

# **Health Administration Corporation (HAC)**

## **Financial Statements**

for the year ended 30 June 2019





## INDEPENDENT AUDITOR'S REPORT

### Health Administration Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Health Administration Corporation (the Corporation), 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 of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

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

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

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

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

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

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ah). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

## **The 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 ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations.

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

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

13 September 2019  
SYDNEY

**Health Administration Corporation  
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 Health Administration Corporation 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 and the financial performance of the Health Administration Corporation; and
- 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

**Health Administration Corporation**  
**Statement of Comprehensive Income for the year ended 30 June 2019**

PARENT			CONSOLIDATION			
Adjusted Budget Unaudited			Adjusted Budget Unaudited			
2019	2019	2018	Notes	2019	2019	2018
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
			<b>Expenses excluding losses</b>			
			Operating expenses			
-	-	-				
1,692,670	1,672,583	1,608,987				
60	31	24				
1,552,905	1,526,945	1,428,538				
138,172	141,601	117,378				
42,370	41,207	37,846				
21	6	23				
458	814	-				
<b>3,426,656</b>	<b>3,383,187</b>	<b>3,192,796</b>		<b>3,557,356</b>	<b>3,514,899</b>	<b>3,269,744</b>
			<b>Revenue</b>			
1,113,558	1,040,711	996,572				
139,323	144,622	255,765				
-	-	-				
2,178,254	2,124,446	2,069,967				
4,687	3,588	5,097				
29,879	32,250	29,629				
90,606	78,001	33,324				
<b>3,556,307</b>	<b>3,423,618</b>	<b>3,390,354</b>		<b>3,687,007</b>	<b>3,555,330</b>	<b>3,467,302</b>
<b>129,651</b>	<b>40,431</b>	<b>197,558</b>		<b>129,651</b>	<b>40,431</b>	<b>197,558</b>
(25,183)	383	(1,837)				
(15,075)	(14,489)	-				
-	-	(21,677)				
<b>89,393</b>	<b>26,325</b>	<b>174,044</b>		<b>89,393</b>	<b>26,325</b>	<b>174,044</b>
			<b>Other comprehensive income</b>			
			<i>Items that will not be reclassified to net result</i>			
9,925	-	4,496				
<b>9,925</b>	<b>-</b>	<b>4,496</b>		<b>9,925</b>	<b>-</b>	<b>4,496</b>
<b>99,318</b>	<b>26,325</b>	<b>178,540</b>		<b>99,318</b>	<b>26,325</b>	<b>178,540</b>

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Financial Position as at 30 June 2019**

PARENT			CONSOLIDATION				
Adjusted Budget Unaudited			Adjusted Budget Unaudited				
2019	2019	2018	Notes	2019	2019	2018	
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	
<b>ASSETS</b>							
<b>Current assets</b>							
155,550	54,239	151,467	Cash and cash equivalents	16	155,550	54,239	151,467
378,247	354,838	270,731	Receivables	17	378,247	354,838	270,731
46,066	43,330	43,329	Inventories	18	46,066	43,330	43,329
130,000	110,000	110,000	Other financial assets	19	130,000	110,000	110,000
<b>709,863</b>	<b>562,407</b>	<b>575,527</b>			<b>709,863</b>	<b>562,407</b>	<b>575,527</b>
4,601	3,918	3,919	Non-current assets held for sale	22	4,601	3,918	3,919
<b>714,464</b>	<b>566,325</b>	<b>579,446</b>	<b>Total current assets</b>		<b>714,464</b>	<b>566,325</b>	<b>579,446</b>
<b>Non-current assets</b>							
9,421	3,951	3,951	Receivables	17	9,421	3,951	3,951
			Property, plant & equipment	20			
591,279	629,500	550,282	- Land and buildings		591,279	629,500	550,282
243,648	199,550	236,713	- Plant and equipment		243,648	199,550	236,713
356	391	391	- Infrastructure systems		356	391	391
24,085	22,272	22,846	- Leasehold improvements		24,085	22,272	22,846
<b>859,368</b>	<b>851,713</b>	<b>810,232</b>	<b>Total property, plant &amp; equipment</b>		<b>859,368</b>	<b>851,713</b>	<b>810,232</b>
661,081	679,080	639,135	Intangible assets	21	661,081	679,080	639,135
<b>1,529,870</b>	<b>1,534,744</b>	<b>1,453,318</b>	<b>Total non-current assets</b>		<b>1,529,870</b>	<b>1,534,744</b>	<b>1,453,318</b>
<b>2,244,334</b>	<b>2,101,069</b>	<b>2,032,764</b>	<b>Total assets</b>		<b>2,244,334</b>	<b>2,101,069</b>	<b>2,032,764</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
539,212	464,735	439,021	Payables	25	539,212	464,735	439,021
28	54	54	Borrowings	26	28	54	54
293,211	276,095	266,201	Provisions	27	293,211	276,095	266,201
31,005	28,791	23,121	Other current liabilities	28	31,005	28,791	23,121
<b>863,456</b>	<b>769,675</b>	<b>728,397</b>	<b>Total current liabilities</b>		<b>863,456</b>	<b>769,675</b>	<b>728,397</b>
<b>Non-current liabilities</b>							
-	28	28	Borrowings	26	-	28	28
12,349	19,501	18,800	Provisions	27	12,349	19,501	18,800
<b>12,349</b>	<b>19,529</b>	<b>18,828</b>	<b>Total non-current liabilities</b>		<b>12,349</b>	<b>19,529</b>	<b>18,828</b>
<b>875,805</b>	<b>789,204</b>	<b>747,225</b>	<b>Total liabilities</b>		<b>875,805</b>	<b>789,204</b>	<b>747,225</b>
<b>1,368,529</b>	<b>1,311,865</b>	<b>1,285,539</b>	<b>Net assets</b>		<b>1,368,529</b>	<b>1,311,865</b>	<b>1,285,539</b>
<b>EQUITY</b>							
187,067	196,734	196,637	Reserves		187,067	196,734	196,637
1,181,462	1,115,131	1,088,902	Accumulated funds		1,181,462	1,115,131	1,088,902
<b>1,368,529</b>	<b>1,311,865</b>	<b>1,285,539</b>	<b>Total equity</b>		<b>1,368,529</b>	<b>1,311,865</b>	<b>1,285,539</b>

The accompanying notes form part of these financial statements.



**Health Administration Corporation**  
**Statement of Changes in Equity for the year ended 30 June 2019**

PARENT AND CONSOLIDATION		Accumulated funds	Revaluation surplus	Total
	Notes	\$'000	\$'000	\$'000
<b>Balance at 1 July 2018</b>		<b>1,088,902</b>	<b>196,637</b>	<b>1,285,539</b>
Changes in accounting policy		(5,507)	-	(5,507)
<b>Restated balance at 1 July 2018</b>		<b>1,083,395</b>	<b>196,637</b>	<b>1,280,032</b>
<b>Comprehensive income</b>				
Net result for the year		89,393	-	89,393
<b>Other comprehensive income</b>				
Net change in revaluation surplus of property, plant and equipment	20	-	9,925	9,925
<b>Total comprehensive income for the year</b>		<b>89,393</b>	<b>9,925</b>	<b>99,318</b>
<b>Transfers between equity items</b>				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		19,495	(19,495)	-
<b>Transactions with owners in their capacity as owners</b>				
Decrease in net assets from equity transfers	35	(10,821)	-	(10,821)
<b>Balance at 30 June 2019</b>		<b>1,181,462</b>	<b>187,067</b>	<b>1,368,529</b>
<b>Balance at 1 July 2017</b>		<b>910,960</b>	<b>194,894</b>	<b>1,105,854</b>
<b>Comprehensive income</b>				
Net result for the year		174,044	-	174,044
<b>Other comprehensive income</b>				
Net change in revaluation surplus of property, plant and equipment	20	-	4,496	4,496
<b>Total comprehensive income for the year</b>		<b>174,044</b>	<b>4,496</b>	<b>178,540</b>
<b>Transfers between equity items</b>				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		2,753	(2,753)	-
<b>Transactions with owners in their capacity as owners</b>				
Increase in net assets from equity transfers	35	1,145	-	1,145
<b>Balance at 30 June 2018</b>		<b>1,088,902</b>	<b>196,637</b>	<b>1,285,539</b>

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Cash Flows for the year ended 30 June 2019**

PARENT			CONSOLIDATION			
Adjusted Budget Unaudited			Adjusted Budget Unaudited			
2019	2019	2018		2019	2019	2018
\$'000	\$'000	\$'000	Notes	\$'000	\$'000	\$'000
			<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
			<b>Payments</b>			
-	-	-		(1,711,127)	(1,705,520)	(1,601,943)
(3,469,758)	(3,494,442)	(3,207,220)		(1,758,631)	(1,788,922)	(1,605,277)
(45,005)	(43,872)	(37,375)		(45,005)	(43,872)	(37,375)
(20)	(6)	(22)		(20)	(6)	(22)
<b>(3,514,783)</b>	<b>(3,538,320)</b>	<b>(3,244,617)</b>		<b>(3,514,783)</b>	<b>(3,538,320)</b>	<b>(3,244,617)</b>
			<b>Receipts</b>			
1,113,558	1,040,711	996,572		1,113,558	1,040,711	996,572
139,323	144,622	255,765		139,323	144,622	255,765
33,596	33,596	27,812		33,596	33,596	27,812
2,350,167	2,312,408	2,214,433		2,350,167	2,312,408	2,214,433
4,687	3,557	5,097		4,687	3,557	5,097
32,619	34,866	20,370		32,619	34,866	20,370
102,749	95,919	33,105		102,749	95,919	33,105
<b>3,776,699</b>	<b>3,665,679</b>	<b>3,553,154</b>		<b>3,776,699</b>	<b>3,665,679</b>	<b>3,553,154</b>
<b>261,916</b>	<b>127,359</b>	<b>308,537</b>		<b>261,916</b>	<b>127,359</b>	<b>308,537</b>
			<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
			<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
5,979	(1,717)	1,230		5,979	(1,717)	1,230
110,000	-	-		110,000	-	-
(243,379)	(222,870)	(272,089)		(243,379)	(222,870)	(272,089)
(130,000)	-	(110,000)		(130,000)	-	(110,000)
<b>(257,400)</b>	<b>(224,587)</b>	<b>(380,859)</b>		<b>(257,400)</b>	<b>(224,587)</b>	<b>(380,859)</b>
			<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
			<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(54)	-	(51)		(54)	-	(51)
<b>(54)</b>	<b>-</b>	<b>(51)</b>		<b>(54)</b>	<b>-</b>	<b>(51)</b>
			<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
4,462	(97,228)	(72,373)		4,462	(97,228)	(72,373)
151,467	151,467	223,840		151,467	151,467	223,840
<b>155,929</b>	<b>54,239</b>	<b>151,467</b>		<b>155,929</b>	<b>54,239</b>	<b>151,467</b>
			<b>CLOSING CASH AND CASH EQUIVALENTS</b>			

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies**

**a) Reporting entity**

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

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

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

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

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

**b) Basis of preparation**

The Corporation's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (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*, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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.

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**c) Principles of consolidation**

The consolidated financial statements include the financial statements of the parent and its subsidiaries at 30 June 2019 and the net result of the parent and its subsidiaries for the year ended 30 June 2019.

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

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

**d) Comparative information**

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

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

**e) Statement of compliance**

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

**f) Employee benefits and other provisions**

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

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

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

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 15.8% to 26.8% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 15.8% to 26.8%). The Corporation has assessed the actuarial advice based on the Corporation's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the Corporation does not expect to settle the liability within 12 months as the Corporation does not have an unconditional right to defer settlement.

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ii) Long service leave and superannuation**

The Corporation's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

The Corporation's accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits'.

Specific on-costs relating to long service leave not assumed by the Crown Entity are borne by the Corporation as shown in Note 27.

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

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

**iii) Consequential on-costs**

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

**iv) Other provisions**

Other provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

**g) Insurance**

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

**h) Grants and subsidies**

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

**i) Payments to affiliated health organisations**

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**j) 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 mandate to not-for-profit NSW general government sector entities.

**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.

*Sale of goods*

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

*Rendering of services*

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

*Grants and other contributions*

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

*Patient fees*

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

*Highly specialised drugs*

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

*Motor Accident Authority Third Party*

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The Corporation recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

*Department of Veterans' Affairs*

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the Corporation on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry in the form of a block grant.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**k) Income recognition (continued)**

*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).

*Forgiveness of liabilities*

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

*Use of hospital facilities*

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

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

Refer to Note 9 for further details.

The Corporation uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

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

*The Ministry allocations*

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

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

*Other income*

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

**l) Goods & Services Tax (GST)**

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

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**m) 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.

The Corporation manages the approved major capital works program for the Ministry and its controlled entities. The Corporation receives NSW Ministry of Health capital allocations and grants on behalf of health entities and makes payments to contractors and suppliers. The Corporation initially records all costs incurred as work in progress or expenses and these are subsequently transferred to the health entities. The costs are then reflected in the health entities financial statements.

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

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

**n) Depreciation of property, plant and equipment**

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

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

Buildings	2.5%
Infrastructure systems	2.5%
Leasehold improvements	10.0%, 11.1% or 33.3%
Plant and Equipment	
- Computer Equipment	20.0%
- Electro Medical Equipment	
* Costing less than \$200,000	10.0%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5.0%
- Linen	25.0%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20.0%
- Office Equipment	10.0%
- Plant and Machinery	10.0%
PODs (a detachable unit on an ambulance for patient treatment)	25.0%

“Infrastructure systems” means assets that comprise public facilities and 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.

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



**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**o) Capitalisation thresholds**

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

**p) Revaluation of non-current assets**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach and income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer to Note 20 and Note 23 for further information regarding fair value.

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

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

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

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

Revaluation increments are 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.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**q) Impairment of property, plant and equipment**

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

**r) 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.

**s) Non-current assets held for sale**

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

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

**t) Intangible assets**

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**u) Maintenance**

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**v) 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.

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

*As a lessor:*

The Corporation, as the lessor, classifies its leases as 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.

Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

**w) Inventories**

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

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

**x) Receivables**

*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.

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**x) Receivables (continued)**

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

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

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 Corporation'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 Corporation'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 through 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.

**y) 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 Corporation's financial assets at fair value are classified, at fair value through profit or loss. The classification was based on the purpose of acquiring such assets.

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

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.

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).

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

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

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

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Corporation determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

- \* The Corporation subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The risk management strategy of the Corporation has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act 1987*.

- \* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Corporation has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

These investments are 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 through the amortisation process.

- \* Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method is recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Corporation commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**z) Impairment of financial assets**

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

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

**Receivables**

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

**Financial assets at fair value**

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 Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Corporation's term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence, the Corporation 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 Corporation 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 Corporation 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 or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

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

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**aa) De-recognition of financial assets and financial liabilities**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the 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 Corporation has transferred substantially all the risks and rewards of the asset; or
- The Corporation has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

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

**ab) Payables**

Payables represent liabilities for goods and services provided to the Corporation and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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

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

**ac) 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(aa) for the derecognition policy.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ad) Fair value hierarchy**

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

- Level 1 – quoted (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 Corporation 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 37 and Note 23 for further disclosures regarding fair value measurements of non-financial and financial assets.

**ae) 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 are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 *Contributions* and Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

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

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

**af) Equity and reserves**

**(i) Accumulated funds**

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

**(ii) Revaluation surplus**

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

**ag) Trust funds**

The Corporation receives monies in a trustee capacity for various trusts as set out in Note 30.

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



**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ah) Adjusted budget amounts**

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 36.

**ai) 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 Corporation 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 Corporation 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.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ai) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards (continued)**

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

The effect of adopting AASB 9 on the statement of financial position (increase / (decrease)) as at 1 July 2018 is set out below:

	Note	1 July 2018 \$'000
<hr/>		
Assets		
Receivables	17	(5,507)
<b>Total adjustment on equity</b>		<b>(5,507)</b>
Accumulated funds		(5,507)

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

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

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

	Note	Accumulated funds \$'000	Total change in equity \$'000
<hr/>			
Closing balance 30 June 2018 - AASB 139		1,088,902	1,088,902
Recognition of AASB 9 expected credit losses	17	(5,507)	(5,507)
<b>Total impact</b>		<b>(5,507)</b>	<b>(5,507)</b>
Opening balance 1 July 2018 - AASB 9		1,083,395	1,083,395

The Corporation 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 Corporation'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.

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

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

AASB 139 measurement category	Measurement category		Carrying amount		Difference \$'000
	AASB 139	AASB 9	Original \$'000	New \$'000	
Receivables	Loans and receivables	Amortised cost	274,682	269,175	(5,507)
Term deposits	Loans and receivables	Amortised cost	110,000	110,000	-

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ai) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards (continued)**

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

*b) Impairment*

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

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

	<b>Allowance for impairment under AASB 139 as at 30 June 2018</b>	<b>Re- measurement</b>	<b>ECL under AASB 9 as at 1 July 2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(29,161)	(5,507)	(34,668)

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

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Corporation have not been applied and are not yet effective. The possible impact of these Accounting 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 the statement of comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in the 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 a modified retrospective application of this accounting standard.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ai) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards (continued)**

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

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

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

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

The Ministry has formed a project team to lead the implementation of the new accounting standard. 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.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**1. Statement of significant accounting policies (continued)**

**ai) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards (continued)**

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

**Potential impact on the Corporation's financial report**

While the Corporation is yet to complete a full implementation and adoption of the new accounting standards, the following summaries work undertaken by the Corporation so far and the known and expected impacts:

**Leases**

- \* The total assets and liabilities on the statement of financial position will increase by approximately \$443.6 million on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- \* Interest expenses will increase by approximately \$9.94 million in the 2019-2020 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 Corporation 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 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$82.8 million.
- \* Operating lease expense recognised under AASB 17 Leases will decrease by approximately \$78.5 million in the 2019-2020 financial year.
- \* 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 based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

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

The Corporation in consultation with the Ministry has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. 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 will be required under AASB 15 *Revenue from Contracts with Customers*.

**Service Concession Arrangements**

The work on Service Concession Arrangements is in progress. The Corporation expects that there will be no significant impact on the Corporation from the preliminary work performed so far.

**Application Date**

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
		<b>2. Employee related expenses</b>		
-	-	Salaries and wages (including annual leave and ADO)	1,503,235	1,419,430
-	-	Superannuation - defined benefit plans	18,083	19,603
-	-	Superannuation - defined contribution plans	122,792	114,485
-	-	Long service leave	121,374	64,570
-	-	Redundancies	4,771	4,860
-	-	Workers' compensation insurance	51,161	48,352
-	-	Fringe benefits tax	595	358
-	-	Other employee related expenses	1,359	14,277
-	-		<b>1,823,370</b>	<b>1,685,935</b>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-	Personnel services expenses capitalised - land and buildings	10,887	10,095
-	-	Personnel services expenses capitalised - intangibles	14,544	11,221
-	-		<b>25,431</b>	<b>21,316</b>
		<b>3. Personnel services</b>		
1,503,235	1,419,430	Salaries and wages (including annual leave and ADO)	-	-
122,792	114,485	Superannuation - defined contribution plans	-	-
8,757	7,225	Long service leave	-	-
4,771	4,860	Redundancies	-	-
51,161	48,352	Workers' compensation insurance	-	-
595	358	Fringe benefits tax	-	-
1,359	14,277	Other employee related expenses	-	-
<b>1,692,670</b>	<b>1,608,987</b>		<b>-</b>	<b>-</b>
		The personnel services of the Health Administration Corporation were provided by the employment divisions of Ambulance Service of NSW, eHealth NSW, Health Infrastructure, HealthShare NSW, Health System Support Group and NSW Health Pathology.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
10,887	10,095	Personnel services expenses capitalised - land and buildings	-	-
14,544	11,221	Personnel services expenses capitalised - intangibles	-	-
<b>25,431</b>	<b>21,316</b>		<b>-</b>	<b>-</b>

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>4. Other expenses</b>				
2,562	1,194	Advertising	2,562	1,194
552	458	Auditor's remuneration - audit of financial statements	552	458
103	103	Blood and blood products	103	103
2,639	2,561	Consultancies	2,639	2,561
107,881	125,452	Contractors	107,881	125,452
28,678	28,775	Domestic supplies and services	28,678	28,775
7,858	8,233	Drug supplies	7,858	8,233
90,021	83,983	Food supplies	90,021	83,983
13,442	13,592	Fuel, light and power	13,442	13,592
1,855	1,680	Hosted services purchased from entities controlled by the immediate parent	1,855	1,680
213,862	163,288	Information management expenses	213,862	163,288
3,494	3,021	Insurance	3,494	3,021
123,150	114,001	Maintenance (See Note 4(b))	123,150	114,001
36,388	35,560	Medical and Surgical Supplies	36,388	35,560
22,210	19,836	Motor vehicle expenses	22,210	19,836
927	996	Patient transport costs	927	996
14,480	10,533	Postal and telephone costs	14,480	10,533
6,234	6,357	Printing and stationery	6,234	6,357
2,679	2,644	Rates and charges	2,679	2,644
38,634	30,866	Rental	38,634	30,866
141,524	134,850	Specialised services (Dental, Radiology, Pathology, Allied Health)	141,524	134,850
18,159	18,760	Staff related costs	18,159	18,760
17,113	15,261	Travel related costs	17,113	15,261
658,460	606,534	Other (See Note 4(a))	658,460	606,534
<b>1,552,905</b>	<b>1,428,538</b>		<b>1,552,905</b>	<b>1,428,538</b>

**Related party disclosures:**

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

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

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
		<b>4. Other expenses</b>		
		<b>a) Other</b>		
149,258	148,079	Ambulance fixed wing and rotor wing transport	149,258	148,079
-	6	Contract for patient services	-	6
253,547	282,570	Corporate support services	253,547	282,570
11,013	10,352	Courier and freight	11,013	10,352
2,356	2,207	Legal services	2,356	2,207
2,091	2,384	Membership / professional fees	2,091	2,384
23,485	23,813	Motor vehicle operating lease expense - minimum lease payments	23,485	23,813
178	343	Other operating lease expense - minimum lease payments	178	343
3,718	3,464	Quality assurance / accreditation	3,718	3,464
1,305	2,249	Security services	1,305	2,249
211,509	131,067	Other	211,509	131,067
<b>658,460</b>	<b>606,534</b>		<b>658,460</b>	<b>606,534</b>
		<b>b) Reconciliation of total maintenance</b>		
34,785	33,935	Maintenance contracts	34,785	33,935
74,135	63,589	New / replacement equipment under \$10,000	74,135	63,589
13,912	15,908	Repairs maintenance / non contract	13,912	15,908
318	569	Other	318	569
123,150	114,001	Maintenance expense - contracted labour and other (non-employee related in Note 4)	123,150	114,001
5,365	5,223	Employee related/personnel services maintenance expense included in Notes 2 and 3	5,365	5,223
<b>128,515</b>	<b>119,224</b>		<b>128,515</b>	<b>119,224</b>

**Related party disclosures:**

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



**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
		<b>5. Depreciation and amortisation</b>		
17,319	13,530	Depreciation - buildings	17,319	13,530
54,665	46,731	Depreciation - plant and equipment	54,665	46,731
35	34	Depreciation - infrastructure systems	35	34
4,595	3,133	Depreciation - leasehold improvements	4,595	3,133
61,558	53,950	Amortisation - intangible assets	61,558	53,950
<b>138,172</b>	<b>117,378</b>		<b>138,172</b>	<b>117,378</b>
		<b>6. Grants and subsidies</b>		
2,563	2,498	Non-Government organisations grants	2,563	2,498
28,431	24,817	Community grants	28,431	24,817
1,885	1,793	Research grants	1,885	1,793
9,375	8,620	Grants paid to entities controlled by the immediate parent	9,375	8,620
116	118	Other grants and subsidies	116	118
<b>42,370</b>	<b>37,846</b>		<b>42,370</b>	<b>37,846</b>
<b>Related party disclosures:</b>				
<b>2019</b>				
The majority of 'Grants paid to entities controlled by the immediate parent' for the current year were with Illawarra Shoalhaven Local Health District (LHD) and South Western Sydney (LHD) and Western Sydney LHD.				
<b>2018</b>				
The majority of 'Grants paid to entities controlled by the immediate parent' for the prior year were with Hunter New England Local Health District..				
		<b>7. Finance costs</b>		
3	5	Interest on Loans	3	5
18	18	Other Interest Charges	18	18
<b>21</b>	<b>23</b>		<b>21</b>	<b>23</b>
		<b>8. Payments to affiliated health organisations</b>		
458	-	Capital sourced	458	-
<b>458</b>	<b>-</b>		<b>458</b>	<b>-</b>

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>9. Sale of goods and services</b>				
4,116	4,294	Cafeteria / kiosk	4,116	4,294
126	126	Car parking	126	126
19,936	18,514	Clinical services (excluding clinical drug trials)	19,936	18,514
431,652	404,663	Commercial activities	431,652	404,663
20,999	23,016	Department of Veterans' Affairs	20,999	23,016
204	272	Fees for medical records	204	272
12,584	15,659	Infrastructure fees - annual charge	12,584	15,659
147,403	139,989	Infrastructure fees - monthly facility charge	147,403	139,989
85,242	82,802	Linen services - entities controlled by immediate parent	85,242	82,802
5,606	5,332	Linen services - non Health Services	5,606	5,332
341	404	Meals on Wheels	341	404
39,404	37,062	Motor Accident Authority Third Party	39,404	37,062
994	666	Patient co-payments - appliance program for people with a disability	994	666
162,182	149,884	Patient transport fees	162,182	149,884
329	343	Private use of motor vehicles	329	343
569	582	Salary packaging fee	569	582
1,622	1,141	Services provided to Non NSW Health Organisations	1,622	1,141
1,194,927	1,142,937	Shared corporate services	1,194,927	1,142,937
7	10	Staff meals and accommodation	7	10
7,928	7,449	Use of Ambulance facilities	7,928	7,449
42,083	34,822	Other	42,083	34,822
<b><u>2,178,254</u></b>	<b><u>2,069,967</u></b>		<b><u>2,178,254</u></b>	<b><u>2,069,967</u></b>

**Related party disclosures:**

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

The majority of 'Commercial activities' revenue was earned from entities controlled by the immediate parent for the current year and prior year. For the current year the entities include Illawarra Shoalhaven Local Health District (LHD), Nepean Blue Mountains LHD, Northern Sydney LHD, South Eastern Sydney LHD, South Western Sydney LHD, Western NSW LHD and Western Sydney LHD.

The majority of 'Linen Service Revenue' was earned from entities controlled by the immediate parent for the current year and prior year.

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

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

The majority of 'Shared corporate services' revenue was earned from entities controlled by the immediate parent for the current year and prior year. The major amounts for the current year are from : Hunter New England LHD, Northern Sydney LHD, South Eastern Sydney LHD, South Western Sydney LHD, Sydney LHD and Western Sydney LHD.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>10. Investment revenue</b>				
4,687	5,097	Interest revenue - bank	4,687	5,097
<b>4,687</b>	<b>5,097</b>		<b>4,687</b>	<b>5,097</b>
<b>11. Grants and other contributions</b>				
95	129	Clinical drug trials	95	129
8,160	4,367	Commonwealth government grants	8,160	4,367
367	505	Industry contributions and donations	367	505
16,010	9,928	Grants from entities controlled by the ultimate parent	16,010	9,928
2,884	12,085	Grants from entities controlled by the immediate parent	2,884	12,085
214	123	Research grants	214	123
2,149	2,492	Other grants	2,149	2,492
<b>29,879</b>	<b>29,629</b>		<b>29,879</b>	<b>29,629</b>

**Related party disclosures:**

The majority of 'Grants received from entities controlled by the ultimate parent' were with the NSW Department of Justice for the current year and prior year.

The majority of 'Grants received from entities controlled by the immediate parent' were with South Western Sydney Local Health District (LHD) for the current year. For the prior year, these included the Cancer Institute NSW, Illawarra Shoalhaven LHD, Northern Sydney LHD and Sydney LHD.

**12. Acceptance by the Crown Entity of employee benefits**

The following liabilities and expenses have been assumed by the Crown

-	-	Superannuation - defined benefit plans	18,083	19,603
-	-	Long service leave	112,617	57,345
<b>-</b>	<b>-</b>		<b>130,700</b>	<b>76,948</b>

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
		<b>13. Other income</b>		
632	204	Bad debts recovered	632	204
77	65	Commissions	77	65
222	365	Conference and training fees	222	365
247	66	Discounts	247	66
860	46	Insurance refunds	860	46
597	557	Lease and rental revenue	597	557
108	132	Sale of merchandise, old wares and books	108	132
283	500	Sponsorship revenue	283	500
18,048	2,458	Treasury managed fund hindsight adjustment	18,048	2,458
13	32	Unclaimed deposits	13	32
69,519	28,899	Other	69,519	28,899
<b>90,606</b>	<b>33,324</b>		<b>90,606</b>	<b>33,324</b>

**Related party disclosures:**

The majority of 'Other' income for the current year was earned from Property NSW \$63.1M. In the prior year, it earned \$15.5M from Property NSW and \$8.8M from Transport for NSW, which are entities controlled by the ultimate parent.

**14. Losses on disposal**

		<b>a) Property, plant and equipment</b>		
55,111	38,874	Property, plant and equipment	55,111	38,874
(27,614)	(35,876)	Accumulated depreciation	(27,614)	(35,876)
<b>27,497</b>	<b>2,998</b>	<b>Written down value</b>	<b>27,497</b>	<b>2,998</b>
2,734	1,080	Less: Proceeds from disposal	2,734	1,080
<b>(24,763)</b>	<b>(1,918)</b>	<b>Loss on disposal of property, plant and equipment</b>	<b>(24,763)</b>	<b>(1,918)</b>
		<b>b) Intangible assets</b>		
379	-	Intangible assets	379	-
<b>(379)</b>	<b>-</b>	<b>Loss on disposal of intangible assets</b>	<b>(379)</b>	<b>-</b>
		<b>c) Non-current assets held for sale</b>		
2,907	69	Non current assets held for sale	2,907	69
2,866	150	Less: Proceeds from disposal	2,866	150
<b>(41)</b>	<b>81</b>	<b>Gain / (loss) on disposal of non-current assets held for sale</b>	<b>(41)</b>	<b>81</b>
<b>(25,183)</b>	<b>(1,837)</b>	<b>Loss on disposal of non-financial assets</b>	<b>(25,183)</b>	<b>(1,837)</b>

**Related party disclosures:**

The majority of the 'Loss on disposal of property, plant and equipment' (\$23.8M) is as a result of a lease granted to the NSW Department of Justice, an entity controlled by the ultimate parent over the Forensic Medicine and Coroners Court Complex of which NSW Health Pathology is the lessor.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>15. Other losses</b>				
-	(21,677)	Impairment of receivables	-	(21,677)
<u>-</u>	<u>(21,677)</u>		<u>-</u>	<u>(21,677)</u>
<b>16. Cash and cash equivalents</b>				
155,550	130,792	Cash at bank and on hand	155,550	130,792
-	20,675	Short term deposits	-	20,675
<u>155,550</u>	<u>151,467</u>		<u>155,550</u>	<u>151,467</u>
<p>For the purposes of the statement of cash flows, 'cash and cash equivalents' includes cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash 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:</p>				
155,550	151,467	Cash and cash equivalents (per statement of financial position)	155,550	151,467
<u>155,550</u>	<u>151,467</u>	<b>Closing cash and cash equivalents (per statement of cash flows)</b>	<u>155,550</u>	<u>151,467</u>

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>17. Receivables</b>				
<b>Current</b>				
69,231	79,357	Sale of goods and services	69,231	79,357
199,389	115,012	Intra health receivables	199,389	115,012
26,841	20,824	Goods and Services Tax receivable from the Australian Tax Office	26,841	20,824
60,544	57,505	Other debtors	60,544	57,505
<b>356,005</b>	<b>272,698</b>	<b>Sub Total</b>	<b>356,005</b>	<b>272,698</b>
(29,170)	-	Less: Allowance for expected credit losses*	(29,170)	-
-	(29,161)	Less: Allowance for impairment**	-	(29,161)
<b>326,835</b>	<b>243,537</b>	<b>Sub Total</b>	<b>326,835</b>	<b>243,537</b>
51,412	27,194	Prepayments	51,412	27,194
<b>378,247</b>	<b>270,731</b>		<b>378,247</b>	<b>270,731</b>

**Related party disclosures:**

**2019**

Some of the 'Sale of goods and services' is receivable from the State Insurance Regulatory Authority (SIRA) and NSW Police, an entity controlled by the ultimate parent.

Intra health receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Hunter New England Local Health District (LHD), Ministry of Health, Murrumbidgee LHD, Northern Sydney LHD, South Eastern Sydney LHD, South Western Sydney LHD, Sydney LHD, Western NSW LHD and Western Sydney LHD.

**2018**

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

Intra health receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Hunter New England Local Health District (LHD), Illawarra Shoalhaven LHD, South Eastern Sydney LHD, South Western Sydney LHD, Sydney LHD, Southern NSW LHD, Sydney Children's Hospital Network and Western NSW LHD.

**Health Administration Corporation**  
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**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>17. Receivables (continued)</b>				
<b>a) Movement in the allowance for expected credit losses*</b>				
<b>Sale of goods and services</b>				
(28,061)	-	Balance as at 30 June 2018 under AASB 139	(28,061)	-
(5,537)	-	Amounts restated through opening accumulated funds	(5,537)	-
<u>(33,598)</u>	-	Balance at 1 July 2018 under AASB 9	<u>(33,598)</u>	-
19,658	-	Amounts written off during the year	19,658	-
(14,936)	-	Increase in allowance recognised in the net result	(14,936)	-
<u>(28,876)</u>	-	<b>Balance at 30 June</b>	<u>(28,876)</u>	-
 <b>Other debtors</b>				
(1,100)	-	Balance as at 30 June 2018 under AASB 139	(1,100)	-
30	-	Amounts restated through opening accumulated funds	30	-
<u>(1,070)</u>	-	Balance at 1 July 2018 under AASB 9	<u>(1,070)</u>	-
915	-	Amounts written off during the year	915	-
(139)	-	Increase in allowance recognised in the net result	(139)	-
<u>(294)</u>	-	<b>Balance at 30 June</b>	<u>(294)</u>	-
<u>(29,170)</u>	-		<u>(29,170)</u>	-
 <b>b) Movement in the allowance for impairment**</b>				
<b>Sale of goods and services</b>				
-	(9,330)	Balance at commencement of reporting year	-	(9,330)
-	1,846	Amounts written off during the year	-	1,846
-	(21,677)	Increase in allowance recognised in the net result	-	(21,677)
<u>-</u>	<u>(29,161)</u>	<b>Balance at 30 June</b>	<u>-</u>	<u>(29,161)</u>
 <b>Non-current</b>				
9,421	3,951	Prepayments	9,421	3,951
<u>9,421</u>	<u>3,951</u>		<u>9,421</u>	<u>3,951</u>
 <b>c) The current and non-current sale of goods and services balances above include the following patient fee receivables:</b>				
<b>Current and non-current include:</b>				
45,558	47,534	Patient fees - inpatient & other	45,558	47,534
<u>45,558</u>	<u>47,534</u>		<u>45,558</u>	<u>47,534</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>18. Inventories</b>				
41,541	39,881	Medical and surgical supplies	41,541	39,881
4,522	3,443	Food and hotel supplies	4,522	3,443
3	5	Other	3	5
<b>46,066</b>	<b>43,329</b>		<b>46,066</b>	<b>43,329</b>
<b>19. Other financial assets</b>				
<b>Current</b>				
130,000	110,000	Term deposits	130,000	110,000
<b>130,000</b>	<b>110,000</b>		<b>130,000</b>	<b>110,000</b>
<b>20. Property, plant and equipment</b>				
<b>Land and buildings - fair value</b>				
908,714	862,593	Gross carrying amount	908,714	862,593
317,435	312,311	Less: accumulated depreciation and impairment	317,435	312,311
<b>591,279</b>	<b>550,282</b>	<b>Net carrying amount</b>	<b>591,279</b>	<b>550,282</b>
<b>Plant and equipment - fair value *</b>				
504,330	470,913	Gross carrying amount	504,330	470,913
260,682	234,200	Less: accumulated depreciation and impairment	260,682	234,200
<b>243,648</b>	<b>236,713</b>	<b>Net carrying amount</b>	<b>243,648</b>	<b>236,713</b>
<b>Infrastructure systems - fair value</b>				
1,387	1,387	Gross carrying amount	1,387	1,387
1,031	996	Less: accumulated depreciation and impairment	1,031	996
<b>356</b>	<b>391</b>	<b>Net carrying amount</b>	<b>356</b>	<b>391</b>
<b>Leasehold improvements - fair value *</b>				
40,110	34,579	Gross carrying amount	40,110	34,579
16,025	11,733	Less: accumulated depreciation and impairment	16,025	11,733
<b>24,085</b>	<b>22,846</b>	<b>Net carrying amount</b>	<b>24,085</b>	<b>22,846</b>
<b>859,368</b>	<b>810,232</b>	<b>Total property, plant and equipment</b>	<b>859,368</b>	<b>810,232</b>

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



**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**20. Property, plant and equipment - reconciliation**

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Leasehold improvement \$'000	Total \$'000
<b>Year ended 30 June 2019</b>					
Net carrying amount at beginning of year	550,282	236,713	391	22,846	810,232
Additions	87,723	65,753	-	6,020	159,496
Recognition of assets held for sale	(3,590)	-	-	-	(3,590)
Disposals	(24,504)	(2,807)	-	(186)	(27,497)
Equity transfers out	(11,048)	-	-	-	(11,048)
Transfers between NSW Health entities through statement of comprehensive income	-	(1,536)	-	-	(1,536)
Net revaluation increment less revaluation decrements	9,925	-	-	-	9,925
Depreciation expense	(17,319)	(54,665)	(35)	(4,595)	(76,614)
Reclassifications	(190)	190	-	-	-
<b>Net carrying amount at end of year</b>	<b>591,279</b>	<b>243,648</b>	<b>356</b>	<b>24,085</b>	<b>859,368</b>

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

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>21. Intangible assets</b>				
1,033,338	950,129	Cost (gross carrying amount)	1,033,338	950,129
372,257	310,994	Less: accumulated amortisation and impairment	372,257	310,994
<b>661,081</b>	<b>639,135</b>	<b>Net carrying amount at end of year</b>	<b>661,081</b>	<b>639,135</b>

**PARENT AND CONSOLIDATION**

**21. Intangible assets - reconciliation**

Year ended 30 June 2019	Intangible assets	Total
	\$'000	\$'000
Net carrying amount at beginning of year	639,135	639,135
Additions	83,883	83,883
Disposals	(379)	(379)
Amortisation (recognised in depreciation and amortisation)	(61,558)	(61,558)
<b>Net carrying amount at end of year</b>	<b>661,081</b>	<b>661,081</b>
<hr/>		
Year ended 30 June 2018	Intangible assets	Total
	\$'000	\$'000
Net carrying amount at beginning of year	603,241	603,241
Additions	91,344	91,344
Reclassifications to plant and equipment	(1,500)	(1,500)
Amortisation (recognised in depreciation and amortisation)	(53,950)	(53,950)
<b>Net carrying amount at end of year</b>	<b>639,135</b>	<b>639,135</b>

2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000

**22. Non-current assets held for sale**

		<b>Assets held for sale</b>		
4,601	3,919	Land and buildings	4,601	3,919
<b>4,601</b>	<b>3,919</b>		<b>4,601</b>	<b>3,919</b>

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**PARENT AND CONSOLIDATION**

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

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

**a) Fair value hierarchy**

<b>2019</b>	<b>Note</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Property, plant and equipment</b>					
- Land and buildings	20	-	151,128	355,038	506,166
- Infrastructure systems	20	-	-	356	356
<b>Non-current assets held for sale</b>	22	-	4,601	-	4,601
		-	<b>155,729</b>	<b>355,394</b>	<b>511,123</b>

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

The above figures exclude work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

<b>2018</b>		<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Property, plant and equipment</b>					
- Land and buildings	20	-	146,935	240,591	387,526
- Infrastructure systems	20	-	-	391	391
<b>Non-current assets held for sale</b>	22	-	3,919	-	3,919
		-	<b>150,854</b>	<b>240,982</b>	<b>391,836</b>

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

Work in progress and newly completed projects are carried at cost, therefore they are excluded from the above figures and as a result will not agree to Note 20.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

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

**b) Valuation techniques, inputs and processes**

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer to note 20 reconciliation.

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

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

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

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

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

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

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

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

## PARENT AND CONSOLIDATION

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

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

##### Level 3 disclosures:

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.

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**23. Fair value measurement of non-financial assets (continued)**

**c) Reconciliation of recurring level 3 fair value measurements**

<b>2019</b>	<b>Note</b>	<b>Land and buildings \$'000</b>	<b>Infrastructure systems \$'000</b>	<b>Total Level 3 Recurring \$'000</b>
Fair value as at 1 July 2018		240,591	391	240,982
Additions		83,121	-	83,121
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'		(434)	-	(434)
Disposals		(23,815)	-	(23,815)
Depreciation expense		(16,809)	(35)	(16,844)
Equity transfers in		7,861	-	7,861
Other reclassifications		64,523	-	64,523
<b>Fair value as at 30 June 2019</b>		<b>355,038</b>	<b>356</b>	<b>355,394</b>

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**PARENT AND CONSOLIDATION**

**24. Restricted assets**

The Corporation's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

<b>Category</b>	<b>Opening balance</b>	<b>Expenses</b>	<b>Revenue</b>	<b>Closing balance</b>
	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Community Welfare	7	-	-	7
Facility Improvements	31,180	408	20,165	50,937
Patient Welfare	225	-	144	369
Private Practice Disbursements (No.2 Accounts)	117,741	20,568	19,057	116,230
Public Contributions	12,462	1,418	628	11,672
Research	5,772	2,851	4,201	7,122
Staff Welfare	2,411	118	10,534	12,827
Training and Education Including Conferences	444	289	255	410
Other	-	-	13,900	13,900
	<b>170,242</b>	<b>25,652</b>	<b>68,884</b>	<b>213,474</b>

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

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>25. Payables</b>				
<b>Current</b>				
-	-	Accrued salaries, wages and on-costs	32,448	27,003
-	-	Taxation and payroll deductions	17,327	15,278
49,775	42,281	Accrued personnel services expense	-	-
140,204	103,758	Creditors	140,204	103,758
Other creditors				
166,682	161,084	- Capital works	166,682	161,084
108,869	43,430	- Payables to entities controlled by the immediate parent	108,869	43,430
73,682	88,468	- Other	73,682	88,468
<b>539,212</b>	<b>439,021</b>		<b>539,212</b>	<b>439,021</b>

**Related party disclosures:**

**2019**

Payables' include amounts payable from entities controlled by the immediate parent. The majority of the balance was payable from the Ministry of Health, Central Coast Local Health District (LHD), Hunter New England LHD, Northern NSW LHD, South Eastern Sydney LHD, Sydney Children's Hospital Network, Western Sydney Local Health District and inter entity creditors related to the Human Resources Information System (HRIS) payroll operations

**2018**

Payables' include amounts payable from entities controlled by the immediate parent. The majority of the balance was payable from Hunter New England Local Health District, Nepean Blue Mountains Local Health District, Northern Sydney Local Health District, South Eastern Sydney Local Health District, Sydney Children's Hospital Network, Western Sydney Local Health District and inter entity creditors related to the Human Resources Information System (HRIS) payroll operations.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

**26. Borrowings**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>Current</b>				
28	54	Loans and deposits	28	54
<b>28</b>	<b>54</b>		<b>28</b>	<b>54</b>
<b>Non-Current</b>				
-	28	Loans and deposits	-	28
<b>-</b>	<b>28</b>		<b>-</b>	<b>28</b>

**Related party disclosures:**

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 37.



**Health Administration Corporation**  
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
		<b>27. Provisions</b>		
		<b>Current</b>		
-	-	Ambulance death and disability	1,249	3,155
-	-	Annual leave - short term benefit	167,465	156,686
-	-	Annual leave - long term benefit	68,918	59,529
-	-	Long service leave consequential on-costs	50,285	42,229
-	-	Provision for other employee benefits	5,066	4,336
292,983	265,935	Provision for personnel services liability	-	-
228	266	Other	228	266
<b>293,211</b>	<b>266,201</b>		<b>293,211</b>	<b>266,201</b>
		<b>Non-Current</b>		
-	-	Ambulance death and disability	1,049	8,654
-	-	Long service leave consequential on-costs	4,373	3,672
5,422	12,326	Provision for personnel services liability	-	-
6,927	6,474	Other	6,927	6,474
<b>12,349</b>	<b>18,800</b>		<b>12,349</b>	<b>18,800</b>
		<b>Aggregate employee benefits and related on-costs</b>		
-	-	Provisions - current	292,983	265,935
-	-	Provisions - non-current	5,422	12,326
-	-	Accrued salaries, wages and on-costs (Note 25)	49,775	42,281
348,180	320,542	Liability - purchase of personnel services	-	-
<b>348,180</b>	<b>320,542</b>		<b>348,180</b>	<b>320,542</b>
		<b>Movements in provisions (other than employee benefits)</b>		
		<b>Movements in 'Other' provisions during the financial year, are set below:</b>		
6,740	5,659	Carrying Amount at 1 July	6,740	5,659
415	1,081	- Additional Provisions Recognised	415	1,081
<b>7,155</b>	<b>6,740</b>		<b>7,155</b>	<b>6,740</b>
		<b>28. Other liabilities</b>		
		<b>Current</b>		
31,005	23,121	Unearned revenue	31,005	23,121
<b>31,005</b>	<b>23,121</b>		<b>31,005</b>	<b>23,121</b>

**Related party disclosures:**

**2019**

'Unearned revenue' includes \$25.3 million that has been received in advance from the Central Coast Local Health District (LHD), Hunter New England LHD, Northern NSW LHD and South Eastern Sydney LHD which are entities controlled by the immediate parent and the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

**2018**

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
2019 \$'000	2018 \$'000		2019 \$'000	2018 \$'000
		<b>29. Commitments for expenditure</b>		
		<b>a) Capital commitments</b>		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:		
99,003	105,157	Within one year	99,003	105,157
3,540	952	Later than one year and not later than five years	3,540	952
<u>102,543</u>	<u>106,109</u>	<b>Total (including GST)</b>	<u>102,543</u>	<u>106,109</u>
		<b>b) Operating lease commitments</b>		
		<i>Entity as Lessee</i>		
		Future minimum rentals payable under non-cancellable operating lease at balance date are, as follows:		
96,535	164,560	Within one year	96,535	164,560
287,115	578,469	Later than one year and not later than five years	287,115	578,469
128,972	725,303	Later than five years	128,972	725,303
<u>512,622</u>	<u>1,468,332</u>	<b>Total (including GST)</b>	<u>512,622</u>	<u>1,468,332</u>

The 'Operating lease commitments' above are for motor vehicles, aeromedical, information technology, property, equipment including personal computers, medical equipment and other miscellaneous equipment.

**Related party disclosures:**

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

**c) Input tax recoverable related to commitments for expenditure**

The amount of tax recoverable from the Australian Tax Office in regards to total commitments at 30 June 2019 is \$55.9M (2018: \$143.0M)

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**PARENT AND CONSOLIDATION**

**30. Trust funds**

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

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

	Private Practice Trust Funds		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at the beginning of the financial year	-	-	-	-
Add : Receipts	200,225	197,717	200,225	197,717
Less : Expenditure	(200,225)	(197,717)	(200,225)	(197,717)
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

NSW Health Pathology Private Practice Trust Funds contain revenue derived from private patient and other billable services provided by staff specialists.

**31. Contingent liabilities and assets**

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>32. Reconciliation of cash flows from operating activities to the net result</b>				
261,916	308,537	Net cash flows from operating activities	261,916	308,537
(138,172)	(117,378)	Depreciation and amortisation	(138,172)	(117,378)
(15,075)	(21,677)	Allowance for impairment	(15,075)	(21,677)
(7,884)	(11,735)	Increase in unearned revenue	(7,884)	(11,735)
(20,559)	(32,209)	Increase in provisions	(20,559)	(32,209)
146,171	66,735	Increase in prepayments and other assets	146,171	66,735
(110,060)	(23,486)	Increase in payables from operating activities	(110,060)	(23,486)
(225)	-	Non cash items	(225)	-
(25,183)	(1,837)	Net loss on sale of property, plant and equipment	(25,183)	(1,837)
(1,536)	7,094	Assets received / transferred by donation	(1,536)	7,094
<b>89,393</b>	<b>174,044</b>	<b>Net result</b>	<b>89,393</b>	<b>174,044</b>
<b>33. Non-cash activities</b>				
(1,536)	7,094	Assets received / transferred by donation	(1,536)	7,094
<b>(1,536)</b>	<b>7,094</b>		<b>(1,536)</b>	<b>7,094</b>

**PARENT AND CONSOLIDATION**

**34. Changes in liabilities arising from financing activities**

	2018 Opening Balance	Cash Flow	Non- Cash Changes Other	2019 Closing Balance
	\$'000	\$'000	\$'000	\$'000
Borrowings and Advances	82	(54)	-	28
	<b>2017</b>	<b>Cash Flow</b>	<b>Non- Cash Changes Other</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Borrowings and Advances	133	(51)	-	82

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**PARENT AND CONSOLIDATION**

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

**Equity transfers effected in the 2018-19 year were:**

- a) An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. The result is an increase in net assets of \$0.2 million due to a reduction in the annual leave liability carrying amount.

	<b>2019</b>
	<b>\$'000</b>
Annual leave	227
<b>Carrying amount</b>	<b><u>227</u></b>

- b) A decrease of \$17.3 million in net assets occurred during the current year. In accordance with the Real Property Disposal Framework, there has been a transfer of ambulance stations from the Ambulance Service of NSW to the Ministry (Summer Hill \$11.9 million, Bankstown \$2.9 million and Auburn \$2.5 million).

	<b>2019</b>
	<b>\$'000</b>
Land and buildings	(17,300)
<b>Carrying amount</b>	<b><u>(17,300)</u></b>

- c) An increase of \$9.7 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Glebe from Sydney Local Health District to the Ambulance Service of NSW.

	<b>2019</b>
	<b>\$'000</b>
Land and buildings	9,652
<b>Carrying amount</b>	<b><u>9,652</u></b>

- d) A decrease of \$0.8 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Liverpool from the Ambulance Service of NSW to South Western Sydney Local Health District.

	<b>2019</b>
	<b>\$'000</b>
Land and buildings	(836)
<b>Carrying amount</b>	<b><u>(836)</u></b>

- e) A decrease of \$2.6 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Penrith from the Ambulance Service of NSW to the Nepean Blue Mountains Local Health District.

	<b>2019</b>
	<b>\$'000</b>
Land and buildings	(2,564)
<b>Carrying amount</b>	<b><u>(2,564)</u></b>

<b>Decrease in net assets from equity transfers</b>	<b><u>(10,821)</u></b>
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**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**35. Increase / (decrease) in net assets from equity transfers (continued)**

**Equity transfers effected in the 2017-18 year were:**

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

	<b>2018</b>
	<b>\$'000</b>
Plant and equipment	131
Medical and surgical supplies	3,948
<b>Carrying amount</b>	<b><u>4,079</u></b>

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

	<b>2018</b>
	<b>\$'000</b>
Land and buildings	(2,934)
<b>Carrying amount</b>	<b><u>(2,934)</u></b>
<b>Increase in net assets from equity transfers</b>	<b><u>1,145</u></b>

**36. Adjusted budget review - parent and consolidation**

**Net result**

The actual net result was higher than adjusted budget by \$63.1 million, primarily due to recurrent cash assistance by eHealth NSW from the Ministry.

**Assets and liabilities**

Net assets were higher than the adjusted budget by \$56.7 million due to an increase in recurrent cash assistance by eHealth NSW from the Ministry.

**Cash flows**

The actual net cash flows from operating activities were higher than the adjusted budget by \$134.6 million. This was mainly attributable to the recurrent cash assistance of \$66 million to eHealth NSW from the Ministry, \$36 million of fees received from the State Insurance Regulatory Authority (SIRA) and the remaining balance was due to increased revenue receipts offset by higher supplier payments

The actual net cash flows from investing activities were higher than budget by \$33.2 million. This was mainly due to the an investment in term deposits of \$20.0 million and the purchase of fixed assets of \$8.8 million.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**37. Financial instruments**

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

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

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

**a) Financial instrument categories**

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

**PARENT AND CONSOLIDATION**

<b>Class</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2019 \$'000</b>
<b>Financial assets</b>			
Cash and cash equivalents	16	Not applicable	155,550
Receivables	17	Amortised cost	299,994
Other financial assets	19	Amortised cost	130,000
<b>Financial liabilities</b>			
Payables	25	Financial liabilities measured at amortised cost	521,885
Borrowings	26	Financial liabilities measured at amortised cost	28

**Notes**

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

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

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

**PARENT AND CONSOLIDATION**

<b>Class</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2018 \$'000</b>
<b>Financial assets</b>			
Cash and cash equivalents	16	Not applicable	151,467
Receivables	17	Loans and receivables (at amortised cost)	222,713
Other financial assets	19	Loans and receivables (at amortised cost)	110,000
<b>Financial liabilities</b>			
Payables	25	Financial liabilities measured at amortised cost	423,743
Borrowings	26	Financial liabilities measured at amortised cost	82

**Notes**

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**37. Financial instruments (continued)**

**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 Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

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

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

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

***Cash and cash equivalents***

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system and short term deposits held with Westpac and National Australia Bank. Interest is earned on daily bank balances at rates of approximately 2.24% (Restricted funds bank balance: 2.34%) in 2018-19 compared to 2.38% (Restricted funds bank balance: 2.41%) in the previous year.

**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 Corporation 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. Corporation has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

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.



**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**37. 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 (continued)**

**Receivables - trade debtors (continued)**

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

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
<b>30 June 2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected credit loss rate	35.18%	8.20%	65.31%	69.27%	78.69%	41.71%
Estimated total gross carrying amount at default	17,028	24,780	3,220	3,137	21,066	69,231
Expected credit loss	5,991	2,033	2,103	2,173	16,576	28,876
<b>1 July 2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected credit loss rate	20.89%	59.95%	80.10%	79.01%	86.40%	42.34%
Estimated total gross carrying amount at default	50,609	5,343	3,558	2,353	17,494	79,357
Expected credit loss	10,572	3,203	2,850	1,859	15,114	33,598

The Corporation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 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 balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the *NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual* are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Corporation will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Corporation 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 compensables 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 Corporation's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or impaired could be either 'Sales of goods and services' or 'Other debtors' in the 'Receivables' category of the statement of financial position. Patient fees ineligible represent the majority of financial assets that are past due or impaired.

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**37. Financial instruments (continued)**

**b) Financial risk (continued)**

**i) Credit risk (continued)**

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

**Receivables - trade debtors (continued)**

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

	<b>2018</b>
	<b>\$'000</b>
Neither past due nor impaired	216,934
Past due but not impaired <sup>1,2</sup>	
< 3 months overdue	4,937
3 - 6 months overdue	593
> 6 months overdue	249
Impaired <sup>1,2</sup>	
< 3 months overdue	6,344
3 - 6 months overdue	6,873
> 6 months overdue	15,944
<b>Total</b> <sup>1,2</sup>	<b>251,874</b>

**Notes**

<sup>1</sup> Each column in the table reports "gross receivables".

<sup>2</sup> The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments Disclosures. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

**ii) Liquidity risk**

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

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

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

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

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

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**37. Financial instruments (continued)**

**b) Financial risk (continued)**

**ii) Liquidity risk (continued)**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

**PARENT AND CONSOLIDATION**

	Weighted Average Effective Interest Rate	Interest Rate Exposure			Maturity Dates	
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Non - Interest Bearing	< 1 year	1-5 years
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>						
Payables:						
- Creditors <sup>2</sup>		521,885	-	521,885	521,885	-
Borrowings:						
- Loans and deposits	4.48%	28	28	-	28	-
		<b>521,913</b>	<b>28</b>	<b>521,885</b>	<b>521,913</b>	<b>-</b>
<b>2018</b>						
Payables:						
- Creditors <sup>2</sup>		423,743	-	423,743	423,743	-
Borrowings:						
- Loans and deposits	4.48%	82	82	-	54	28
		<b>423,825</b>	<b>82</b>	<b>423,743</b>	<b>423,797</b>	<b>28</b>

**Notes:**

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

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

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
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**37. Financial instruments (continued)**

**b) Financial risk (continued)**

**iii) Market risk**

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis for 2018. The analysis assumes that all other variables remain constant.

**Interest rate risk**

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

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

		-1%		+1%	
	Carrying Amount	Net Result	Equity	Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	155,550	(1,556)	(1,556)	1,556	1,556
Receivables	299,994	-	-	-	-
Other financial assets	130,000	(1,300)	(1,300)	1,300	1,300
<b>Financial liabilities</b>					
Payables*	521,885	-	-	-	-
Borrowings	28	-	-	-	-
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	151,467	(1,515)	(1,515)	1,515	1,515
Receivables	222,713	-	-	-	-
Other financial assets	110,000	(1,100)	(1,100)	1,100	1,100
<b>Financial liabilities</b>					
Payables*	423,743	-	-	-	-
Borrowings	82	1	1	(1)	(1)

\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures).

**Health Administration Corporation**  
**Notes to and forming part of the financial statements**  
**for the year ended 30 June 2019**

**38. Related party transactions**

**PARENT AND CONSOLIDATION**

During the financial year, the Health Administration Corporation obtained key management personnel services from the immediate parent and incurred \$2.1 million (2018: \$2.1 million) for these services.

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

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

**Transactions with key management personnel and their close family members**

There were no transactions with key management personnel and their close family members (2018: \$Nil).

**Transactions with the ultimate parent**

There were no transactions with the ultimate parent during the financial period (2018: \$Nil).

**39. Events after the reporting period**

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

**END OF AUDITED FINANCIAL STATEMENTS**

