 June 2019	**36,741**	**36,741**

2018	**Land and buildings**	**Total level 3 recurring fair value**
	$'000	**$'000**
Fair value as at 1 July 2017	38,639	38,639
Depreciation	(949)	(949)
Fair value as at 30 June 2018	**37,690**	**37,690**

7. Commitments, contingent liabilities and assets

There are no significant or material commitments, contingent liabilities or contingent assets that would materially impact on the financial position and financial performance of the Trust.

8. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flow from operating activities to the net result as reflected in the Statement of Comprehensive Income as follows:	**Actual 2019 $'000**	**Actual 2018 $'000**
Net cash flows from operating activities	125	185
Depreciation	(1,014)	(1,014)
(Decrease) / increase in receivables	-	(60)
Net result	**(889)**	**(889)**

9. Services received free of charge

The Trust receives administrative support services from the NSW Ministry of Health. The costs of these services provided by the Ministry are insignificant and are not recovered from the Trust.

10. Financial instruments

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

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

The Secretary, NSW Health, has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Trust, to set risks limits and controls and 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	Category	2019 $'000 Carrying amount
Cash and cash equivalents (Note 4)	N/A	8,512
Total financial assets		**8,512**

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

Class	Category	2018 $'000 Carrying amount
Cash and cash equivalents (Note 4)	N/A	8,387
Total financial assets		**8,387**

10. Financial instruments (continued)

b) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Trust. 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 Trust, including cash, receivables and authority deposits. No collateral is held by the Trust. The Trust has not granted any financial guarantees.

Credit risk associated with the Trust's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average TCorpIM unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables - trade debtors

The Trust had no trade debtors recognised as financial instruments at balance date.

c) Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust 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 Trust has negotiated no loan outside of arrangements with any entity. During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Trust 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 assumes that all other variables remain constant. The analysis is performed on the same basis as for 2018.

10 Financial instruments (continued)

d) Market risk (continued)

The Trust's exposure to interest rate risk is set out below:

	Carrying Amount $'000	-1% Net Result	-1% Equity	+1% Net Result	+1% Equity
2019					
Financial assets					
Cash and cash equivalents	8,512	(85)	(85)	85	85
2018					
Financial assets					
Cash and cash equivalents	8,387	(84)	(84)	84	84

11. Related party transactions

Key management personnel compensation

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. The compensation for the Minister for Health is disclosed in the financial statements of the ultimate parent.

Compensation for the Secretary, NSW Health (the Secretary) is paid by the Ministry of Health and is not reimbursed by the Trust. The compensation of the Secretary is disclosed in the financial statements of the immediate parent.

Transactions with key management personnel and their close family members

There were no transactions between the Trust and key management personnel or their close family members.

Other related party transactions

There were no other individually or in the aggregate significant related party transactions during the year. There were no transactions with the ultimate parent during the year.

12. Events after the Reporting Period

There were no events subsequent to the reporting period requiring disclosure that would require these financial statements to be amended.

End of audited financial statements