SECTION 5

Financial report

INDEPENDENT AUDITOR'S REPORT

Ministry of Health

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Ministry of Health (the Ministry), which comprise the Statements of Comprehensive Income for the year ended 30 June 2020, the Statements of Financial Position as at 30 June 2020, the Statements 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 Ministry and the consolidated entity. The consolidated entity comprises the Ministry and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Ministry and the consolidated entity as at 30 June 2020, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

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

I am independent of the Ministry and the consolidated entity in accordance with the requirements of the:

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

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

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

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

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

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Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How my audit addressed the matter</th></tr>
<tr><td colspan="2">Fair value measurement of property, plant and equipment</td></tr>
<tr><td>
At 30 June 2020, NSW Health reported $21.6 billion in property, plant and equipment measured at fair value.
Most of these assets are the land, buildings and infrastructure assets of the 17 local health districts and networks.
Five of the local health districts performed a comprehensive revaluation in 2019-20. These local health districts engaged expert valuers to perform revaluations of their property, plant and equipment.
The remaining 12 local health districts and networks used land and building indices to assess whether the carrying values of property, plant and equipment reported in the financial statements reflected their fair value.
I considered this to be a key audit matter because of the:

financial significance of the assets valued
geographical spread of NSW Health’s property, plant and equipment across NSW
specialised and unique nature of health and health infrastructure assets
judgement and complexities associated with the application of AASB 13 ‘Fair Value Measurement’ requirements, in particular significant judgements required for:

identifying components of buildings and determining the current cost for replacing each identified component
forecasting the remaining useful lives of building components to calculate the accumulated depreciation.

Details on the valuation techniques, inputs and processes for major asset classes are disclosed in Note 30 of the financial statements.
</td><td>
Key audit procedures included the following:

assessed the adequacy of management’s review of the valuation process
assessed the competence, capabilities and objectivity of the expert valuers used to perform comprehensive revaluations and provide indices
reviewed the scope and instructions provided to valuers and obtained an understanding of the methodology used and its appropriateness with reference to relevant Australian Accounting Standards and Treasurer’s Directions
assessed the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices
assessed the reasonableness of unit rates used by comparing the unit rates for a sample of assets to external sources including market sales data used by the valuers or construction industry pricing data
evaluated the reasonableness of useful life estimates, in particular:

tested that assets still in use have not reached or exceeded their useful lives
compared asset useful lives between local health districts and networks, and made enquiries of management to explain outliers
reviewed assets’ condition assessments for consistency with the remaining useful life.

assessed the reasonableness of indices applied by NSW Health to the fair value of its property, plant and equipment against independent external sources and relevant internal data
assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer’s Directions.

</td></tr>
</table>

Key Audit Matter	How my audit addressed the matter
Recognition and measurement of grants and contributions revenue under the National Health Reform Agreement and the National Partnership Agreement for COVID-19	
During 2019-20 most revenue received by NSW Health from the Commonwealth was based on two agreements, the National Health Reform Agreement and the National Partnership Agreement on COVID-19. At 30 June 2020, NSW Health reported: • $5.47 billion of Commonwealth National Health Reform Funding with specific performance obligations • $1.26 billion of Commonwealth National Health Reform Funding without specific performance obligations • $874.6 million of funding with specific performance obligations under the Commonwealth National Partnership Agreement on COVID-19 • a contract liability of $323 million relating to the Commonwealth National Partnership Agreement on COVID-19. I consider this to be a key audit matter because there is significant complexity and judgement involved in calculating the revenue under these agreements, including: • interpreting the clauses of the agreements and determining whether specific performance obligations exist • collecting and classifying data on the volume of health activities delivered to determine the activity-based revenue earnt under both agreements • identifying and classifying costs relating to the treatment of COVID-19 patients and determining the associated revenue under the Commonwealth National Partnership Agreement on COVID-19 • calculating the revenue for ensuring the viability of private hospitals in New South Wales, which involved: – analysing financial and operational data provided by private hospitals – forecasting activity, revenues and costs of private hospitals – reconciling amounts paid to private hospitals based on forecasts to their entitlements based on actual operating and financial performance. Further information on recognition and measurement of Commonwealth funding and the related contract liability is disclosed in Notes 11 and 33 of the financial statements.	Key audit procedures included the following: • tested the accuracy of NSW Health's assessment of whether specific performance obligations exist for each funding stream with reference to both agreements and the relevant Australian Accounting Standards • obtained an understanding of the processes and key controls in place for recording the volume of health activity delivered • tested the accuracy of formulas used to calculate the activity-based funding under both agreements and evaluated their consistency with the agreements • tested the accuracy of formulas used to calculate the costs of treating COVID-19 patients and the associated revenue and evaluated the consistency of these formulas with the National Partnership Agreement on COVID-19 • assessed the historical accuracy of the estimated revenue for ensuring the viability of private hospitals against the subsequent, audited claims made by the private hospitals • tested revenue without specific performance obligations to the applicable clauses of the agreements, the calculations and the cash received.

Other Information

The Ministry's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Ministry is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Certification of the Financial Statements by the Secretary of NSW Health.

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

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

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

I have nothing to report in this regard.

Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A 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 Ministry and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

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: https://www.auasb.gov.au/auditors_responsibilities/ar5.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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

Margaret Crawford
Auditor-General for NSW

13 October 2020
SYDNEY

Ministry of Health

Certification of the Financial Statements

for the year ended 30 June 2020

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

1. The financial statements of the Ministry of Health for the year ended 30 June 2020 have been prepared in accordance with:

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

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

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

2. The financial statements exhibit a true and fair view of the financial position for the Ministry of Health as at 30 June 2020 and the financial performance for the year then ended.

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

Elizabeth Koff	Daniel Hunter
Secretary, NSW Health	**Deputy Secretary, Finance and Asset Management and Chief Financial Officer, NSW Health**
29 September 2020	29 September 2020

Ministry of Health

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $'000	Consolidated Budget 2020 $'000	Consolidated Actual Restated 2019 $'000	Parent Actual 2020 $'000	Parent Actual 2019 $'000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	14,999,553	14,633,657	14,407,818	178,639	163,595
Operating expenses	3	7,102,385	6,772,670	6,715,865	1,136,183	885,629
Depreciation and amortisation	4	1,075,955	1,035,455	867,477	13,790	5,113
Grants and subsidies	5	1,503,521	1,428,963	1,421,119	21,004,062	19,549,291
Finance costs	6	121,694	120,821	108,107	2,275	580
Total expenses excluding losses		**24,803,108**	**23,991,566**	**23,520,386**	**22,334,949**	**20,604,208**
Revenue						
Appropriations	8	14,926,529	14,601,021	13,272,795	14,926,529	13,272,795
Acceptance by the Crown Entity of employee benefits and other liabilities	12	680,534	500,208	919,276	8,374	10,494
Sale of goods and services	9	-	-	2,844,970	-	221,193
Sale of goods and services from contracts with customers	9	2,674,358	2,833,076	-	173,430	-
Investment revenue	10	19,478	25,421	36,646	2,214	3,427
Grants and other contributions	11	9,499,705	7,704,606	7,438,249	7,875,593	6,962,788
Other income	13	168,888	168,431	157,743	42,815	9,339
Total revenue		**27,969,492**	**25,832,763**	**24,669,679**	**23,028,955**	**20,480,036**
Operating result		**3,166,384**	**1,841,197**	**1,149,293**	**694,006**	**(124,172)**
Gains / (losses) on disposal	14	(13,891)	-	(35,819)	(5)	(31)
Impairment losses on financial assets	20	(41,251)	-	(37,805)	-	-
Other gains / (losses)	15	(2,012)	(10,283)	-	9,956	-
Net result from continuing operations		**3,109,230**	**1,830,914**	**1,075,669**	**703,957**	**(124,203)**
Net result from discontinued operations		-	-	-	-	-
Net result		**3,109,230**	**1,830,914**	**1,075,669**	**703,957**	**(124,203)**

Ministry of Health

Statement of Comprehensive Income for the year ended 30 June 2020 (continued)

	Notes	Consolidated Actual 2020 $'000	Consolidated Budget 2020 $'000	Consolidated Actual Restated 2019 $'000	Parent Actual 2020 $'000	Parent Actual 2019 $'000
Other comprehensive income						
Items that will not be reclassified to net result in subsequent periods						
Changes in revaluation surplus of property, plant and equipment	25	330,929	-	1,841,750	-	12,680
Changes in revaluation surplus of other assets	28	2,607	-	(1,544)	-	-
Total other comprehensive income		**333,536**	**-**	**1,840,206**	**-**	**12,680**
TOTAL COMPREHENSIVE INCOME		**3,442,766**	**1,830,914**	**2,915,875**	**703,957**	**(111,523)**

See Note 17 for details regarding restated prior year balances for the consolidated entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 $'000	Consolidated Budget 2020 $'000	Consolidated Actual Restated 2019 $'000	Parent Actual 2020 $'000	Parent Actual 2019 $'000
ASSETS						
Current assets						
Cash and cash equivalents	19	2,658,959	1,407,138	1,316,849	728,371	334,204
Receivables	20	1,270,638	825,102	888,069	297,845	349,550
Contract assets	21	2,031	-	-	-	-
Inventories	22	921,933	157,131	177,646	25,803	32,873
Financial assets at fair value	23	157,609	43,712	121,328	-	-
Other financial assets	24	100,592	314,786	255,336	744,176	16,041
		5,111,762	2,747,869	2,759,228	1,796,195	732,668
Non-current assets held for sale	29	9,087	2,652	55,578	-	-
Total current assets		**5,120,849**	**2,750,521**	**2,814,806**	**1,796,195**	**732,668**
Non-current assets						
Receivables	20	123,548	9,073	22,808	-	-
Financial assets at fair value	23	32,005	30,184	32,088	-	-
Other financial assets	24	-	-	-	11,072	14,651
Property, plant and equipment						
- Land and buildings	25	19,793,783	20,200,730	18,177,865	186,497	132,577
- Plant and equipment	25	1,264,800	1,824,239	1,232,185	4,697	2,077
- Infrastructure systems	25	510,076	463,099	463,797	961	1,067
Total property, plant and equipment		21,568,659	22,488,068	19,873,847	192,155	135,721
Right-of-use assets	26	1,186,464	-	-	511,160	-
Intangible assets	27	715,886	696,045	704,238	1,756	877
Other non-current assets	28	62,037	65,753	67,302	-	-
Total non-current assets		**23,688,599**	**23,289,123**	**20,700,283**	**716,143**	**151,249**
Total assets		**28,809,448**	**26,039,644**	**23,515,089**	**2,512,338**	**883,917**

Ministry of Health

Statement of Financial Position as at 30 June 2020 (continued)

	Notes	Consolidated Actual 2020 $'000	Consolidated Budget 2020 $'000	Consolidated Actual Restated 2019 $'000	Parent Actual 2020 $'000	Parent Actual 2019 $'000
LIABILITIES						
Current liabilities						
Payables	32	1,844,106	1,750,365	1,810,245	449,170	397,797
Contract liabilities	33	425,763	-	-	373,005	-
Borrowings	34	172,785	156,993	11,917	11,853	-
Provisions	35	2,560,496	2,170,812	2,309,387	22,831	18,869
Other current liabilities	36	90,382	26,064	108,690	-	54,442
Total current liabilities		**5,093,532**	**4,104,234**	**4,240,239**	**856,859**	**471,108**
Non-current liabilities						
Contract liabilities	33	97	-	-	-	-
Borrowings	34	2,089,914	1,486,564	1,090,175	499,673	-
Provisions	35	44,025	45,576	41,720	534	713
Other non-current liabilities	36	264,012	161,124	182,842	-	43,694
Total non-current liabilities		**2,398,048**	**1,693,264**	**1,314,737**	**500,207**	**44,407**
Total liabilities		**7,491,580**	**5,797,498**	**5,554,976**	**1,357,066**	**515,515**
Net assets		**21,317,868**	**20,242,146**	**17,960,113**	**1,155,272**	**368,402**
EQUITY						
Reserves		7,289,257	7,350,406	6,937,950	133,744	133,744
Accumulated funds		14,028,611	12,891,740	11,022,163	1,021,528	234,658
Total equity		**21,317,868**	**20,242,146**	**17,960,113**	**1,155,272**	**368,402**

See Note 17 for details regarding restated prior year balances for the consolidated entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Changes in Equity for the year ended 30 June 2020

CONSOLIDATED	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2019		**11,022,163**	**6,937,950**	**17,960,113**
Changes in accounting policy (AASB 1058)	1(h)(i)	(61,711)	-	(61,711)
Changes in accounting policy (AASB 16)	1(h)(i)	8,977	(8,977)	-
Restated total equity at 1 July 2019		**10,969,429**	**6,928,973**	**17,898,402**
Net result for the year		3,109,230	-	3,109,230
Other comprehensive income:				
Net changes in revaluation surplus of property, plant and equipment	25	-	330,929	330,929
Net changes in revaluation surplus of other assets	28	-	2,607	2,607
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(26,748)	26,748	-
Total other comprehensive income		(26,748)	360,284	333,536
Total comprehensive income for the year		3,082,482	360,284	3,442,766
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	44	(23,300)	-	(23,300)
Balance at 30 June 2020		**14,028,611**	**7,289,257**	**21,317,868**
Balance at 1 July 2018		**9,856,612**	**5,137,130**	**14,993,742**
Correction of errors	17	50,496	-	50,496
Balance at 1 July 2018		**9,907,108**	**5,137,130**	**15,044,238**
Net result for the year		1,075,669	-	1,075,669
Other comprehensive income:				
Net changes in revaluation surplus of property, plant and equipment	25	-	1,841,750	1,841,750
Net changes in revaluation surplus of other assets	28	-	(1,544)	(1,544)
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		39,386	(39,386)	-
Total other comprehensive income		39,386	1,800,820	1,840,206
Total comprehensive income for the year		1,115,055	1,800,820	2,915,875
Balance at 30 June 2019		**11,022,163**	**6,937,950**	**17,960,113**

See Note 17 for details regarding restated prior year balances for the consolidated entity.

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Changes in Equity for the year ended 30 June 2020 (continued)

PARENT	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total $'000
Balance at 1 July 2019		**234,658**	**133,744**	**368,402**
Net result for the year		703,957	-	703,957
Total comprehensive income for the year		703,957	-	703,957
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	44	82,913	-	82,913
Balance at 30 June 2020		**1,021,528**	**133,744**	**1,155,272**
Balance at 1 July 2018		**341,562**	**121,064**	**462,626**
Net result for the year		(124,203)	-	(124,203)
Other comprehensive income				
Net changes in revaluation surplus of property, plant and equipment	25	-	12,680	12,680
Total other comprehensive income		-	12,680	12,680
Total comprehensive income for the year		(124,203)	12,680	(111,523)
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	44	17,299	-	17,299
Balance at 30 June 2019		**234,658**	**133,744**	**368,402**

The accompanying notes form part of these financial statements.

Ministry of Health

Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $'000	Consolidated Budget 2020 $'000	Consolidated Actual 2019 $'000	Parent Actual 2020 $'000	Parent Actual 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(14,247,884)	(14,130,987)	(13,581,780)	(174,869)	(157,553)
Suppliers for goods and services		(9,205,594)	-	(7,442,639)	(1,124,963)	(833,014)
Grants and subsidies		(1,697,255)	(1,428,963)	(1,605,514)	(21,098,850)	(19,663,462)
Finance costs		(116,175)	(120,821)	(104,020)	(303)	-
Other		-	(8,162,884)	-	-	-
Total payments		(25,266,908)	(23,843,655)	(22,733,953)	(22,398,985)	(20,654,029)
Receipts						
Appropriations		14,926,529	14,601,021	13,272,795	14,926,529	13,272,795
Reimbursements from the Crown Entity		238,728	-	243,402	5,618	5,485
Sale of goods and services		2,710,567	2,813,594	2,902,418	119,352	70,983
Interest received		20,816	25,421	30,988	2,214	3,427
Grants and other contributions		10,119,385	7,704,607	7,567,052	8,217,880	6,953,461
Other		912,710	1,578,089	949,030	280,199	295,139
Total receipts		28,928,735	26,722,732	24,965,685	23,551,792	20,601,290
NET CASH FLOWS FROM OPERATING ACTIVITIES	41	**3,661,827**	**2,879,077**	**2,231,732**	**1,152,807**	**(52,739)**

Ministry of Health

Statement of Cash Flows for the year ended 30 June 2020 (continued)

	Notes	Consolidated Actual 2020 $'000	Consolidated Budget 2020 $'000	Consolidated Actual 2019 $'000	Parent Actual 2020 $'000	Parent Actual 2019 $'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment and intangibles		49,071	48,718	43,226	36,792	17,332
Proceeds from sale of financial assets		356,350	3,771	364,765	-	-
Purchases of property, plant and equipment and intangibles		(2,341,747)	(2,597,359)	(2,240,844)	(62,304)	(262)
Purchases of financial assets		(237,805)	-	(377,238)	-	-
Other		-	(64,648)	-	(724,556)	1,808
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(2,174,131)**	**(2,609,518)**	**(2,210,091)**	**(750,068)**	**18,878**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		8,080	-	-	-	-
Repayment of borrowings and advances		(11,352)	(157,558)	(17,664)	-	-
Payment of principal portion of lease liabilities		(142,181)	-	-	(8,439)	-
Payment of principal portion of finance lease liabilities		-	-	(395)	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(145,453)**	**(157,558)**	**(18,059)**	**(8,439)**	**-**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,342,243	112,001	3,582	394,300	(33,861)
Opening cash and cash equivalents		1,316,849	1,295,137	1,313,267	334,204	368,065
Effects of exchange rate changes on cash and cash equivalents		(133)	-	-	(133)	-
CLOSING CASH AND CASH EQUIVALENTS	19	**2,658,959**	**1,407,138**	**1,316,849**	**728,371**	**334,204**

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

(a) Reporting entity

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

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

The Ministry controls the Local Health Districts established from 1 January 2011, as well as other controlled entities constituted under the *Health Services Act 1997* which include;

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

The Health Administration Corporation includes the operations of;

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

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

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Principles of consolidation

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

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

1. Statement of Significant Accounting Policies (continued)

(c) Basis of preparation

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

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

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

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

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the consolidated entity has seen a decline in normal hospital activities. Restrictions were imposed by the Australian Government resulting in the suspension of non-urgent elective surgeries to ensure increased capacity across the health system. Critical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals.

Despite the impact of COVID-19, these statements are prepared on a going concern basis.

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

(d) Statement of Compliance

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

(e) Accounting for the Goods & Services tax (GST)

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

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

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

1. Statement of Significant Accounting Policies (continued)

(f) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

(g) Comparative information

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

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

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

(i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The consolidated entity applied AASB 15 *Revenue from Contracts with Customers,* AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the consolidated entity.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 *Construction Contracts,* AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the consolidated entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the consolidated entity to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 15 Revenue from Contracts with Customers (AASB 15) (continued)

In accordance with the transition provisions in AASB 15, the consolidated entity has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The consolidated entity has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations;
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

The effect of adopting AASB 15 is as follows:

CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase/(decrease)):

	Notes	30 June 2020 AASB 15 $'000	30 June 2020 Without adoption of AASB 15 $'000	30 June 2020 Impact of AASB 15 $'000
Revenue				
Sale of goods and services from contracts with customers		2,674,358	2,674,358	-
Grants and other contributions	(a)(b)	6,821,884	6,909,352	(87,468)
Operating result		**9,496,242**	**9,583,710**	**(87,468)**
Net Result		**9,496,242**	**9,583,710**	**(87,468)**

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 15 Revenue from Contracts with Customers (AASB 15) (continued)

CONSOLIDATED

Impact on the Statement of Financial Position (increase/(decrease)):

	Notes	30 June 2020 AASB 15 $'000	30 June 2020 Without adoption of AASB 15 $'000	30 June 2020 Impact of AASB 15 $'000
Assets				
Contract assets	(a)	2,031	-	2,031
Receivables	(a)	2,409	154	2,255
Total assets		**4,440**	**154**	**4,286**
Liabilities				
Contract liabilities	(b)	425,860	-	425,860
Other liabilities	(b)	-	334,106	(334,106)
Total liabilities		**425,860**	**334,106**	**91,754**
Equity				
Accumulated funds		(421,420)	(333,952)	(87,468)
Total adjustments to equity		**(421,420)**	**(333,952)**	**(87,468)**

The adoption of AASB 15 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the consolidated entity for the financial year.

The nature of these adjustments on the consolidated entity is described below:

(a) Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to the accrual of grant income where the entity has satisfied its obligations promised in the contract with the customer.

(b) Income from grants were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 15, income should be recognised when a performance obligation, by transferring a promised good or service, is satisfied. This may be at a point in time or over time. This has led to a deferral of grant income where the entity has not yet satisfied its obligations promised in the contract with the customer.

The reason for the changes in grants and other contributions is due to the non-recurring nature of grants and contributions received and varying nature of performance obligations across grant contracts resulting in different timing of revenue received.

The adoption of AASB 15 did not have an impact on the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows for the parent entity for the financial year.

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions (* AASB 1004*)*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the consolidated entity;
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the consolidated entity has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The consolidated entity has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the consolidated entity to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 is as follows:

CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase/(decrease)):

	Notes	30 June 2020 AASB 1058 $'000	30 June 2020 Without adoption of AASB 1058 $'000	30 June 2020 Impact of AASB 1058 $'000
Revenue				
Grants and other contributions	(a)	2,677,821	2,680,830	(3,009)
Operating result		**2,677,821**	**2,680,830**	**(3,009)**
Net Result		**2,677,821**	**2,680,830**	**(3,009)**

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 1058 Income of Not-for-Profit Entities (AASB 1058) (continued)

CONSOLIDATED

Impact on the Statement of Financial Position (increase/(decrease)):

	Notes	30 June 2020 AASB 1058 $'000	30 June 2020 Without adoption of AASB 1058 $'000	30 June 2020 Impact of AASB 1058 $'000
Liabilities				
Other liabilities	(a)	65,084	364	64,720
Total liabilities		**65,084**	**364**	**64,720**
Equity				
Accumulated funds		(65,084)	(364)	(64,720)
Total adjustments to equity		**(65,084)**	**(364)**	**(64,720)**

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the consolidated entity for the financial year.

The nature of these adjustments on the consolidated entity is described below:

(a) Income from grants to construct non-financial assets to be controlled by the entity were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, income should have been recognised over time as the non-financial assets are being constructed. This has led to deferral of grant income where the entity has not yet satisfied its obligations to construct or acquire the assets.

The reason for the changes in grants and other contributions is due to the timing of revenue received to construct non-financial assets to be controlled by the consolidated entity.

The adoption of AASB 1058 did not have an impact on the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows for the parent entity for the financial year.

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 16 Leases (AASB 16)

AASB 16 supersedes AASB 117 *Leases* (AASB 117), Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting

AASB 16 requires the consolidated entity to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the consolidated entity recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The consolidated entity has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.82% (parent entity: 1.66%).

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance lease, the consolidated entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The consolidated entity elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at $10,000 or under when new (low-value assets).

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 16 Leases (AASB 16) (continued)

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase/ (decrease)) is, as follows:

CONSOLIDATED

	1 July 2019 $'000
Assets	
Property, plant and equipment	(37,559)
Right-of-use assets	758,884
Total assets	**721,325**
Liabilities	
Borrowings	721,228
Provisions	97
Total liabilities	**721,325**
Equity	
Accumulated funds	8,977
Asset revaluation reserve	(8,977)
Total equity	**-**

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 16 Leases (AASB 16) (continued)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

CONSOLIDATED

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019 (GST included)	**768,549**
Less: GST included in operating lease commitments	69,560
Operating lease commitments as at 30 June 2019 (GST excluded)	**698,989**
Weighted average incremental borrowing rate as at 1 July 2019	1.82%
Discounted operating lease commitments as at 1 July 2019	**650,874**
Add: commitments relating to leases previously classified as finance leases (GST excluded)	33,863
(Less): commitments relating to short-term leases	(12,765)
(Less): commitments relating to low-value assets	(2,995)
(Less): commitments including service charges	(56,893)
Add: contracts re-assessed as lease contracts	83,040
Add: lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	72,134
(Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	(2,925)
(Less): Other adjustments	(9,243)
Lease liabilities as at 1 July 2019	**755,090**

1. Statement of Significant Accounting Policies (continued)

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

(i) Effective for the first time in 2019-20 (continued)

AASB 16 Leases (AASB 16) (continued)

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase/ (decrease)) is, as follows:

PARENT

	1 July 2019 $'000
Assets	
Right-of-use assets	22,335
Total assets	**22,335**
Liabilities	
Borrowings	22,335
Total liabilities	**22,335**
Equity	
Accumulated funds	**-**
Total equity	**-**

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019 (GST included)	**27,783**
Less: GST included in operating lease commitments	2,478
Operating lease commitments as at 30 June 2019 (GST excluded)	**25,305**
Weighted average incremental borrowing rate as at 1 July 2019	1.66%
Discounted operating lease commitments as at 1 July 2019	**24,271**
Add: contracts re-assessed as lease contracts	277
(Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	(2,213)
Lease liabilities as at 1 July 2019	**22,335**

1. Statement of Significant Accounting Policies (continued)

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

(ii) Issued but not yet effective

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

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)

AASB 1059 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 & 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 to operator' model under AASB 1059. AASB 1059 requires retrospective application.

Overview of Assessment Activities

The consolidated entity has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the consolidated entity. Any identified arrangements has been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were calculated.

Upon review, the consolidated entity has identified the following arrangements impacted by AASB 1059:

(a) St George car park

(b) Randwick car park

(c) Royal North Shore Hospital car parks

(d) Northern Beaches Hospital PPP (excluding the private portion)

(e) Hawkesbury Hospital

1. Statement of Significant Accounting Policies (continued)

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

(ii) Issued but not yet effective (continued)

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (continued)

Financial impact estimated as follows:

CONSOLIDATED

	1 July 2019 Increase / (decrease) $'000
Assets	
Service concession assets	650,494
Emerging asset	(49,140)
Property, plant and equipment	(489,631)
Total assets	111,722
Liabilities	
Non-financial liabilities	(49,319)
Financial liabilities	14,459
Grant of a right to the operator liability	124,777
Total liabilities	89,917
Increase / (decrease) in Accumulated Funds	**21,806**

Net impact on the net result for 2020 and 2021 is estimated to be a decrement of $3.79 million and $5.04 million respectively.

Application Date

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

2. Employee related expenses

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Salaries and wages (including annual leave and ADOs)	12,927,807	12,176,034	145,382	130,284
Superannuation - defined benefit plan	83,606	93,355	987	980
Superannuation - defined contribution plan	1,126,322	1,058,471	11,854	10,695
Long service leave	634,541	887,664	8,010	10,462
Redundancies	19,372	3,915	497	451
Workers' compensation insurance	194,401	176,575	267	246
Payroll tax and fringe benefits tax	13,504	11,804	11,642	10,477
	14,999,553	**14,407,818**	**178,639**	**163,595**

Refer to Note 35 for further details on recognition and measurement of employee related expenses.

Employee related costs of $20.4 million (2019: $40.0 million) (parent entity: $Nil (2019: $Nil)) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

3. Operating expenses

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Ambulance transportation costs	116,385	154,081	-	-
Auditor's remuneration	4,504	4,553	581	568
Blood and blood products	144,861	146,545	24,387	26,663
Capital project expense	76,729	53,505	1,363	12,486
Works performed for entities controlled by the ultimate parent	78,719	62,485	-	-
Consultants	29,231	26,857	4,757	1,549
Contractors	193,448	162,313	12,035	12,161
Domestic supplies and services	158,032	143,652	1,103	1,046
Electricity, gas and water	175,459	183,543	424	489
Food Supplies	114,958	116,764	-	-
Information management expenses	273,805	282,835	36,821	37,760
Insurance	296,066	292,934	268,243	268,263
Interstate patient outflows	267,124	262,252	267,124	262,214
Legal services	13,856	13,948	3,249	2,758
Maintenance (see (a) below)	617,130	574,442	4,812	6,448
Medical and surgical supplies	908,851	905,410	8,014	6,192
Motor vehicle expenses	47,455	48,017	28	99
Office expenses	95,831	99,732	3,745	4,501
Operating lease rental expenses	-	174,179	-	11,216
Expenses relating to short-term leases	37,762	-	46	-
Expenses relating to leases of low-value assets	8,537	-	39	-
Variable lease payments, not included in lease liabilities	925	-	-	-
Other management services	153,791	157,908	76,786	62,573
Outsourced patient care	399,415	258,125	17,552	-
Pharmaceutical supplies	872,423	869,197	135,671	138,139
Specialised health services	431,103	407,907	638	45
Staff related costs	159,340	177,957	6,739	7,518
Travel expenses	86,984	111,008	1,416	1,918
Viability payments to private hospitals	184,133	-	184,133	-
Visiting medical officers	914,897	862,108	-	-
General expenses	240,631	163,608	76,477	21,023
	7,102,385	**6,715,865**	**1,136,183**	**885,629**

General expenses of $240.6 million (2019: $163.6 million) includes advertising and marketing, courier and freight, taxes, rates and related charges, hosted services purchased from local health districts (for parent entity), isolated patient travel and accommodation assistance and security services.

The majority of the costs in relation to food supplies, medical and surgical supplies and pharmaceutical supplies relate to the consumption of inventory held by the consolidated entity.

3. Operating expenses (continued)

(a) Reconciliation of total maintenance

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Maintenance contracts	226,108	217,207	1,507	1,844
New/replacement equipment under $10,000	241,815	217,939	2,042	3,315
Repairs maintenance/non contract	148,268	138,098	1,013	1,124
Other	939	1,198	250	165
Maintenance expense - contracted labour and other (non-employee related), as above	**617,130**	**574,442**	**4,812**	**6,448**
Employee related maintenance expense (Note 2)	62,709	60,524	-	-
Total maintenance expenses	**679,839**	**634,966**	**4,812**	**6,448**

Recognition and Measurement

Maintenance expense

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

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the consolidated entity. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 32.

Insurance

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

Lease expenses

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, the consolidated entity recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at $10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

4. Depreciation and amortisation

	Consolidated 2020 $'000	Consolidated[1] 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Depreciation - buildings	572,657	542,838	4,070	4,222
Depreciation - plant and equipment	238,979	229,922	437	516
Depreciation - infrastructure systems	25,538	24,448	106	70
Depreciation - right-of-use land and buildings	77,810	-	8,805	-
Depreciation - right-of-use plant and equipment	77,484	-	-	-
Amortisation - intangible assets	83,487	70,269	372	305
	1,075,955	**867,477**	**13,790**	**5,113**

[1] *Depreciation - buildings has been restated to be $0.55 million higher in the prior year for the consolidated entity. Refer to Note 17 for further details.*

Refer to Note 25 Property, plant and equipment, Note 26 Leases and Note 27 Intangible assets for recognition and measurement policies on depreciation and amortisation.

5. Grants and subsidies

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Payments to entities controlled by the Ministry	-	-	20,012,929	18,610,047
Payments to other Affiliated Health Organisations	980,394	914,809	650,539	607,835
Grants provided to support:				
- Community packages	32,197	28,431	-	-
- Grants to research organisations	116,523	131,954	82,279	95,056
- Non-Government organisations	167,934	164,529	86,225	84,090
Grants paid to entities controlled by the ultimate parent	7,119	26,625	-	23,192
Other grants	199,354	154,771	172,090	129,071
	1,503,521	**1,421,119**	**21,004,062**	**19,549,291**

Recognition and Measurement

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

6. Finance costs

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Interest expense from finance lease	101,248	102,474	-	-
Interest expense from lease liabilities	13,617	-	303	-
Interest expense from financial liabilities at amortised cost	1,311	1,495	-	-
Other interest and charges	5,518	4,138	1,972	580
	121,694	**108,107**	**2,275**	**580**

Recognition and Measurement

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.

7. Revenue

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts* , AASB 118 *Revenue* and AASB 1004 *Contributions.*

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* (AASB 15) or AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

8. Appropriations and transfers to the Crown Entity

Summary of compliance

	Consolidated		Consolidated	
	2020	2020	2019	2019
	$'000	$'000	$'000	$'000
	Appropriations	Expenditure	Appropriations	Expenditure
Original budget per Appropriation Act	14,601,021	14,060,044	13,514,974	13,272,795
Other appropriations / expenditure:				
Section 4.11 GSF Act / Section 26 PFAA – Commonwealth specific purpose payments	6,685	6,685	11,390	-
Section 4.13 GSF Act Exigency of Government	859,800	859,800	-	-
Total annual appropriations / expenditure / net claim on annual appropriations (includes transfer payments)	**15,467,506**	**14,926,529**	**13,526,364**	**13,272,795**
Amount drawn down against annual appropriations		14,926,529		13,272,795
Appropriations (per consolidated statement of comprehensive income):				
Recurrent		13,119,877		11,422,907
Capital		1,806,652		1,849,888
		14,926,529		**13,272,795**

The Ministry of Health receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act.

8. Appropriations and transfers to the Crown Entity (continued)
Summary of compliance (continued)

	Consolidated		Parent	
Movement of Section 4.7 GSF Act	**2020**	**2019**	**2020**	**2019**
- deemed appropriations:	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance	1,316,849	1,313,267	334,204	368,065
Add: additions of deemed appropriations	6,387,548	5,364,179	633,897	609,127
Less: expenditure charged against deemed appropriations	5,045,438	5,360,597	239,730	642,988
Closing balance	**2,658,959**	**1,316,849**	**728,371**	**334,204**

Notes:

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

2. 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 *Income of Not-for-Profit Entities* .

Recognition and Measurement

Parliamentary appropriations

Until 30 June 2019, except as specified below, appropriations are recognised as income when the entity obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

Appropriations are not recognised as income in the following circumstances:

- 'Equity appropriations' to fund payments to adjust a for-profit entity's capital structure are recognised as equity injections (i.e. contribution by owners) on receipt and equity withdrawals on payment to a for-profit entity.

- Lapsed appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount is not controlled by the consolidated entity.

- The liability is disclosed in Note 36 as part of 'Current liabilities - other'. The liability will be extinguished next financial year through the next annual Appropriations Act.

After AASB 15 and AASB 1058 became effective on 1 July 2019, the treatment of appropriations remains the same, because appropriations do not contain an enforceable sufficiently specific performance obligation as defined by AASB 15.

9. Sale of goods and services from contracts with customers / Sale of goods and services

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Sale of goods comprise the following				
Sales and recoveries of pharmaceutical supplies	408,130	393,136	-	-
Sales of prostheses	62,560	60,528	-	-
Other	29,581	52,281	-	160
	500,271	**505,945**	**-**	**160**
Rendering of services comprise the following				
Patients				
Ambulance transportation fees	59,576	56,663	-	-
Fees for clinical services	46,836	44,503	-	-
Fees for medical services rendered	1,036,002	1,168,093	48,293	61,304
Interstate patient inflows	100,358	128,945	100,358	128,945
Motor accident third party insurance covered	148,959	153,205	-	1,812
General Community				
Car parking fees	46,277	50,093	-	-
Commercial activities	42,557	45,185	-	-
Fees for non-medical services	2,878	2,651	-	-
Non-NSW Health entities				
Services provided to non NSW Health organisations	21,347	18,174	-	-
Entities controlled by the ultimate parent				
Fees for capital works performed	78,719	62,485	-	-
Other				
Fees for private usage of hospital's facilities	495,089	505,512	-	-
General user charges fees	41,188	48,108	1,606	7,628
Personnel service fees recharged	23,007	20,812	23,007	20,812
Shared corporate services fees	-	-	-	394
Other services	31,294	34,596	166	138
	2,174,087	**2,339,025**	**173,430**	**221,033**
	2,674,358	**2,844,970**	**173,430**	**221,193**

9. Sale of goods and services from contracts with customers / Sale of goods and services (continued)

Recognition and Measurement

Sales of goods (until 30 June 2019)

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

Sales of goods from contracts with customers (from 1 July 2019)

Revenue from sale of goods is recognised when the consolidated entity satisfies the performance obligation by transferring the promised goods. Sale of goods comprises mainly sales and recovery of pharmaceutical supplies and sales of prosthesis. The consolidated entity typically satisfies its performance obligations when the pharmaceutical supplies and prosthesis are supplied to the customer. The payments are typically due when invoiced.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rendering of services (until 30 June 2019)

Revenue from rendering of services is recognised when the service is provided or by reference to the type and stage of services provided to date.

Rendering of services from contracts with customers (from 1 July 2019)

Revenue from rendering of services is recognised when the consolidated entity satisfies the performance obligation by transferring the promised services. Services comprise mainly of patient services and other non-patient related services.

Patient services

The consolidated entity typically satisfies its performance obligations when daily treatments are provided to patients under a contract. The payments for these services are typically due when invoiced.

Non-patient related services

Non-patient related services include, but are not limited to, car parking fees, commercial activities, fees for private usage of facilities, and services performed for entities controlled by the ultimate parent. The consolidated entity typically satisfies its performance obligations when the related services are provided to the customers under a contract. The payments for these services are typically due when invoiced.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when service is provided.

Refer to Note 33 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the consolidated entity expects to recognise the unsatisfied portion as revenue.

10. Investment revenue

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Interest income from financial assets at amortised cost	14,960	26,479	2,214	3,427
Finance income on the net investment in the lease	221	-	-	-
Net gain / (loss) from TCorp IM Funds measured at fair value through profit or loss	4,222	4,509	-	-
Royalties	64	245	-	-
Dividends	11	13	-	-
Other	-	5,400	-	-
	19,478	**36,646**	**2,214**	**3,427**

Recognition and Measurement

Interest income

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).

Royalties

Until 30 June 2019, royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

From 1 July 2019, royalties are usually recognised when the underlying performance obligation is satisfied. It is recognised at the estimated amount if the consideration is variable.

Dividend income

Dividend revenue is recognised when the consolidated entity's right to receive the payment has been established.

11. Grants and other contributions

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Clinical drug trials	-	43,562	-	-
Commonwealth National Health Reform Funding	-	6,740,998	-	6,740,998
Commonwealth Government grants	-	255,521	-	109,854
Grants from entities controlled by the ultimate parent	-	219,161	-	105,756
Grants received from entities controlled by the Ministry	-	-	-	5,500
Research grants	-	25,132	-	-
Other grants	-	105,189	-	680
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
- Grants to acquire / construct non-financial asset	15,440	-	-	-
Other grants with sufficiently specific performance obligations				
- Commonwealth National Health Reform Funding	5,472,169	-	5,472,169	-
- Commonwealth National Partnership Agreement on COVID-19	874,613	-	874,613	-
- Commonwealth Government grants for community based services	87,816	-	-	-
- Commonwealth Government grants - other	32,165	-	929	-
- Clinical drug trials and research grants	67,737	-	-	-
- Grants from entities controlled by the ultimate parent	11,396	-	3,559	-
- Other grants	60,609	-	2,317	-
Grants without specific performance obligations				
- Commonwealth National Health Reform Funding	1,258,716	-	1,258,716	-
- Commonwealth Government grants - other	138,455	-	123,862	-
- Clinical drug trials and research grants	17,609	-	-	-
- Grants from entities controlled by the ultimate parent	435,627	-	122,170	-
- NSW Treasurer's state contingency grant	950,361	-	16,561	-
- Other grants	31,613	-	697	-
Donations	45,379	48,686	-	-
	9,499,705	**7,438,249**	**7,875,593**	**6,962,788**

Recognition and Measurement

Grants and other contributions (until 30 June 2019)

Income from grants (other than contribution by owners) is recognised when the consolidated entity obtains control over the contribution. The consolidated entity is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

11. Grants and other contributions (continued)

Grants and other contributions (from 1 July 2019) (continued)

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the consolidated entity is recognised when the consolidated entity satisfies its obligations under the transfer. The consolidated entity satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the consolidated entity satisfies a performance obligation by transferring the promised goods or services. The consolidated entity typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The consolidated entity uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement / funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 33 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

Income from grants without sufficiently specific performance obligations is recognised when the consolidated entity obtains control over the granted assets (e.g. cash).

Volunteer services

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. The consolidated entity receives volunteer services for the below activities:

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

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

12. Acceptance by the Crown Entity of employee benefits

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Superannuation - defined benefit plan	83,606	93,355	987	980
Long service leave provision	596,876	825,868	7,334	9,461
Payroll tax	53	53	53	53
	680,535	**919,276**	**8,374**	**10,494**

13. Other income

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Commissions	2,968	3,471	-	-
Discounts	3,156	3,941	-	3
Emerging assets of private sector provided infrastructure	4,552	6,643	-	-
Insurance refunds	7,307	7,806	-	-
Lease and rental income				
- other rental income	36,928	36,698	2,477	1,659
Treasury Managed Fund hindsight adjustment	37,920	47,001	37,920	426
Property not previously recognised	27,187	-	-	-
Other	48,870	52,183	2,418	7,251
	168,888	**157,743**	**42,815**	**9,339**

The majority of the 'property not previously recognised' balance is the result of a long term lease with the University of Sydney prematurely ending during the year. The buildings and infrastructure under the lease had previously been treated as a finance lease and asset of the University of Sydney. With the premature termination of the lease, the building valued at $22.04 million and infrastructure valued at $0.96 million were recognised by the consolidated entity during the year. The values were derived from an independent valuation report.

Recognition and Measurement

Other income

Other income arise from varying arrangements. Income is generally recognised on an accrual basis and/or when the right to receive the income has been established in accordance with the substance of the relevant agreement.

Lease and rental income is accounted for on a straight-line basis over the lease term under AASB 16 *Leases* . The rental income is incidental to the purpose for holding the property.

14. Gains / (losses) on disposal

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Gains / (losses) on disposal of:				
Property, plant and equipment				
Written down value of assets disposed	61,896	79,451	36,797	17,363
Less: Proceeds from disposal	47,386	36,396	36,792	17,332
Less: Finance lease receivable	-	7,103	-	-
Net gains / (losses) on disposal	**(14,510)**	**(35,952)**	**(5)**	**(31)**
Right-of-use assets				
Written down value of assets disposed	2,297	-	-	-
Less: lease liabilities extinguished	2,329	-	-	-
Net gains / (losses) on disposal	**32**	**-**	**-**	**-**
Intangible assets				
Written down value of assets disposed	10	379	-	-
Net gains / (losses) on disposal	**(10)**	**(379)**	**-**	**-**
Assets held for sale				
Written down value of assets disposed	1,088	6,318	-	-
Less: Proceeds from disposal	1,685	6,830	-	-
Net gains / (losses) on disposal	**597**	**512**	**-**	**-**
Financial assets				
Written down value of financial assets	356,350	364,765	-	-
Less: Proceeds from sale of financial assets	356,350	364,765	-	-
Net gains / (losses) on disposal	**-**	**-**	**-**	**-**
Total gains / (losses) on disposal	**(13,891)**	**(35,819)**	**(5)**	**(31)**

15. Other gains / (losses)

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Impairment losses on assets held for sale	(456)	-	-	-
Impairment losses on right-of-use assets	(2,898)	-	-	-
Foreign exchange gains / (losses)	1,342	-	9,956	-
	(2,012)	**-**	**9,956**	**-**

Recognition and Measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the entity from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

- Note 20 Receivables
- Note 21 Contract assets
- Note 25 Property, plant and equipment
- Note 26 Leases
- Note 27 Intangible assets

16. Conditions on restrictions on income of not-for-profit entities

The consolidated entity receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The consolidated entity determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 31 Restricted assets.

17. Prior Period Errors

Historically the Thomas Walker Convalescent Hospital has been reflected in the NSW Health Foundation's Financial Statements, a non-controlled entity of the ultimate parent, as the legal title vested with the NSW Health Foundation.

Section 19A of the *Walker Trusts Act 1938* provides for the overall control, management and administration of the Estate to Royal Prince Alfred Hospital, which forms part of Sydney Local Health District, a controlled entity of the Ministry. On that basis, Sydney Local Health District should have recognised Thomas Walker Convalescent Hospital in their Statement of Financial Position in the current and prior periods.

The error has been corrected during the year, with retrospective adjustments made in the prior periods. Land and buildings has increased by $50.5 million as at 1 July 2018 for the consolidated entity, while depreciation expense increased by $0.5 million for the year ended 30 June 2019.

The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matters are shown below.

17. Prior Period Errors (continued)

Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Original Actual 2019 $'000	Adjustment Actual 2019 $'000	Restated Actual 2019 $'000
Continuing operations				
Expenses excluding losses				
Employee related expenses	2	14,407,818	-	14,407,818
Operating expenses	3	6,715,865	-	6,715,865
Depreciation and amortisation	4	866,928	549	867,477
Grants and subsidies	5	1,421,119	-	1,421,119
Finance costs	6	108,107	-	108,107
Total expenses excluding losses		**23,519,837**	**549**	**23,520,386**
Revenue				
Appropriations	8	13,272,795	-	13,272,795
Acceptance by the Crown Entity of employee benefits and other liabilities	12	919,276	-	919,276
Sale of goods and services	9	2,844,970	-	2,844,970
Investment revenue	10	36,646	-	36,646
Grants and other contributions	11	7,438,249	-	7,438,249
Other income	13	157,743	-	157,743
Total revenue		**24,669,679**	**-**	**24,669,679**
Operating result		**1,149,842**	**(549)**	**1,149,293**
Gains / (losses) on disposal	14	(35,819)	-	(35,819)
Impairment losses on financial assets	20	(37,805)	-	(37,805)
Net result from continuing operations		**1,076,218**	**(549)**	**1,075,669**
Net result		**1,076,218**	**(549)**	**1,075,669**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods				
Changes in revaluation surplus of property, plant and equipment	25	1,841,750	-	1,841,750
Changes in revaluation surplus of other assets	28	(1,544)	-	(1,544)
Total other comprehensive income		**1,840,206**	**-**	**1,840,206**
TOTAL COMPREHENSIVE INCOME		**2,916,424**	**(549)**	**2,915,875**

17. Prior Period Errors (continued)

Statement of Financial Position as at 1 July 2018 and 30 June 2019

	Notes	Original 1 July 2018 $'000	Adjustment $'000	Restated 1 July 2018 $'000	Original 2019 $000	Adjustment $'000	Restated 2019 $'000
ASSETS							
Current assets							
Cash and cash equivalents	19	1,313,267	-	1,313,267	1,316,849	-	1,316,849
Receivables	20	803,005	-	803,005	888,069	-	888,069
Inventories	22	206,191	-	206,191	177,646	-	177,646
Financial assets at fair value	23	44,448	-	44,448	121,328	-	121,328
Other financial assets	24	314,786	-	314,786	255,336	-	255,336
		2,681,697	-	2,681,697	2,759,228	-	2,759,228
Non-current assets held for sale	29	40,943	-	40,943	55,578	-	55,578
Total current assets		**2,722,640**	**-**	**2,722,640**	**2,814,806**	**-**	**2,814,806**
Non-current assets							
Receivables	20	11,851	-	11,851	22,808	-	22,808
Financial assets at fair value	23	37,044	-	37,044	32,088	-	32,088
Property, plant and equipment							
- Land and buildings	25	14,960,365	50,496	15,010,861	18,127,918	49,947	18,177,865
- Plant and equipment	25	1,205,494	-	1,205,494	1,232,185	-	1,232,185
- Infrastructure systems	25	463,618	-	463,618	463,797	-	463,797
Total property, plant and equipment		16,629,477	50,496	16,679,973	19,823,900	49,947	19,873,847
Intangible assets	27	675,142	-	675,142	704,238	-	704,238
Other non-current assets	28	62,203	-	62,203	67,302	-	67,302
Total non-current assets		**17,415,717**	**50,496**	**17,466,213**	**20,650,336**	**49,947**	**20,700,283**
Total assets		**20,138,357**	**50,496**	**20,188,853**	**23,465,142**	**49,947**	**23,515,089**

17. Prior Period Errors (continued)

Statement of Financial Position as at 01 July 2018 and 30 June 2019 (continued)

	Notes	Original 1 July 2018 $'000	Adjustment $'000	Restated 1 July 2018	Original 2019 $000	Adjustment $'000	Restated 2019 $'000
LIABILITIES							
Current liabilities							
Payables	32	1,688,281	-	1,688,281	1,810,245	-	1,810,245
Borrowings	34	18,591	-	18,591	11,917	-	11,917
Provisions	35	2,167,508	-	2,167,508	2,309,387	-	2,309,387
Other current liabilities	36	27,432	-	27,432	108,690	-	108,690
Total current liabilities		**3,901,812**	**-**	**3,901,812**	**4,240,239**	**-**	**4,240,239**
Non-current liabilities							
Borrowings	34	1,101,560	-	1,101,560	1,090,175	-	1,090,175
Provisions	35	44,064	-	44,064	41,720	-	41,720
Other non-current liabilities	36	95,581	-	95,581	182,842	-	182,842
Total non-current liabilities		**1,241,205**	**-**	**1,241,205**	**1,314,737**	**-**	**1,314,737**
Total liabilities		**5,143,017**	**-**	**5,143,017**	**5,554,976**	**-**	**5,554,976**
Net assets		**14,995,340**	**50,496**	**15,045,836**	**17,910,166**	**49,947**	**17,960,113**
EQUITY							
Reserves		5,137,130	-	5,137,130	6,937,950	-	6,937,950
Accumulated funds		9,858,210	50,496	9,908,706	10,972,216	49,947	11,022,163
Total equity		**14,995,340**	**50,496**	**15,045,836**	**17,910,166**	**49,947**	**17,960,113**

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

18. Program groups of the Consolidated Entity

(a) Program group statements of the Consolidated Entity (From 1 July 2019)

CONSOLIDATED

CONSOLIDATED ENTITY EXPENSES AND INCOME	Program Group 1 * Population Health		Program Group 2 * Community Health Care Systems		Program Group 3 * Emergency Health Care Services		Program Group 4 * Acute Services		Program Group 5 * Sub and Non Acute Health Care Services		Program Group 6 * Research Capabilities		Program Group 7 * Independent Advisory Bodies		Not Attributable ***		Total	
	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000
Continuing operations																		
Expenses excluding losses																		
Employee related expenses	528,804	-	3,715,312	-	2,140,840	-	7,160,505	-	864,311	-	589,781	-	-	-	-	-	14,999,553	-
Operating expenses	283,690	-	1,729,187	-	882,792	-	3,681,330	-	303,036	-	222,350	-	-	-	-	-	7,102,385	-
Depreciation and amortisation	31,389	-	280,484	-	194,373	-	489,548	-	52,262	-	27,899	-	-	-	-	-	1,075,955	-
Grants and subsidies	27,685	-	639,767	-	77,733	-	497,037	-	93,561	-	137,129	-	30,609	-	-	-	1,503,521	-
Finance costs	2,564	-	33,814	-	17,574	-	59,091	-	3,265	-	5,386	-	-	-	-	-	121,694	-
Total expenses excluding losses	**874,132**	**-**	**6,398,564**	**-**	**3,313,312**	**-**	**11,887,511**	**-**	**1,316,435**	**-**	**982,545**	**-**	**30,609**	**-**	**-**	**-**	**24,803,108**	**-**
Revenue																		
Appropriations ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,926,529	-	14,926,529	-
Acceptance by the Crown Entity of employee benefits and other liabilities	27,094	-	183,417	-	89,192	-	319,344	-	34,139	-	27,348	-	-	-	-	-	680,534	-
customers	5,390	-	732,039	-	144,292	-	1,430,420	-	354,894	-	7,323	-	-	-	-	-	2,674,358	-
Investment revenue	551	-	4,633	-	1,737	-	9,757	-	2,139	-	661	-	-	-	-	-	19,478	-
Grants and other contributions	245,793	-	1,877,137	-	814,113	-	5,404,998	-	850,729	-	306,935	-	-	-	-	-	9,499,705	-
Other income	4,448	-	37,504	-	14,033	-	90,204	-	17,360	-	5,339	-	-	-	-	-	168,888	-
Total revenue	**283,276**	**-**	**2,834,730**	**-**	**1,063,367**	**-**	**7,254,723**	**-**	**1,259,261**	**-**	**347,606**	**-**	**-**	**-**	**14,926,529**	**-**	**27,969,492**	**-**
Gains / (losses) on disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,891)	-	(13,891)	-
Impairment losses on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(41,251)	-	(41,251)	-
Other gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,012)	-	(2,012)	-
Net result from continuing operations	**(590,856)**	**-**	**(3,563,834)**	**-**	**(2,249,945)**	**-**	**(4,632,788)**	**-**	**(57,174)**	**-**	**(634,939)**	**-**	**(30,609)**	**-**	**14,869,375**	**-**	**3,109,230**	**-**
Net result from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net result	**(590,856)**	**-**	**(3,563,834)**	**-**	**(2,249,945)**	**-**	**(4,632,788)**	**-**	**(57,174)**	**-**	**(634,939)**	**-**	**(30,609)**	**-**	**14,869,375**	**-**	**3,109,230**	**-**
Other comprehensive income																		
Items that will not be reclassified to net result in subsequent periods																		
Changes in revaluation surplus of property, plant and equipment	9,654	-	86,268	-	59,783	-	150,569	-	16,074	-	8,581	-	-	-	-	-	330,929	-
Change in revaluation surplus of other assets	75	-	680	-	471	-	1,186	-	127	-	68	-	-	-	-	-	2,607	-
Total other comprehensive income	9,729	-	86,948	-	60,254	-	151,755	-	16,201	-	8,649	-	-	-	-	-	333,536	-
Total comprehensive income	**(581,127)**	**-**	**(3,476,886)**	**-**	**(2,189,691)**	**-**	**(4,481,033)**	**-**	**(40,973)**	**-**	**(626,290)**	**-**	**(30,609)**	**-**	**14,869,375**	**-**	**3,442,766**	**-**

** The name and purpose of each program group is summarised in Note 18 (b).*

*** Program groups have been redefined in 2019-20 and as a result it is impracticable to adjust comparatives into the new program groups.*

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

18. Program groups of the Consolidated Entity (continued)

(a) Program group statements of the Consolidated Entity (From 1 July 2019) (continued)

CONSOLIDATED

CONSOLIDATED ENTITY ASSETS AND LIABILITIES	Program Group 1 * Population Health		Program Group 2 * Community Health Care Systems		Program Group 3 * Emergency Health Care Services		Program Group 4 * Acute Services		Program Group 5 * Sub and Non Acute Health Care Services		Program Group 6 * Research Capabilities		Program Group 7 * Independent Advisory Bodies		Not Attributable		Total	
	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000
ASSETS																		
Current assets																		
Cash and cash equivalents	93,710	-	685,943	-	355,196	-	1,274,373	-	141,125	-	105,331	-	3,281	-	-	-	2,658,959	-
Receivables	2,560	-	347,806	-	68,556	-	679,620	-	168,617	-	3,479	-	-	-	-	-	1,270,638	-
Contract assets	3	-	556	-	110	-	1,086	-	270	-	6	-	-	-	-	-	2,031	-
Inventories	36,825	-	224,459	-	114,592	-	477,859	-	39,336	-	28,862	-	-	-	-	-	921,933	-
Financial assets at fair value	5,555	-	40,659	-	21,054	-	75,538	-	8,365	-	6,243	-	195	-	-	-	157,609	-
Other Financial Assets	3,545	-	25,950	-	13,438	-	48,211	-	5,339	-	3,985	-	124	-	-	-	100,592	-
Non-current assets held for sale	265	-	2,369	-	1,642	-	4,134	-	441	-	236	-	-	-	-	-	9,087	-
Total current assets	**142,463**	**-**	**1,327,742**	**-**	**574,588**	**-**	**2,560,821**	**-**	**363,493**	**-**	**148,142**	**-**	**3,600**	**-**	**-**	**-**	**5,120,849**	**-**
Non-current assets																		
Receivables	249	-	33,818	-	6,666	-	66,082	-	16,395	-	338	-	-	-	-	-	123,548	-
Financial assets at fair value	1,129	-	8,256	-	4,275	-	15,339	-	1,699	-	1,268	-	39	-	-	-	32,005	-
Property, plant and equipment																		
- Land and buildings	577,462	-	5,159,908	-	3,575,774	-	9,005,947	-	961,444	-	513,248	-	-	-	-	-	19,793,783	-
- Plant and equipment	36,899	-	329,712	-	228,488	-	575,470	-	61,435	-	32,796	-	-	-	-	-	1,264,800	-
- Infrastructure systems	14,881	-	132,968	-	92,146	-	232,079	-	24,776	-	13,226	-	-	-	-	-	510,076	-
Right-of-use assets	34,614	-	309,291	-	214,336	-	539,828	-	57,630	-	30,765	-	-	-	-	-	1,186,464	-
Intangible assets	20,885	-	186,619	-	129,326	-	325,720	-	34,773	-	18,563	-	-	-	-	-	715,886	-
Other non-current assets	2,185	-	16,004	-	8,287	-	29,733	-	3,293	-	2,458	-	77	-	-	-	62,037	-
Total non-current assets	**688,304**	**-**	**6,176,576**	**-**	**4,259,298**	**-**	**10,790,198**	**-**	**1,161,445**	**-**	**612,662**	**-**	**116**	**-**	**-**	**-**	**23,688,599**	**-**
TOTAL ASSETS	**830,767**	**-**	**7,504,318**	**-**	**4,833,886**	**-**	**13,351,019**	**-**	**1,524,938**	**-**	**760,804**	**-**	**3,716**	**-**	**-**	**-**	**28,809,448**	**-**
LIABILITIES																		
Current liabilities																		
Payables	73,659	-	448,977	-	229,213	-	955,843	-	78,682	-	57,732	-	-	-	-	-	1,844,106	-
Contract liabilities	11,017	-	84,131	-	36,487	-	242,244	-	38,128	-	13,756	-	-	-	-	-	425,763	-
Borrowings	6,089	-	44,574	-	23,081	-	82,812	-	9,171	-	6,845	-	213	-	-	-	172,785	-
Provisions	90,269	-	634,222	-	365,452	-	1,222,333	-	147,542	-	100,678	-	-	-	-	-	2,560,496	-
Other current liabilities	3,185	-	23,316	-	12,074	-	43,318	-	4,797	-	3,580	-	112	-	-	-	90,382	-
Total current liabilities	**184,219**	**-**	**1,235,220**	**-**	**666,307**	**-**	**2,546,550**	**-**	**278,320**	**-**	**182,591**	**-**	**325**	**-**	**-**	**-**	**5,093,532**	**-**
Non-current liabilities																		
Contract liabilities	3	-	19	-	8	-	55	-	9	-	3	-	-	-	-	-	97	-
Borrowings	73,655	-	539,144	-	279,180	-	1,001,644	-	110,923	-	82,789	-	2,579	-	-	-	2,089,914	-
Provisions	1,551	-	10,905	-	6,284	-	21,017	-	2,537	-	1,731	-	-	-	-	-	44,025	-
Other non-current liabilities	9,304	-	68,108	-	35,268	-	126,534	-	14,013	-	10,459	-	326	-	-	-	264,012	-
Total non-current liabilities	**84,513**	**-**	**618,176**	**-**	**320,740**	**-**	**1,149,250**	**-**	**127,482**	**-**	**94,982**	**-**	**2,905**	**-**	**-**	**-**	**2,398,048**	**-**
TOTAL LIABILITIES	**268,732**	**-**	**1,853,396**	**-**	**987,047**	**-**	**3,695,800**	**-**	**405,802**	**-**	**277,573**	**-**	**3,230**	**-**	**-**	**-**	**7,491,580**	**-**
NET ASSETS	**562,035**	**-**	**5,650,922**	**-**	**3,846,839**	**-**	**9,655,219**	**-**	**1,119,136**	**-**	**483,231**	**-**	**486**	**-**	**-**	**-**	**21,317,868**	**-**

** The name and purpose of each program group is summarised in Note 18 (b).*

*** Program groups have been redefined in 2019-20 and as a result it is impracticable to adjust comparatives into the new program groups.*

18. Program groups of the Consolidated Entity

(a) Program group statements of the Consolidated Entity (Until 30 June 2019)

CONSOLIDATED

CONSOLIDATED ENTITY EXPENSES AND INCOME	Program Group 1 * Acute Health Services		Program Group 2 * Sub-Acute Health Services		Program Group 3 * Mental Health Services		Program Group 4 * Community Health Care Services		Program Group 5 * Public Health Services		Program Group 6 * Research Capability		Program Group 7 * Ambulance Emergency Services		Program Group 8 * Independent Advisory Bodies		Not Attributable ***		Total	
	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000
Continuing operations																				
Expenses excluding losses																				
Employee related expenses	-	10,447,088	-	856,502	-	1,450,203	-	601,906	-	383,970	-	2,821	-	665,328	-	-	-	-	-	14,407,818
Operating expenses	-	5,170,357	-	310,492	-	392,521	-	187,191	-	349,569	-	2,384	-	303,351	-	-	-	-	-	6,715,865
Depreciation and amortisation	-	691,613	-	48,865	-	62,027	-	16,946	-	18,479	-	-	-	29,547	-	-	-	-	-	867,477
Grants and subsidies	-	986,197	-	89,312	-	161,269	-	13,023	-	52,370	-	87,486	-	3,172	-	28,290	-	-	-	1,421,119
Finance costs	-	93,655	-	4,049	-	6,063	-	483	-	1,909	-	-	-	1,948	-	-	-	-	-	108,107
Total expenses excluding losses	-	**17,388,910**	-	**1,309,220**	-	**2,072,083**	-	**819,549**	-	**806,297**	-	**92,691**	-	**1,003,346**	-	**28,290**	-	-	-	**23,520,386**
Revenue																				
Appropriations ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,272,795	-	13,272,795
Acceptance by the Crown Entity of employee benefits and other liabilities	-	679,089	-	59,111	-	82,962	-	26,989	-	26,648	-	96	-	44,381	-	-	-	-	-	919,276
Sale of goods and services	-	2,231,936	-	265,438	-	117,274	-	69,910	-	7,133	-	-	-	153,279	-	-	-	-	-	2,844,970
Sale of goods and services from contracts with customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment revenue	-	27,797	-	2,511	-	3,345	-	1,347	-	1,203	-	-	-	443	-	-	-	-	-	36,646
Grants and other contributions	-	6,130,204	-	381,559	-	520,031	-	248,429	-	157,785	-	-	-	241	-	-	-	-	-	7,438,249
Other income	-	91,138	-	13,473	-	19,511	-	9,133	-	6,771	-	871	-	16,846	-	-	-	-	-	157,743
Total revenue	-	**9,160,164**	-	**722,092**	-	**743,123**	-	**355,808**	-	**199,540**	-	**967**	-	**215,190**	-	-	-	**13,272,795**	-	**24,669,679**
Gains / (losses) on disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,819)	-	(35,819)
Impairment losses on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,805)	-	(37,805)
Net result from continuing operations	-	**(8,228,746)**	-	**(587,128)**	-	**(1,328,960)**	-	**(463,741)**	-	**(606,757)**	-	**(91,724)**	-	**(788,156)**	-	**(28,290)**	-	**13,199,171**	-	**1,075,669**
Net result from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	**(8,228,746)**	-	**(587,128)**	-	**(1,328,960)**	-	**(463,741)**	-	**(606,757)**	-	**(91,724)**	-	**(788,156)**	-	**(28,290)**	-	**13,199,171**	-	**1,075,669**
Other comprehensive income																				
Changes in revaluation surplus of property, plant and equipment	-	1,511,750	-	106,894	-	135,686	-	37,071	-	40,424	-	-	-	9,925	-	-	-	-	-	1,841,750
Change in revaluation surplus of other assets	-	(1,274)	-	(156)	-	(69)	-	(41)	-	(4)	-	-	-	-	-	-	-	-	-	(1,544)
Total other comprehensive income	-	1,510,476	-	106,738	-	135,617	-	37,030	-	40,420	-	-	-	9,925	-	-	-	-	-	1,840,206
Total comprehensive income	-	**(6,718,270)**	-	**(480,390)**	-	**(1,193,343)**	-	**(426,711)**	-	**(566,337)**	-	**(91,724)**	-	**(778,231)**	-	**(28,290)**	-	**13,199,171**	-	**2,915,875**

** The name and purpose of each program group is summarised in Note 18 (b).*

*** Program groups have been redefined in 2019-20 and as a result it is impracticable to adjust comparatives into the new program groups.*

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

Depreciation and amortisation has been restated to be $0.549 million higher in 2019 (Acute services: $0.547 million, Sub-Acute Services: $0.001 million and Mental Health Services: $0.001 million). Refer to Note 17 for further details.

Ministry of Health
Notes to and forming part of the Financial Statements
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18. Program groups of the Consolidated Entity (continued)

(a) Program group statements of the Consolidated Entity (Until 30 June 2019) (continued)

CONSOLIDATED

CONSOLIDATED ENTITY ASSETS AND LIABILITIES	Program Group 1 * Acute Health Services		Program Group 2 * Sub-Acute Health Services		Program Group 3 * Mental Health Services		Program Group 4 * Community Health Care Services		Program Group 5 * Public Health Services		Program Group 6 * Research Capability		Program Group 7 * Ambulance Emergency Services		Program Group 8 * Independent Advisory Bodies		Not Attributable		Total	
	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000	2020 $'000	2019** $'000
ASSETS																				
Current assets																				
Cash and cash equivalents	-	968,527	-	72,923	-	115,415	-	45,649	-	44,911	-	5,163	-	64,261	-	-	-	-	-	1,316,849
Receivables	-	697,499	-	85,341	-	37,705	-	22,477	-	2,293	-	-	-	42,754	-	-	-	-	-	888,069
Inventories	-	143,234	-	8,602	-	10,874	-	5,186	-	9,684	-	66	-	-	-	-	-	-	-	177,646
Financial assets at fair value	-	93,814	-	7,063	-	11,179	-	4,422	-	4,350	-	500	-	-	-	-	-	-	-	121,328
Other Financial Assets	-	197,432	-	14,865	-	23,527	-	9,305	-	9,155	-	1,052	-	-	-	-	-	-	-	255,336
Non-current assets held for sale	-	42,070	-	2,975	-	3,776	-	1,032	-	1,125	-	-	-	4,600	-	-	-	-	-	55,578
Total current assets	-	**2,142,576**	-	**191,769**	-	**202,476**	-	**88,071**	-	**71,518**	-	**6,781**	-	**111,615**	-	-	-	-	-	**2,814,806**
Non-current assets																				
Receivables	-	18,378	-	2,248	-	993	-	592	-	60	-	-	-	537	-	-	-	-	-	22,808
Financial assets at fair value	-	24,812	-	1,868	-	2,957	-	1,169	-	1,150	-	132	-	-	-	-	-	-	-	32,088
Property, plant and equipment																				
- Land and buildings	-	14,631,319	-	1,031,102	-	1,308,851	-	357,570	-	389,905	-	-	-	459,118	-	-	-	-	-	18,177,865
- Plant and equipment	-	947,356	-	66,986	-	85,029	-	23,231	-	25,332	-	-	-	84,251	-	-	-	-	-	1,232,185
- Infrastructure systems	-	382,758	-	27,064	-	34,354	-	9,386	-	10,235	-	-	-	-	-	-	-	-	-	463,797
Intangible assets	-	579,871	-	41,002	-	52,046	-	14,220	-	15,506	-	-	-	1,593	-	-	-	-	-	704,238
Other non-current assets	-	52,040	-	3,918	-	6,201	-	2,453	-	2,413	-	277	-	-	-	-	-	-	-	67,302
Total non-current assets	-	**16,636,534**	-	**1,174,188**	-	**1,490,431**	-	**408,621**	-	**444,601**	-	**409**	-	**545,499**	-	-	-	-	-	**20,700,283**
TOTAL ASSETS	-	**18,779,110**	-	**1,365,957**	-	**1,692,907**	-	**496,692**	-	**516,119**	-	**7,190**	-	**657,114**	-	-	-	-	-	**23,515,089**
LIABILITIES																				
Current liabilities																				
Payables	-	1,383,552	-	83,086	-	105,036	-	50,091	-	93,542	-	638	-	94,300	-	-	-	-	-	1,810,245
Borrowings	-	9,194	-	692	-	1,095	-	433	-	426	-	49	-	28	-	-	-	-	-	11,917
Provisions	-	1,659,375	-	136,043	-	230,344	-	95,604	-	60,988	-	448	-	126,585	-	-	-	-	-	2,309,387
Other current liabilities	-	80,448	-	6,057	-	9,587	-	3,792	-	3,730	-	429	-	4,647	-	-	-	-	-	108,690
Total current liabilities	-	**3,132,569**	-	**225,878**	-	**346,062**	-	**149,920**	-	**158,686**	-	**1,564**	-	**225,560**	-	-	-	-	-	**4,240,239**
Non-current liabilities																				
Borrowings	-	842,947	-	63,468	-	100,450	-	39,730	-	39,087	-	4,493	-	-	-	-	-	-	-	1,090,175
Provisions	-	29,024	-	2,380	-	4,029	-	1,672	-	1,067	-	8	-	3,540	-	-	-	-	-	41,720
Other non-current liabilities	-	141,377	-	10,645	-	16,847	-	6,663	-	6,556	-	754	-	-	-	-	-	-	-	182,842
Total non-current liabilities	-	**1,013,348**	-	**76,493**	-	**121,326**	-	**48,065**	-	**46,710**	-	**5,255**	-	**3,540**	-	-	-	-	-	**1,314,737**
TOTAL LIABILITIES	-	**4,145,917**	-	**302,371**	-	**467,388**	-	**197,985**	-	**205,396**	-	**6,819**	-	**229,100**	-	-	-	-	-	**5,554,976**
NET ASSETS	-	**14,633,193**	-	**1,063,586**	-	**1,225,519**	-	**298,707**	-	**310,723**	-	**371**	-	**428,014**	-	-	-	-	-	**17,960,113**

** The name and purpose of each program group is summarised in Note 18 (b).*

*** Program groups have been redefined in 2019-20 and as a result it is impracticable to adjust comparatives into the new program groups.*

Property, plant and equipment - Land and buildings has been restated to be $49.95 million higher in 2019 (Acute services: $49.79 million, Sub-Acute Services: $0.06 million and Mental Health Services: $0.10 million). Refer to Note 17 for further details.

18. Program groups of the Consolidated Entity (continued)

(b) Program Group Name and Purpose of the Consolidated Entity (From 1 July 2019)

Name	Program Group's Purpose
Program Group 1 - Population Health	This program consist of Health Protection Services such as the surveillance, inspection and investigation of environmental standards (eg water quality), Specific Health Screening Services such as breast cancer and cervical cancer screening, Health Prevention Services such as the development, review and implementation of food standards and Dental Services such as school based oral health screening programs.
Program Group 2 - Community Health Care Systems	This program consists of Community Based Services such as primary health, child protection, family planning, migrant/refugee health, women's health, Mental Health Community Based Services such as mental health liaison service in-reach into emergency departments, general hospitals and residential care units, Drug and Alcohol Services such as residential rehabilitation, detoxification, Non-Admitted Services such as specialist allied health, medical and nursing consultation services and Aged Care Community Services such as cardiac or respiratory rehabilitation and palliative care.
Program Group 3 - Emergency Health Care Services	This program consists of services provided to patients attending a hospital emergency department and emergency ambulance transport.
Program Group 4 - Acute Services	This program consists of acute inpatient care to restore or improve health and specialised inpatient mental health care.
Program Group 5 - Sub and Non Acute Health Care Services	This program consists of Aged Care Services such as high and low care residential aged care including government managed nursing homes and Sub-Acute Services such as inpatient rehabilitation, palliative and psychogeriatric care.
Program Group 6 - Research Capability	Research Capabilities includes teaching activities associated with the transfer of clinical knowledge, research undertaken to advance knowledge and the medical research support program.
Program Group 7 - Independent Advisory Bodies	This program covers the provision of services by independent health cluster agencies. The health cluster consists of the consolidated entity and two independent agencies; Health Care Complaints Commission and the Mental Health Commission: **Health Care Complaints Commission** – responsible for processing, assessing and resolving health care complaints through assisted resolution, facilitated conciliation or referral for investigation and also investigates and prosecutes any serious cases of inappropriate health care, making recommendations to health organisations to address any systemic health care issues. **Mental Health Commission** – responsible for monitoring, reviewing and improving the mental health system, working with Government and community to secure better mental health for everyone, help prevent mental illness and ensure appropriate support is available close to home.

18. Program groups of the Consolidated Entity (continued)

(b) Program Group Name and Purpose of the Consolidated Entity (Until 30 June 2019)

Name	Program Group's Purpose
Program Group 1 - Acute Health Services	This program group includes the treatment of patients admitted to a NSW public hospital, attending an emergency department or an outpatient-type clinic. The clinical services provided include medical, surgical, obstetric, diagnostic and therapeutic. The program group also covers the provision of clinical professional training and the strategic investment in medical research and development to improve the health and wellbeing of the people of New South Wales.
Program Group 2 - Sub-Acute Health Services	This program group covers rehabilitation, palliative care, geriatric and psychogeriatric care, aimed at maintaining and/or optimising patients' functioning and quality of life, in public designated facilities and specialist clinics.
Program Group 3 - Mental Health Services	This program group delivers an integrated and comprehensive network of services by Local Health Districts and community-based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventive programs that meet the needs of specific client groups.
Program Group 4 - Community Health Care Services	The community health care services program group includes health services for persons attending community health centres, services delivered in the home, oral health and targeted community drug and alcohol services.
Program Group 5 - Public Health Services	Public health program group includes services related to: **Protective health** – services targeted at broad population groups including environmental health promotion and regulations, immunisation strategies, tobacco control, food and poisons regulation and monitoring of communicable diseases. **Preventative health** – services targeting prevention initiatives that reduce lifestyle-related risk factors that can result in chronic disease and unnecessary hospitalisation, including the healthy children initiative and get healthy programs.
Program Group 6 - Research Capability	This program group, delivered through the Office of Health and Medical Research, includes initiatives aimed at building health and medical research capability and capacity across the state, as well as providing support for New South Wales organisations reaching commercial market scale as New South Wales based enterprises.
Program Group 7 - Ambulance Emergency Services	Ambulance emergency services program group includes high quality clinical care and emergency road, rotary and fixed air wing patient and transport services provided by the Ambulance Service of NSW, a division of the Health Administration Corporation. Non-emergency patient transports in the metropolitan area are excluded.

18. Program groups of the Consolidated Entity (continued)

(b) Program Group Name and Purpose of the Consolidated Entity (Until 30 June 2019) (continued)

Name	Program Group's Purpose
Program Group 8 - Independent Advisory Bodies	This program covers the provision of services by independent health cluster agencies. The health cluster consists of the consolidated entity and two independent agencies; Health Care Complaints Commission and the Mental Health Commission: **Health Care Complaints Commission** – responsible for processing, assessing and resolving health care complaints through assisted resolution, facilitated conciliation or referral for investigation and also investigates and prosecutes any serious cases of inappropriate health care, making recommendations to health organisations to address any systemic health care issues. **Mental Health Commission** – responsible for monitoring, reviewing and improving the mental health system, working with Government and community to secure better mental health for everyone, help prevent mental illness and ensure appropriate support is available close to home.

19. Cash and cash equivalents

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash at bank and on hand	2,382,810	1,055,929	728,371	334,204
Short-term deposits	276,149	260,920	-	-
	2,658,959	**1,316,849**	**728,371**	**334,204**

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 outstanding bank overdraft.

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash and cash equivalents (per Statement of Financial Position)	2,658,959	1,316,849	728,371	334,204
Cash and cash equivalents (per Statement of Cash Flows)	**2,658,959**	**1,316,849**	**728,371**	**334,204**

Refer to Note 45 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

20. Receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Trade receivables from contracts with customers	366,040	-	12,728	-
Sale of goods and services	-	441,897	-	67,682
Receivables from controlled health entities	-	-	14,993	82,831
Goods and Services Tax	163,823	115,505	24,229	12,505
Other receivables	358,611	309,217	237,343	185,974
	888,474	**866,619**	**289,293**	**348,992**
Less: allowance for expected credit losses*				
- Trade receivables from contracts with customers	(63,349)	-	-	-
- Sale of goods and services	-	(58,180)	-	-
- Other receivables	(4,468)	(3,213)	-	-
	820,657	**805,226**	**289,293**	**348,992**
Prepayments	449,981	82,843	8,552	558
Current receivables	**1,270,638**	**888,069**	**297,845**	**349,550**

20. Receivables (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Non-current				
Trade receivables from contracts with customers	66	-	-	-
Sale of goods and services	-	67	-	-
Other receivables	9,787	7,319	-	-
Prepayments	113,780	15,508	-	-
	123,633	**22,894**	**-**	**-**
Less: allowance for expected credit losses*			-	-
- Trade receivables from contracts with customers	(62)	-	-	-
- Sale of goods and services	-	(62)	-	-
- Other receivables	(23)	(24)	-	-
Non-current receivables	**123,548**	**22,808**	**-**	**-**

*** Movement in the allowance for expected credit losses**

Trade receivables from contracts with customers and other receivables				
Balance at the beginning of the year	(61,479)	-	-	-
Amounts written off during the year	34,828	-	-	-
(Increase) / decrease in allowance recognised in net result[1]	(41,251)	-	-	-
Balance at the end of the year	**(67,902)**	**-**	**-**	**-**

Sale of goods and services and other receivables				
Balance at the beginning of the year	-	(63,845)	-	-
Amounts written off during the year	-	40,171	-	-
(Increase) / decrease in allowance recognised in net result[1]	-	(37,805)	-	-
Balance at the end of the year	**-**	**(61,479)**	**-**	**-**

[1] Includes impairment loss of $38.7 million (2019: $36.8 million) recognised on receivables from contracts with customers.

Allowance for expected credit losses of $67.9 million (2019: $61.5 million) includes an allowance on trade receivables from contracts with customers of $63.4 million (2019: $58.2 million) and other receivables of $4.5 million (2019: $3.2 million).

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 45.

20. Receivables (continued)

Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables 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.

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

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

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

21. Contract assets

	Consolidated 2020 $000	Consolidated 1 July 2019 adjusted for AASB 15 $000	Parent 2020 $000	Parent 1 July 2019 adjusted for AASB 15 $000
Current				
Contract assets	2,031	-	-	-
	2,031	**-**	**-**	**-**

Recognition and Measurement

Contract assets relate to the consolidated entity's right to consideration in exchange for goods and services transferred to customers / works completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the consolidated entity issues an invoice to the customer. The balance of the contract assets relates to grants and other contributions for work completed but not yet invoiced as future work is required to be completed before the consolidated entity has the rights to invoice. Once all performance obligations are met and the consolidated entity has rights to invoice for the payment to be made, the contract asset is transferred to receivables.

The contract asset balance has significantly increased during the year due to the timing of the rights to invoice and the obligations met.

	Consolidated 2020 $000	Parent 2020 $000
Contract receivables (included in Note 20)	374,255	27,721
	374,255	**27,721**

22. Inventories

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Drug supplies	76,639	79,652	23,566	32,602
Medical and surgical supplies	679,650	89,649	2,237	271
Food and hotel supplies	3,772	4,529	-	-
Goods in transit	139,115	-	-	-
Other	22,757	3,816	-	-
	921,933	**177,646**	**25,803**	**32,873**

The majority of the inventory is held for consumption in the ordinary activities of the consolidated entity and will be expensed in food supplies, medical and surgical supplies and pharmaceutical supplies (Note 3).

The increase in medical and surgical supplies is a result of the consolidated entity's increased purchases to prepare, test and treat suspected and confirmed COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed as part of the normal services provided by the consolidated entity.

Recognition and Measurement

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

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to the outbreak of COVID-19. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned. At the 30 June 2020, the consolidated entity has determined that it plans to consume the remaining medical and surgical supplies prior to expiry, and there is no available alternative that is more efficient or effective nor a likelihood of an alternative being on the market in the foreseeable future.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the consolidated entity would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

23. Financial assets at fair value

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
TCorpIM Funds Investment facilities	157,609	121,328	-	-
	157,609	**121,328**	**-**	**-**
Non-current				
TCorpIM Funds Investment facilities	32,005	32,088	-	-
	32,005	**32,088**	**-**	**-**

Refer to Note 45 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.

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.

Classification and measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

24. Other financial assets

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Other loans and deposits	100,592	255,336	-	-
Intra health loans receivable	-	-	744,176	16,041
	100,592	**255,336**	**744,176**	**16,041**
Non-current				
Intra health loans receivable	-	-	11,072	14,651
	-	**-**	**11,072**	**14,651**

The increase in intra health loans receivable within the parent entity is the result of cash advances provided to HealthShare NSW to make all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the controlled entities.

Refer to Note 45 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and Measurement

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

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

Subsequent measurement

Financial assets at amortised cost

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.

Impairment

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

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

24. Other financial assets (continued)

Impairment (continued)

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

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

25. Property, plant and equipment

(a) Total property, plant and equipment

CONSOLIDATED

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2020				
Gross carrying amount	28,739,912	2,827,984	999,004	32,566,900
Less: accumulated depreciation and impairment	(8,946,129)	(1,563,184)	(488,928)	(10,998,241)
Net carrying amount	**19,793,783**	**1,264,800**	**510,076**	**21,568,659**

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2019				
Gross carrying amount	26,653,135	2,717,434	951,741	30,322,310
Less: accumulated depreciation and impairment	(8,475,270)	(1,485,249)	(487,944)	(10,448,463)
Net carrying amount	**18,177,865**	**1,232,185**	**463,797**	**19,873,847**

The net carrying amount of privately financed project (PFP) assets included in land and buildings and infrastructure is $1,974.2 million as at 30 June 2020 (30 June 2019: $1,936.7 million).

Land and buildings 'Gross carrying amount' and 'Accumulated depreciation and impairment' have been restated to be $67.28 million and $17.33 million, respectively, higher than in the prior year. Refer to Note 17 for further details.

25. Property, plant and equipment (continued)

(a) Total property, plant and equipment - reconciliation

CONSOLIDATED

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	18,177,865	1,232,185	463,797	**19,873,847**
Derecognition of finance lease assets on initial application of AASB 16*	(37,559)	-	-	**(37,559)**
Adjusted net carrying amount at beginning of year	**18,140,306**	**1,232,185**	**463,797**	**19,836,288**
Additions	1,919,557	333,325	14,535	**2,267,417**
Reclassifications to intangibles	-	(975)	-	**(975)**
Reclassification from other assets	12,424	-	-	**12,424**
Reclassification from assets held for sale	44,658	-	288	**44,946**
Disposals	(45,153)	(16,592)	(151)	**(61,896)**
Equity transfers - transfers in/(out) - Note 44 (a)[(ii)]	(23,300)	-	-	**(23,300)**
Net revaluation increment less revaluation decrements[(i)]	295,216	-	35,713	**330,929**
Depreciation expense	(572,657)	(238,979)	(25,538)	**(837,174)**
Other reclassifications within property, plant and equipment	22,732	(44,164)	21,432	**-**
Net carrying amount at end of year	**19,793,783**	**1,264,800**	**510,076**	**21,568,659**

** This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20.*

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 30(b).

(ii) Further details regarding equity transfers are disclosed in Note 44.

25. Property, plant and equipment (continued)

(a) Total property, plant and equipment - reconciliation (continued)

CONSOLIDATED

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2019				
Net carrying amount at beginning of year	14,960,365	1,205,494	463,618	**16,629,477**
Restatement of land and building assets	50,496	-	-	**50,496**
Restated net carrying amount at beginning of year	**15,010,861**	**1,205,494**	**463,618**	**16,679,973**
Additions	1,935,688	289,843	25,844	**2,251,375**
Reclassifications to intangibles	-	(1,638)	-	**(1,638)**
Reclassification to assets held for sale	(20,954)	-	-	**(20,954)**
Disposals	(64,403)	(15,048)	-	**(79,451)**
Net revaluation increment less revaluation decrements[(i)]	1,839,448	-	2,302	**1,841,750**
Depreciation expense	(542,838)	(229,922)	(24,448)	**(797,208)**
Other reclassifications within property, plant and equipment	20,063	(16,544)	(3,519)	**-**
Net carrying amount at end of year	**18,177,865**	**1,232,185**	**463,797**	**19,873,847**

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 30(b).

Land and buildings have been restated to be $49.95 million higher than in the prior year. The following lines have been restated:

- Restatement of opening balance - $50.5 million higher

- Depreciation expense - $0.55 million higher

Refer to Note 17 for further details.

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the consolidated entity

CONSOLIDATED

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2020				
Gross carrying amount	28,524,448	2,827,984	999,004	32,351,436
Less: accumulated depreciation and impairment	(8,829,191)	(1,563,184)	(488,928)	(10,881,303)
Net carrying amount	**19,695,257**	**1,264,800**	**510,076**	**21,470,133**

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2019				
Gross carrying amount	26,438,548	2,717,434	951,741	30,107,723
Less: accumulated depreciation and impairment	(8,363,094)	(1,485,249)	(487,944)	(10,336,287)
Net carrying amount	**18,075,454**	**1,232,185**	**463,797**	**19,771,436**

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the consolidated entity - reconciliation

CONSOLIDATED

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	18,075,454	1,232,185	463,797	**19,771,436**
Derecognition of finance lease assets on initial application of AASB 16	(37,559)	-	-	**(37,559)**
Adjusted net carrying amount at beginning of year	**18,037,895**	**1,232,185**	**463,797**	**19,733,877**
Additions	1,919,241	333,325	14,535	**2,267,101**
Reclassifications to intangibles	-	(975)	-	**(975)**
Reclassification from other assets	12,424	-	-	**12,424**
Reclassification from assets held for sale	44,658	-	288	**44,946**
Disposals	(45,153)	(16,592)	(151)	**(61,896)**
Equity transfers - transfers in/(out) - Note 44 (a)[(ii)]	(23,300)	-	-	**(23,300)**
Net revaluation increment less revaluation decrements[(i)]	294,322	-	35,713	**330,035**
Depreciation expense	(567,562)	(238,979)	(25,538)	**(832,079)**
Other reclassifications within property, plant and equipment	22,732	(44,164)	21,432	**-**
Net carrying amount at end of year	**19,695,257**	**1,264,800**	**510,076**	**21,470,133**

** This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20.*

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 30(b).

(ii) Further details regarding equity transfers are disclosed in Note 44.

25. Property, plant and equipment (continued)

(c) Property, plant and equipment where the consolidated entity is the lessor under operating leases

CONSOLIDATED

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2020				
Gross carrying amount	215,464	-	-	215,464
Less: accumulated depreciation and impairment	(116,938)	-	-	(116,938)
Net carrying amount	**98,526**	**-**	**-**	**98,526**

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2019				
Gross carrying amount	214,587	-	-	214,587
Less: accumulated depreciation and impairment	(112,176)	-	-	(112,176)
Net carrying amount	**102,411**	**-**	**-**	**102,411**

(c) Property, plant and equipment where the consolidated entity is the lessor under operating leases - reconciliation

CONSOLIDATED

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	102,411	-	-	**102,411**
Additions	316	-	-	**316**
Net revaluation increment less revaluation decrements(i)	894	-	-	**894**
Depreciation expense	(5,095)	-	-	**(5,095)**
Net carrying amount at end of year	**98,526**	**-**	**-**	**98,526**

** This does not include finance lease assets that relate to privately financed projects according to TPP06-08. AASB 16 does not apply to these assets in 2019-20.*

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 30(b).

25. Property, plant and equipment (continued)

(a) Total property, plant and equipment

PARENT

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2020				
Gross carrying amount	314,103	10,081	3,879	328,063
Less: accumulated depreciation and impairment	(127,606)	(5,384)	(2,918)	(135,908)
Net carrying amount	**186,497**	**4,697**	**961**	**192,155**

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2019				
Gross carrying amount	203,927	8,338	3,879	216,144
Less: accumulated depreciation and impairment	(71,350)	(6,261)	(2,812)	(80,423)
Net carrying amount	**132,577**	**2,077**	**1,067**	**135,721**

25. Property, plant and equipment (continued)

(a) Total property, plant and equipment - reconciliation

PARENT

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	132,577	2,077	1,067	**135,721**
Additions	57,990	3,063	-	**61,053**
Disposals	(36,640)	(6)	(151)	**(36,797)**
Equity transfers - transfers in/(out) - Note 44 (a)(ii)	36,640	-	151	**36,791**
Depreciation expense	(4,070)	(437)	(106)	**(4,613)**
Net carrying amount at end of year	**186,497**	**4,697**	**961**	**192,155**

(ii) *Further details regarding acquisitions made through equity transfers are disclosed in Note 44(a).*

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2019				
Net carrying amount at beginning of year	124,584	2,744	680	128,008
Additions	33	156	-	189
Reclassifications to intangibles	-	(284)	-	(284)
Disposals	(17,340)	(23)	-	(17,363)
Equity transfers - transfers in/(out) - Note 44 (a)(ii)	17,299	-	-	17,299
Net revaluation increment less revaluation decrements(i)	12,534	-	146	12,680
Depreciation expense	(4,222)	(516)	(70)	(4,808)
Other reclassifications within property, plant and equipment	(311)	-	311	-
Net carrying amount at end of year	**132,577**	**2,077**	**1,067**	**135,721**

(i) *Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 30(b).*

(ii) *Further details regarding acquisitions made through equity transfers are disclosed in Note 44(a).*

25. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the parent entity

PARENT

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2020				
Gross carrying amount	200,215	10,081	3,879	214,175
Less: accumulated depreciation and impairment	(52,204)	(5,384)	(2,918)	(60,506)
Net carrying amount	**148,011**	**4,697**	**961**	**153,669**

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2019				
Gross carrying amount	90,039	8,338	3,879	102,256
Less: accumulated depreciation and impairment	1,505	(6,261)	(2,812)	(7,568)
Net carrying amount	**91,544**	**2,077**	**1,067**	**94,688**

(b) Property, plant and equipment held and used by the parent entity - reconciliation

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	91,544	2,077	1,067	**94,688**
Additions	57,990	3,063	-	**61,053**
Disposals	(36,640)	(6)	(151)	**(36,797)**
Equity transfers - transfers in/(out) - Note 44 (a)[(ii)]	36,640	-	151	**36,791**
Depreciation expense	(1,523)	(437)	(106)	**(2,066)**
Net carrying amount at end of year	**148,011**	**4,697**	**961**	**153,669**

(ii) *Further details regarding acquisitions made through equity transfers are disclosed in Note 44(a).*

25. Property, plant and equipment (continued)

(c) Property, plant and equipment where the parent entity is the lessor under operating leases

PARENT

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2020				
Gross carrying amount	113,888	-	-	113,888
Less: accumulated depreciation and impairment	(75,402)	-	-	(75,402)
Net carrying amount	**38,486**	**-**	**-**	**38,486**

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
As at 30 June 2019				
Gross carrying amount	113,888	-	-	113,888
Less: accumulated depreciation and impairment	(72,855)	-	-	(72,855)
Net carrying amount	**41,033**	**-**	**-**	**41,033**

(c) Property, plant and equipment where the parent entity is the lessor under operating leases - reconciliation

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure systems $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	41,033	-	-	**41,033**
Depreciation expense	(2,547)	-	-	**(2,547)**
Net carrying amount at end of year	**38,486**	**-**	**-**	**38,486**

25. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer in Note 44).

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

Capitalisation thresholds

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

Major inspection costs

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

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.

Depreciation of property, plant and equipment

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

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

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

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

25. Property, plant and equipment (continued)

Depreciation of property, plant and equipment (continued)

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

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)

Until 30 June 2019, AASB 117 *Leases* (AASB 117) distinguished between finance leases that 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 does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

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

Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The consolidated entity has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date, property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained at Note 26.

The consolidated entity has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 *Service Concession Arrangements: Grantors*. The consolidated entity continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

25. Property, plant and equipment (continued)

Revaluations of property, plant and equipment

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 30 for further information regarding fair value.

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

Comprehensive revaluations are conducted annually in December on a rolling basis and are based on an independent assessment. A schedule of revaluations has been developed which rolls over every three years. Interim or out of schedule revaluations are conducted where cumulative changes to indicators suggest fair value may differ materially from carrying value. No interim or out of schedule revaluations were completed in the current year. The consolidated entity uses an external professionally qualified valuer to conduct the interim revaluations.

Due to the COVID-19 pandemic in early 2020, the consolidated entity performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that the fair value recorded as at the 30 June 2020 in the financial statements continues to be supported by market data.

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

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

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

25. Property, plant and equipment (continued)

Revaluations of property, plant and equipment (continued)

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.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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.

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

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

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

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

Derecognition of property, plant and equipment

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

26. Leases

(a) Entity as a lessee

The consolidated entity leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The consolidated entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the consolidated entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $304.6 million (parent entity: $12.3 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of $Nil.

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The consolidated entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new and comprise mainly of small office and medical equipment items.

26. Leases (continued)

Right-of-use assets under leases

The following table presents right-of-use assets that do not meet the definition of investment property.

There are no right-of-use assets that meet the definition of investment property.

CONSOLIDATED

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
2020			
Balance at 1 July 2019	430,881	328,003	**758,884**
Additions	520,754	62,755	**583,509**
Reassessments	3,656	904	**4,560**
Disposals	(1,510)	(787)	**(2,297)**
Depreciation expense	(77,810)	(77,484)	**(155,294)**
Impairment losses (recognised in 'Other gains / (losses)')	(2,898)	-	**(2,898)**
Balance at 30 June 2020	**873,073**	**313,391**	**1,186,464**

PARENT

	Land and Buildings $'000	Total $'000
2020		
Balance at 1 July 2019	22,335	**22,335**
Additions	497,630	**497,630**
Depreciation expense	(8,805)	**(8,805)**
Balance at 30 June 2020	**511,160**	**511,160**

26. Leases (continued)

Lease liabilities

The following table presents liabilities under leases:

CONSOLIDATED

	Total $'000
2020	
Balance at 1 July 2019	755,090
Additions	582,601
Interest expenses	13,617
Payments	(155,798)
Terminations	(2,328)
Other adjustments	4,560
Balance at 30 June 2020	**1,197,742**

PARENT

	Total $'000
2020	
Balance at 1 July 2019	22,335
Additions	497,630
Interest expenses	303
Payments	(8,742)
Balance at 30 June 2020	**511,526**

26. Leases (continued)

The following amounts were recognised in the Statement of Comprehensive Income for the period ended 30 June 2020 in respect of leases where the consolidated entity is the lessee:

CONSOLIDATED

	2020 $'000
2020	
Depreciation expense of right-of-use assets	155,294
Interest expense on lease liabilities	13,617
Expenses relating to short-term leases	37,762
Expenses relating to leases of low-value assets	8,537
Variable lease payments not included in the measurement of lease liabilities	925
(Gains) / losses on disposal	(32)
Impairment of right-of-use assets	2,898
Total amount recognised in the statement of comprehensive income	**219,001**

PARENT

	2020 $'000
2020	
Depreciation expense of right-of-use assets	8,805
Interest expense on lease liabilities	303
Expenses relating to short-term leases	46
Expenses relating to leases of low-value assets	39
Total amount recognised in the statement of comprehensive income	**9,193**

The consolidated entity had total cash outflows for leases of $203.02 million (parent entity $8.83 million) in 2019-20.

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

	Consolidated Operating leases 2019 $'000	Consolidated Finance leases 2019 $'000	Parent Operating leases 2019 $'000	Parent Finance leases 2019 $'000
Within one year	169,711	970	9,706	-
Later than one year and not later than five years	416,497	4,077	12,512	-
Later than five years	182,341	39,673	5,565	-
Total (including GST)	**768,549**	**44,720**	**27,783**	**-**
Less: GST recoverable from the Australian Taxation Office	69,560	-	2,478	-
Total (excluding GST)	**698,989**	**44,720**	**25,305**	**-**

26. Leases (continued)

The reconciliation between the total future minimum lease payments for finance leases and their present value as at 30 June 2019 are, as follows:

PARENT AND CONSOLIDATION

	Consolidated Total $'000	Parent Total $'000
Total minimum finance lease payments	44,720	-
Less: future finance charges	10,857	-
Present value of minimum lease payments	33,863	-

Leases at significantly below market terms and conditions principally to enable the entity to further its objectives

The consolidated entity entered into a number of leases, with lease terms ranging from 1 to 99 years with various organisations, including local councils, health charities, Catholic churches and other NSW State entities for the use of various community health buildings. There are also some leases for the use of various helipads across the state. The contract generally specifies lease payments of $Nil or negligible amounts per annum. The leased premises are used by the consolidated entity to provide different community health services and access to helipads. The community health buildings and helipads account for a small portion of similar assets the consolidated entity is using for the purpose of providing health services. Therefore it does not have a significant impact on the consolidated entity's operations.

Recognition and measurement (under AASB 16 from 1 July 2019)

The consolidated entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The consolidated entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The consolidated entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Land and buildings	1 to 30 years
Plant and machinery	1 to 10 years
Motor vehicles and other equipment	1 to 5 years
Aeromedical	1 to 10 years

If ownership of the leased asset transfers to the consolidated entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

26. Leases (continued)

Recognition and measurement (under AASB 16 from 1 July 2019) (continued)

i. Right-of-use assets (continued)

The right-of-use assets are also subject to impairment. The consolidated entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the consolidated entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

Impairment losses for right-of-use assets

In 2019-20, no material impacts were noted due to COVID-19 impacts on market rent for real estate leases.

The only impairment loss for right-of-use assets recognised during the 2019-20 financial year was $2.9 million, which related to a property that is expected to become vacant in the near future for a period before being subleased. As limited or no benefits are expected to be derived from this asset during this vacant period, an impairment loss has been recognised for the expected vacancy period.

Impairment losses for right-of-use assets are included in 'Other gains / (losses) in the Statement of Comprehensive Income.

ii. Lease liabilities

At the commencement date of the lease, the consolidated entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the consolidated entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The consolidated entity does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the consolidated entity is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

26. Leases (continued)

Recognition and measurement (under AASB 16 from 1 July 2019) (continued)

ii. Lease liabilities (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The consolidated entity's lease liabilities are included in borrowings in Note 34.

iii. Short-term leases and leases of low-value assets

The consolidated entity applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

iv. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the consolidated entity to further its objectives is the same as normal right-of-use assets. They are measured at cost, subject to impairment.

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the consolidated entity was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

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

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

26. Leases (continued)

(b) Entity as a lessor

The consolidated entity leases some retail spaces located within the hospital precincts under operating leases with rental payable monthly. Lease payments generally contain uplift clauses to align to the market conditions.

The consolidated entity also leases land and buildings to non-government organisations (NGO's) and universities under operating leases arrangements. Generally there are no rental payments as the consolidated entity provides market rental assistance grants which offset the rental payments.

The consolidated entity has also leased levels 5 and 6 in the Bright Alliance Building at South Eastern Sydney Local Health District's Randwick campus to the University of NSW for 40 years, which is treated as finance lease. All lease payments have been paid upfront and the asset has been derecognised from non-current assets.

The consolidated entity's overall exposure to changes in the residual value at the end of the current lease is not material as these leases form a very small part of the asset portfolio. Any expectations about the future residual values are reflected in the fair value of these properties.

Lessor for finance leases

Future minimum rentals receivable (undiscounted) under non-cancellable finance lease as at 30 June 2020 is $Nil.

Reconciliation of net investment in leases

	Consolidated 2020 $'000	Parent 2020 $'000
Unguaranteed residual amounts - undiscounted	151,230	-
Less: unearned finance income	(141,476)	-
Net investment in finance lease	**9,754**	**-**

Gross investment in leases and the present value of minimum lease payment receivable under non-cancellable finance lease as at 30 June 2019 are, as follows:

	Consolidated Gross Investment 2019 $'000	Consolidated minimum lease 2019 $'000	Parent Gross Investment 2019 $'000	Parent minimum lease 2019 $'000
Within one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	146,463	-	-	-
Total (excluding GST)	**146,463**	**-**	**-**	**-**

The accumulated allowance for uncollectable minimum payments receivable for finance leases as at 30 June 2019 is $Nil.

26. Leases (continued)

Reconciliation of gross investment in finance leases

	Consolidated 2019 $'000	Parent 2019 $'000
Unguaranteed residual amounts - undiscounted	146,463	-
Gross investment in finance lease	**146,463**	**-**

Recognition and Measurement

Lessor for finance leases

Leases that the consolidated entity transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. From 1 July 2019, subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, the consolidated entity recognises a receivable for assets held under a finance lease in its Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

26. Leases (continued)

Lessor for operating leases

Future minimum rental receivables (undiscounted) under non-cancellable operating leases as at 30 June 2020 are as follows:

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	Consolidated 2020 $'000	Consolidated[1] 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Within one year	9,904	7,303	280	342
Later than one year and not later than five years	7,942	5,924	264	280
Two to three years	6,380	3,994	55	264
Three to four years	6,207	2,575	56	55
Four to five years	5,828	2,465	44	56
Later than five years	86,738	47,602	149	193
Total (excluding GST)	**122,999**	**69,863**	**848**	**1,190**

[1] *Prior year figures have been restated as a result of new lessor for operating lease commitments identified.*

Recognition and Measurement

Lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases not yet commenced to which the lessee is committed

Ambulance Service of NSW has entered into a 10 year contract with Pel-Air Aviation Pty Ltd to provide aeromedical services. The contract has a lease component for the right-to-use of the contracted aircraft. The lease has not yet commenced and as a result, no right-of-use asset or liability has been recognised at the reporting date. The initial contract value is approximately $338 million. As at 30 June 2020, $10 million was prepaid to Pel-Air Aviation Pty Ltd and recorded under prepayments.

27. Intangible assets

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cost (gross carrying amount)	1,210,616	1,117,836	3,023	1,772
Less: accumulated amortisation and impairment	494,730	413,598	1,267	895
Net carrying amount	**715,886**	**704,238**	**1,756**	**877**

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Net carrying amount at beginning of year	704,238	675,142	877	825
Additions	94,170	98,106	1,251	73
Reclassifications from property, plant and equipment	975	1,638	-	284
Disposals	(10)	(379)	-	-
Amortisation (recognised in depreciation and amortisation)	(83,487)	(70,269)	(372)	(305)
Net carrying amount at the end of the year	**715,886**	**704,238**	**1,756**	**877**

Recognition and Measurement

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

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.

The consolidated entity's intangible assets are amortised using the straight-line method over a period of four years. Computer software developed or acquired by the consolidated entity are recognised as intangible assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

28. Other assets

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Non-current				
Emerging rights to assets	62,037	67,302	-	-
	62,037	**67,302**	**-**	**-**

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Net carrying amount at beginning of year	67,302	62,203	-	-
Additions	4,552	6,643	-	-
Reclassifications to plant and equipment	(12,424)	-	-	-
Net revaluation increment less revaluation decrements	2,607	(1,544)	-	-
Net carrying amount at the end of the year	**62,037**	**67,302**	**-**	**-**

Recognition and Measurement

The consolidated entity's emerging interest in certain assets has been valued in accordance with TPP 06-8 *Accounting for Privately Financed Projects*. This policy requires the consolidated entity to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at the commencement of the concession period.

29. Non-current assets held for sale

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Assets held for sale				
Land and buildings	9,087	55,290	-	-
Infrastructure systems	-	288	-	-
	9,087	**55,578**	**-**	**-**

Further details regarding the fair value measurement are disclosed in Note 30.

Recognition and Measurement

The consolidated entity has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

These assets are not depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

30. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

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

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

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

(a) Fair value hierarchy

CONSOLIDATED	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
2020				
Land and buildings[(i)]	-	711,356	15,538,688	16,250,044
Infrastructure systems[(i)]	-	384	484,197	484,581
Other assets (Note 28)	-	-	62,037	62,037
Non-current assets held for sale (Note 29)	-	9,087	-	9,087
	-	**720,827**	**16,084,922**	**16,805,749**
2019				
Land and buildings[(i)]	-	1,148,213	13,599,570	14,747,783
Infrastructure systems[(i)]	-	-	424,401	424,401
Other assets (Note 28)	-	-	67,302	67,302
Non-current assets held for sale (Note 29)	-	55,578	-	55,578
	-	**1,203,791**	**14,091,273**	**15,295,064**

(i) Leasehold improvements, work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 25 will not reconcile with balances disclosed above.

Land and buildings has been restated to be $49.95 million higher than in the prior year for the consolidated entity. Refer to Note 17 for further details.

There were no transfers between Level 1 and 2 during the year ended 30 June 2020 and 2019.

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

(a) Fair value hierarchy (continued)

PARENT

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
2020				
Land and buildings[(i)]	-	5,030	123,478	128,508
Infrastructure systems[(i)]	-	-	655	655
	-	**5,030**	**124,133**	**129,163**
2019				
Land and buildings[(i)]	-	5,030	127,547	132,577
Infrastructure systems[(i)]	-	-	761	761
	-	**5,030**	**128,308**	**133,338**

(i) Leasehold improvements, work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 25 will not reconcile with balances disclosed above.

There were no transfers between Level 1 and 2 during the year ended 30 June 2020 and 2019.

(b) Valuation techniques, inputs and processes

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

At the end of each reporting period, the consolidated entity updates its assessment of the fair value of each category of non-financial assets, taking into account the most recent independent valuations. The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the consolidated entity considers information from other sources, such as the indices provided by the Valuer General. These fair value adjustments are reflected in Note 25 Total property, plant and equipment - reconciliation.

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

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

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

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

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

- **For land,** the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre. All commercial and non-restricted land is included in level 2 as these land valuations have a high level of observable inputs, although these lands are not identical. The majority of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.
- **For buildings and infrastructure systems,** many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs. However, residential and commercial properties are valued on a market approach and are included in level 2.
- **Non-current assets held for sale** are a non-recurring item that is measured at the lesser of its carrying amount or fair value less cost to sell. These assets are categorised as level 2 except when an asset was a level 3 asset prior to transfer to non-current assets held for sale, and continues to be recognised as a level 3 asset where the carrying amount is less than the fair value (less cost) to sell.

Level 3 disclosures:

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

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

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

(c) Reconciliation of recurring Level 3 fair value measurements

CONSOLIDATED

	Land and Buildings $'000	Infrastructure Systems $'000	Other Assets $'000	Total Level 3 Recurring $'000
2020				
Fair value as at 1 July 2019	13,599,570	424,401	67,302	14,091,273
Derecognition of finance lease assets on initial application of AASB 16	(33,796)	-	-	(33,796)
Adjusted fair value as at 1 July 2019	**13,565,774**	**424,401**	**67,302**	**14,057,477**
Additions	1,776,355	45,679	4,552	1,826,586
Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	317,927	35,613	-	353,540
Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets'	-	-	2,607	2,607
Transfers from Level 2	431,424	-	-	431,424
Transfers to Level 2	(2,169)	-	-	(2,169)
Disposals	(14,034)	-	-	(14,034)
Depreciation expense	(546,780)	(25,059)	-	(571,839)
Reclassification	10,191	3,563	(12,424)	1,330
Fair value as at 30 June 2020	**15,538,688**	**484,197**	**62,037**	**16,084,922**

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

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

CONSOLIDATED

	Land and Buildings $'000	Infrastructure Systems $'000	Other Assets $'000	Total Level 3 Recurring $'000
2019				
Fair value as at 1 July 2018	10,953,554	437,683	62,203	11,453,440
Land and buildings restatement	50,496	-	-	50,496
Restated fair value as at 1 July 2018	**11,004,050**	**437,683**	**62,203**	**11,503,936**
Additions	892,755	14,971	6,643	914,369
Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	1,788,153	2,302	-	1,790,455
Revaluation increments / decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of other assets'	-	-	(1,544)	(1,544)
Transfers from Level 2	458,313	566	-	458,879
Transfers to Level 2	(98,424)	-	-	(98,424)
Disposals	(34,660)	-	-	(34,660)
Depreciation expense	(494,203)	(23,652)	-	(517,855)
Prior year carry over adjustments	(11,008)	-	-	(11,008)
Reclassification	94,594	(7,469)	-	87,125
Fair value as at 30 June 2019	**13,599,570**	**424,401**	**67,302**	**14,091,273**

Land and buildings has been restated to be $49.95 million higher than in the prior year for the consolidated entity. The following lines have been restated:

- Restatement of opening balance - $50.5 million higher
- Depreciation expense - $0.55 million higher

Refer to Note 17 for further details.

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

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

PARENT

	Land and Buildings $'000	Infrastructure Systems $'000	Other Assets $'000	Total Level 3 Recurring $'000
2020				
Fair value as at 1 July 2019	127,547	761	-	128,308
Disposals	(5,888)	(151)	-	(6,039)
Depreciation expense	(4,069)	(106)	-	(4,175)
Equity transfers	5,888	151	-	6,039
Fair value as at 30 June 2020	**123,478**	**655**	**-**	**124,133**

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

31. Restricted assets

The financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2020.

CONSOLIDATED	30 June 2019 Opening equity $000	Revenue $000	Expense $000	30 June 2020 Closing equity $000
Category				
Community welfare	15,514	12,365	(11,516)	16,363
Facility improvements	430,295	131,749	(162,548)	399,496
Hold Funds in Perpetuity	16,039	1,251	(2,702)	14,588
Patient welfare	101,062	21,523	(32,195)	90,390
Private practice disbursements (No.2 Accounts)	467,831	112,634	(110,246)	470,219
Public contributions	36,855	7,398	(9,343)	34,910
Research	195,015	83,190	(78,062)	200,143
Staff welfare	18,259	3,527	(2,164)	19,622
Training and education including conferences	94,310	14,038	(16,040)	92,308
Other	13,900	43	(13,943)	-
Total Restricted Assets	**1,389,080**	**387,718**	**(438,759)**	**1,338,039**

PARENT	30 June 2019 Opening equity $000	Revenue $000	Expense $000	30 June 2020 Closing equity $000
Category				
Facility improvements	120,349	31,676	(95,186)	56,839
Total Restricted Assets	**120,349**	**31,676**	**(95,186)**	**56,839**

31. Restricted assets (continued)

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

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

Unclaimed monies

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

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

32. Payables

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Accrued salaries, wages and on-costs	440,639	348,342	1,493	843
Payroll tax	98,953	84,121	408	1,277
Trade operating creditors	747,351	866,100	278,125	265,308
Interest	16	14	-	-
Other creditors				
- Capital works	165,275	175,826	-	-
- Payables to controlled health entities	-	-	122,941	98,919
- Other	391,872	335,842	46,203	31,450
Total current payables	**1,844,106**	**1,810,245**	**449,170**	**397,797**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 45.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

33. Contract liabilities

	Consolidated 2020 $000	Consolidated 1 July 2019 adjusted for AASB 15 $000	Parent 2020 $000	Parent 1 July 2019 adjusted for AASB 15 $000
Current				
Contract liabilities	425,763	28,936	373,005	-
	425,763	**28,936**	**373,005**	**-**
Non-current				
Contract liabilities	97	7	-	-
	97	**7**	**-**	**-**

Recognition and Measurement

Contract liabilities are in respect of grants and other contributions received in advance. The balance of the contract liabilities at the 30 June 2020 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract hadn't been met at the 30 June 2020. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has significantly increased during the year because of the timing of payments received.

	Consolidated 2020 $000	Parent 2020 $000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	28,936	-
Revenue recognised from performance obligations satisfied in previous periods	2,265	-
Transaction price allocated to the remaining performance obligations from contracts with customers	462,751	316,302

33. Contract liabilities (continued)

The transaction price allocated to the remaining performance obligations relates to the following revenue classes and is expected to be recognised as follows:

CONSOLIDATED

Specific revenue class	2021 $'000	2022 $'000	2023 $'000	≥ 2024 $'000
Sales of goods and services from contracts with customers	33,080	30,169	-	-
Grants and other contributions	370,496	23,929	3,401	1,676
	403,576	**54,098**	**3,401**	**1,676**

PARENT

Specific revenue class	2021 $'000	2022 $'000	2023 $'000	≥ 2024 $'000
Grants and other contributions	316,292	10	-	-
	316,292	**10**	**-**	**-**

34. Borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Other loans and deposits	5,978	5,525	-	-
Lease liability	154,584	951	11,853	-
Public, Private Partnerships (PPP)				
Long Bay Forensic Hospital	2,426	2,193	-	-
Calvary Mater Newcastle Hospital	1,818	1,498	-	-
Orange Hospital & Associated Health Services	2,131	1,519	-	-
Royal North Shore Hospital Redevelopment	5,848	231	-	-
	172,785	**11,917**	**11,853**	**-**
Non-Current				
Other loans and deposits	40,739	39,023	-	-
Lease liability	1,043,158	32,912	499,673	-
Public, Private Partnerships (PPP)				
Long Bay Forensic Hospital	66,974	69,400	-	-
Calvary Mater Newcastle Hospital	67,091	68,909	-	-
Orange Hospital & Associated Health Services	156,697	158,828	-	-
Royal North Shore Hospital Redevelopment	715,255	721,103	-	-
	2,089,914	**1,090,175**	**499,673**	**-**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 45.

Recognition and Measurement

Financial liabilities at amortised cost

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* until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16 *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 45 (b) for derecognition policy.

34. Borrowings (continued)

(a) Public Private Partnership finance leases under AASB 117 Leases

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Within one year	120,828	113,504	-	-
Later than one year but not later than five years	504,450	496,789	-	-
Later than five years	1,633,327	1,771,122	-	-
Minimum lease payments	2,258,605	2,381,415	-	-
Less: Future finance charges	1,240,365	1,357,734	-	-
Recognised as a liability	**1,018,240**	**1,023,681**	-	-

The present value of finance lease payments is as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Within one year	12,223	5,441	-	-
Later than one year but not later than five years	86,704	69,513	-	-
Later than five years	919,313	948,727	-	-
Present value of minimum lease payments	**1,018,240**	**1,023,681**	-	-
Current (Note 34)	12,223	5,441	-	-
Non-current (Note 34)	1,006,017	1,018,240	-	-
	1,018,240	**1,023,681**	-	-

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

34. Borrowings (continued)

Changes in liabilities arising from financing activities

CONSOLIDATED

	Other loans and deposits $000	Leases $000	Total liabilities from financing activities $000
1 July 2018	**1,085,893**	**34,258**	**1,120,151**
Cash flows	(17,664)	(395)	(18,059)
30 June 2019	**1,068,229**	**33,863**	**1,102,092**
Recognised on adoption of AASB 16	-	721,227	721,227
1 July 2019	**1,068,229**	**755,090**	**1,823,319**
Cash flows	(3,272)	(142,181)	(145,453)
New leases	-	582,601	582,601
Non-cash changes other	-	2,232	2,232
30 June 2020	**1,064,957**	**1,197,742**	**2,262,699**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 45.

PARENT

	Leases $000	Total liabilities from financing activities $000
30 June 2019	**-**	**-**
Recognised on adoption of AASB 16	22,335	22,335
1 July 2019	**22,335**	**22,335**
Cash flows	(8,439)	(8,439)
New leases	497,630	497,630
30 June 2020	**511,526**	**511,526**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 45.

35. Provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Employee benefits and related on-costs				
Annual leave	1,974,856	1,799,566	16,693	13,354
Long service leave	393,170	358,518	6,138	5,515
Allocated days off	78,940	45,861	-	-
Sick leave	232	237	-	-
Death and disability (ambulance officers)	-	1,249	-	-
	2,447,198	**2,205,431**	**22,831**	**18,869**
Other Provisions				
Make good provision	3,155	228	-	-
Other	110,143	103,728	-	-
	113,298	**103,956**	**-**	**-**
Total current provisions	**2,560,496**	**2,309,387**	**22,831**	**18,869**
Non-current				
Employee benefits and related on-costs				
Long service leave	34,189	31,175	534	480
Death and disability (ambulance officers)	698	1,049	-	-
	34,887	**32,224**	**534**	**480**
Other Provisions				
Make good provision	6,734	9,496	-	233
Other	2,404	-	-	-
	9,138	**9,496**	**-**	**233**
Total non-current provisions	**44,025**	**41,720**	**534**	**713**
Aggregate employee benefits and related on-costs				
Provisions - current	2,447,198	2,205,431	22,831	18,869
Provisions - non-current	34,887	32,224	534	480
Accrued salaries, wages and on-costs and payroll tax (Note 32)	539,592	432,463	1,901	2,120
	3,021,677	**2,670,118**	**25,266**	**21,469**

35. Provisions (continued)

Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

Make good provision

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Carrying amount at beginning of year	9,724	9,442	233	396
- Additional provisions recognised	1,412	1,040	23	-
- Amounts used	(1,247)	(758)	(256)	(163)
Carrying amount at end of year	**9,889**	**9,724**	**-**	**233**

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

Other

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Carrying amount at beginning of year	103,728	113,957	-	-
- Additional provisions recognised	26,415	-	-	-
- Amounts used	(17,596)	(10,229)	-	-
Carrying amount at end of year	**112,547**	**103,728**	**-**	**-**

Recognition and Measurement

Employee benefits and related on-costs

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

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

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

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

35. Provisions (continued)

Recognition and Measurement

Long service leave and superannuation

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

Specific on-costs relating to long service leave assumed by the Crown Entity are borne by the consolidated entity.

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 an actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

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

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.

Other provisions

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

Any provisions for restructuring are recognised only when the consolidated entity has a detailed formal plan, and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

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

36. Other liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Current				
Unearned revenue	71,100	108,690	-	54,442
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	18,866	-	-	-
Other	416	-	-	-
	90,382	**108,690**	**-**	**54,442**
Non-current				
Unearned revenue	217,509	182,016	-	43,694
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	46,218	-	-	-
Other	285	826	-	-
	264,012	**182,842**	**-**	**43,694**

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Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the consolidated entity:

	2020 $'000
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	-
Add: adjustments upon initial application of AASB 1058	61,711
Adjusted opening balance	**61,711**
Add: receipt of cash during the financial year	18,813
Less: income recognised during the financial year	15,440
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	**65,084**

Refer to Note 11 for a description of the consolidated entity's obligations under transfers received to acquire or construct non-financial assets to be controlled by the consolidated entity.

The consolidated entity expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1 to 2 financial years, as the related asset(s) are constructed. There are also some liabilities in relation to future replacement of capital assets, the timing of revenue recognition is mostly unknown at this stage.

37. Commitments

(a) Capital commitments

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Within one year	1,658,099	1,477,730	404	125,854
Later than one year and not later than five years	555,608	823,737	-	-
Later than five years	-	44,988	-	-
Total (including GST)	**2,213,707**	**2,346,455**	**404**	**125,854**

(b) Input tax receivable related to capital commitments for expenditure

The total of capital 'commitments' payable, i.e. $2,214 million as at 30 June 2020, includes input tax credits of $201.2 million that are expected to be recoverable from the Australian Taxation Office (2019: $213.3 million).

Output tax payable related to commitments for revenue

The total of 'commitments' receivable, i.e. $135 million as at 30 June 2020, includes input tax of $12.3 million that is expected to be payable to the Australian Taxation Office (2019: $7.0 million).

38. Trust funds

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

2020	Opening Cash Balance $'000	Add: Receipts $'000	Less: Expenditure $'000	Closing Cash Balance $'000
Patient Trust	5,665	7,167	(7,381)	**5,451**
Refundable Deposits	8,671	4,773	(2,325)	**11,119**
Private Patient Trust Funds	14,115	552,590	(555,796)	**10,909**
Third Party Funds	11,967	68,055	(56,792)	**23,230**
Total trust funds	**40,418**	**632,585**	**(622,294)**	**50,709**

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

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

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

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

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 46.

39. Contingent liabilities and assets

CONSOLIDATED

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

PARENT

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

40. Interests in associates

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

Name of entity	Place of business and country of incorporation	Class of shares	Ownership interest		Reporting Period	Measurement method	Carrying amount	
			2020 %	2019 %			2020 $'000	2019 $'000
Hunter Medical Research Institute	Australia	Not applicable	25	25	31 December	Equity method	-	-
Illawarra Health and Medical Research	Australia	Not applicable	50	50	31 December	Equity method	-	-

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

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Net cash used on operating activities	3,661,827	2,231,732	1,152,807	(52,739)
Depreciation and amortisation expense	(1,075,955)	(867,477)	(13,790)	(5,113)
Allowance for impairment	(41,251)	(37,805)	-	-
Effects of exchange rate changes	(133)	-	(133)	-
(Increase) / decrease in unearned revenue	(33,344)	(70,998)	-	(49,587)
Decrease / (increase) in provisions	(253,416)	(139,534)	(3,782)	(1,812)
Increase / (decrease) in prepayments and other assets	1,271,494	147,382	(59,153)	94,177
Increase / (decrease) in contract assets	2,031	-	-	-
Decrease / (increase) in payables	(49,424)	(163,235)	1,018	(109,098)
Decrease / (increase) in contract liabilities	(396,917)	-	(373,005)	-
Impairment losses on assets held for sale recognised in 'other gains / (losses)'	(456)	-	-	-
Impairment losses on right-of-use assets recognised in 'other gains / (losses)'	(2,898)	-	-	-
Net gain / (loss) on sale of property, plant and equipment	(13,923)	(35,819)	(5)	(31)
Net gain / (loss) on disposal of right-of-use assets	32	-	-	-
Non-cash revenue items	7,502	3,342	-	-
Assets donated or brought to account (Note 42)	28,077	1,438	-	-
Emerging assets recognised (Note 42)	4,552	6,643	-	-
Other	1,432	-	-	-
Net result	**3,109,230**	**1,075,669**	**703,957**	**(124,203)**

Depreciation and amortisation has been restated to be $0.55 million higher in the prior year for the consolidated entity. Refer to Note 17 for further details.

42. Non-cash financing and investing activities

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Assets donated or brought to account	28,077	1,438	-	-
Property, plant and equipment acquired by a lease	583,509	-	497,630	-
Emerging rights to assets recognised	4,552	6,643	-	-
	616,138	**8,081**	**497,630**	**-**

43. Budget Review - Consolidated

The 2019-20 budget represents the initial budget as allocated by the NSW Government at the time of the 2019-20 State Budget, which was presented to Parliament on 18 June 2019. Subsequent amendments to the original budget (adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

NET RESULT

The actual net result ($3,109 million) is higher than the budgeted net result ($1,831 million) by $1,278 million for the year ended 30 June 2020.

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

	$'000
Net result - actual	**3,109,230**
The consolidated entity received higher than budgeted appropriations and grants and other contributions from the NSW State and Commonwealth Governments in order to prepare and respond to COVID-19 through purchases of medical and surgical supplies and personal protective equipment	(998,546)
A higher level of appropriations and grants and other contribution funding was provided by State and Commonwealth Governments to enable the consolidated entity to prepare for COVID-19 by purchasing ventilators, pathology and other critical equipment, fit-out of additional ambulances and hospital capacity works	(111,983)
With COVID-19 impacting normal operations, certain expenditure areas, such as travel, training and cross border patient activity were lower than budgeted due to lock down and isolation measures	(126,219)
The consolidated entity receipted higher than expected income from other State Government agencies, such as the Treasury Managed Fund Hindsight adjustment	(68,434)
Actuarial assessment impact of long service leave on annual leave on-costs resulted in additional employee related expenses of $37 million, not assumed by the Crown	37,666
Other minor variations	(10,800)
Net result - budget	**1,830,914**

43. Budget Review - Consolidated (continued)

ASSETS AND LIABILITIES

The actual net assets ($21,318 million) is higher than the budgeted net assets ($20,242 million) by $1,076 million as at 30 June 2020.

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

	$'000
Net assets - actual	**21,317,868**
The consolidated entity was required to purchase higher than budgeted levels of medical and surgical supplies to prepare for COVID-19 which is held as inventory and stock in transit	(729,116)
Prepayments to vendors to provide medical and surgical supplies was higher than budgeted as vendors require advance payments for manufacturing any personal protective equipment	(269,430)
Additional property, plant and equipment and intangible expenditure was required to respond to COVID-19, including ventilators, pathology and other critical equipment, fit-out of additional ambulances and hospital capacity works	(111,983)
Actuarial assessment impact of long service leave on annual leave on-costs resulted in additional employee related provisions	37,666
Net movement across several asset and liability classes due to other minor variations	(2,859)
Net assets - budget	**20,242,146**

CASH FLOWS

The actual net cash flows from operating activities was higher than the budget by $783 million. This is primarily due to COVID-19 related activities including the receipt of appropriations, grants and other contributions being higher than the budget. This was offset by in-year payments being higher than anticipated for employee related expenses, payments of suppliers of goods and services and lower other payments to budget.

The net cash flows from investing activities were lower than expected by $436 million. This was attributable to higher proceeds to budget from the sale of financial assets by $353 million and although there was additional purchases for COVID-19 equipment, purchases of property, plant and equipment and intangibles, was under budget by $256 million. The purchase of financial assets however did exceed budget by $238 million.

44. Equity

Accumulated funds

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

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the consolidated entity's policy on the revaluation of property, plant and equipment as discussed in Note 25.

Increase / (decrease) in net assets from equity transfer

		Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Transfer of property, plant and equipment	(a)	(23,300)	-	36,792	17,299
Transfer of other liabilities	(b)	-	-	46,121	-
		(23,300)	**-**	**82,913**	**17,299**

(a) Transfer of property, plant and equipment

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Carrying amount at transfer date				
Land & buildings	54,117	-	36,641	17,299
Infrastructure	-	-	151	-
Fair value at transfer date	**23,300**	**-**	**36,792**	**17,299**

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In 2019-20, the former Manly Hospital site, Darley Road Manly, was transferred at $1 to Property NSW (PNSW), an entity controlled by the ultimate parent. The transfer was completed on 1 March 2020 and was treated as an equity transfer. The carrying amount of the asset prior to the transfer was $54.1 million, the fair value at transfer date was $23.3 million.

PARENT

In 2019-20, in accordance with the Real Property Disposal Framework, the following assets were transferred from Ambulance Service of NSW and Northern Sydney Local Health District, controlled entities to the Ministry of Health, at the fair value of the asset: Liverpool ambulance station $4.8 million, Kiama ambulance station $0.6 million, Molong ambulance station $0.1 million, 8-10 Murrua Road, North Turramurra $15.0 million, 1 Brookvale Avenue, Brookvale $1.3 million, 8 Woonana Avenue, Wahroonga $3.8 million and 15-29 Twin Road, North Ryde $11.2 million.

44. Equity (continued)

Increase / (decrease) in net assets from equity transfer (continued)

PARENT

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

(b) Transfer of other liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Carrying amount at transfer date				
Unearned revenue	-	-	46,121	-
Fair value at transfer date	**-**	**-**	**46,121**	**-**

Parent

In 2019-20, the Ministry transferred an unearned income liability to Northern Sydney Local Health District to manage for future periods. The liability is in respect of an upfront securitisation payment received by the Ministry for selling the rights to the Royal North Shore Hospital carpark license fee revenue.

Recognition and Measurement

Equity transfers

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

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

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

45. Financial instruments

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

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

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

(a) Financial instrument categories

CONSOLIDATED

Class	Note	Category	2020 $'000	2019 $'000
Financial Assets				
Cash and cash equivalents	19	Amortised cost	2,658,959	1,316,849
Receivables[1]	20	Amortised cost	666,602	697,021
Contract assets[2]	21	Amortised cost	2,031	-
Financial assets at fair value	23	Fair value through profit or loss - mandatory classification	189,614	153,416
Other financial assets	24	Amortised cost	100,592	255,336
Total financial assets			**3,617,798**	**2,422,622**
Financial Liabilities				
Borrowings	34	Financial Liabilities (at amortised cost)	2,262,699	1,102,092
Payables[3]	32	Financial Liabilities (at amortised cost)	1,745,153	1,726,124
Other liabilities[3]	36	Financial Liabilities (at amortised cost)	701	826
Total financial liabilities			**4,008,553**	**2,829,042**

Notes

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

[2] *While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 Financial Instruments: Disclosures for the purpose of the credit risk disclosures.*

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

45. Financial instruments (continued)

(a) Financial instrument categories (continued)

PARENT

Class	Note	Category	2020 $'000	2019 $'000
Financial Assets				
Cash and cash equivalents	19	Amortised cost	728,371	334,204
Receivables[1]	20	Amortised cost	265,064	336,487
Other financial assets	24	Amortised cost	755,248	30,692
Total financial assets			**1,748,683**	**701,383**
Financial Liabilities				
Borrowings	34	Financial Liabilities (at amortised cost)	511,526	-
Payables[3]	32	Financial Liabilities (at amortised cost)	448,762	396,520
Total financial liabilities			**960,288**	**396,520**

Notes

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

[2] *While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 Financial Instruments: Disclosures for the purpose of the credit risk disclosures.*

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

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

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

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

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

45. Financial instruments (continued)

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

i. Credit risk

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

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

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

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

Cash and cash equivalents

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

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets is reviewed on an ongoing basis. Procedures as established in the Treasurer’s Directions are followed to recover outstanding amounts, including letters of demand.

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

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

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

Trade receivables, other receivables and contract assets 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.

45. Financial instruments (continued)

(d) Financial risks (continued)

i. Credit risk (continued)

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2020 and 2019 was determined as follows:

CONSOLIDATED

30 June 2020	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	1.07%	1.26%	13.67%	35.56%	44.33%	9.22%
Estimated total gross carrying amount[1]	355,514	222,988	24,725	13,592	119,716	736,535
Expected credit loss	3,812	2,808	3,381	4,833	53,068	67,902

30 June 2019	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	2.13%	5.08%	16.39%	32.94%	37.31%	8.11%
Estimated total gross carrying amount[1, 3]	552,094	69,021	21,704	11,625	104,056	758,500
Expected credit loss	11,762	3,507	3,557	3,829	38,824	61,479

PARENT

30 June 2020	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount[1,2]	58,435	183,606	904	105	7,021	250,071
Expected credit loss	-	-	-	-	-	-

30 June 2019	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount[1, 2, 3]	209,992	19,305	20	111	24,228	253,656
Expected credit loss	-	-	-	-	-	-

Notes

[1] The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will note reconcile to the receivables total in Note 20 and the contract assets total in Note 21.

[2] The estimated total gross carrying amount for the parent entity also excludes receivables from controlled health entities.

[3] Prior year amounts have been restated to include other receivables and contract assets.

The consolidated entity is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

45. Financial instruments (continued)

(d) Financial risks (continued)

i. Credit risk (continued)

Other financial assets - Authority Deposits

The consolidated entity has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The consolidated entity didn't recognise a provision for expected credit losses on its other financial assets in 2020 (2019: $Nil).

ii. Liquidity risk

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

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

However, the risk is minimised by the service agreement, as the annual service agreement requires local management to control its financial liquidity and in particular, meet benchmarks for the payment of creditors. Where the controlled entities fail to meet service agreement performance standards, the parent as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Until the 30 June 2019, amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the Ministry of Health in accordance with Treasury Circular 11/12 *Payment of Accounts* . For small business suppliers, where terms are not specified, payment is made not later than 5 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 30 days from the date of a correctly rendered invoice or a statement is received. From 1 July 2019, amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury. For a supplier, that has a correctly rendered invoice, a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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.

45. Financial instruments (continued)
(d) Financial risks (continued)
ii. Liquidity risk (continued)

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

Maturity analysis and interest rate exposure of financial liabilities:

			Interest Rate Exposure			Maturity Dates		
	EIR[3]	Nominal Amount [1]	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Year	1-5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED								
2020								
Payables[2]		1,745,153	-	-	1,745,153	1,745,153	-	-
Borrowings:								
- Loans and deposits	2.87	51,878	51,878	-	-	7,202	27,855	16,821
- Lease liabilities	2.09	1,449,237	1,449,237	-	-	173,023	464,823	811,391
- PPP	9.92	2,258,605	125,380	2,133,225	-	120,828	504,450	1,633,327
- Other	-	63	-	-	63	63	-	-
		5,504,936	**1,626,495**	**2,133,225**	**1,745,216**	**2,046,269**	**997,128**	**2,461,539**
2019								
Payables[2]		1,726,124	-	-	1,726,124	1,726,124	-	-
Borrowings:								
- Loans and deposits	3.06	47,417	47,417	-	-	6,381	23,930	17,106
- Finance leases	1.55	44,720	44,720	-	-	970	4,077	39,673
- PPP	9.29	2,381,415	133,169	2,248,246	-	113,504	496,789	1,771,122
- Other	-	74	-	-	74	74	-	-
		4,199,750	**225,306**	**2,248,246**	**1,726,198**	**1,847,053**	**524,796**	**1,827,901**

Notes

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

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

[3] *Weighted Average Effective Interest Rate (EIR).*

45. Financial instruments (continued)

(d) Financial risks (continued)

ii. Liquidity risk (continued)

Maturity analysis and interest rate exposure of financial liabilities:

			Interest Rate Exposure			Maturity Dates		
	EIR[3]	Nominal Amount [1]	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Year	1-5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
PARENT								
2020								
Payables[2]		448,762	-	-	448,762	448,762	-	-
Borrowings:								
- Lease liabilities	2.29	723,831	723,831	-	-	23,387	82,549	617,895
		1,172,593	**723,831**	**-**	**448,762**	**472,149**	**82,549**	**617,895**
2019								
Payables[2]		396,520	-	-	396,520	396,520	-	-
		396,520	**-**	**-**	**396,520**	**396,520**	**-**	**-**

Notes

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

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

[3] Weighted Average Effective Interest Rate (EIR).

45. Financial instruments (continued)

(d) Financial risks (continued)

iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The consolidated entity's exposures to market risk are primarily through interest rate risk on the consolidated entity's borrowings, foreign currency risk and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The consolidated entity does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk, foreign currency risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis was performed on the same basis for 2019. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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

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

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

CONSOLIDATED		**2020 $'000**		**2019 $'000**
	-1%	**1%**	**-1%**	**1%**
Net result	(6,858)	6,858	(6,227)	6,227
Equity	(6,858)	6,858	(6,227)	6,227

PARENT		**2020 $'000**		**2019 $'000**
	-1%	**1%**	**-1%**	**1%**
Net result	(14,836)	14,836	(3,649)	3,649
Equity	(14,836)	14,836	(3,649)	3,649

45. Financial instruments (continued)

(d) Financial risks (continued)

iii. Market risk (continued)

Foreign exchange risk

Exposure to foreign exchange risk arises primarily through the contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity manages its foreign exchange risk by maintaining United States (US) dollar denominated bank accounts or buying US currencies from TCorp at the time of purchase commitment in accordance with the consolidated entity's risk management policies.

At year end, the consolidated entity did not hold any foreign currency denominated monetary assets and monetary liabilities, except for cash held in the US dollar denominated bank account and US currencies held with TCorp for existing purchase commitments. All funds held at year end in foreign currency are expected to be used to settle existing purchase commitments that are denominated in US currency. As a result, the consolidated entity is not exposed to foreign exchange rates fluctuations.

A sensitivity analysis has been disclosed, should the cash and currency held in US dollars not be used for future payment of US denominated inventory purchases and instead used to purchase Australian Dollars. A sensitivity of 10% movement in the exchange rates has been selected for use in the sensitivity analysis at the reporting date, as this is considered reasonable, based on the current Australian dollar level and the historical volatility of the Australian dollar against the US currency. Based on the value of the Australian dollar at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the Australian dollar fair value respectively.

CONSOLIDATED

2020		**+10%**		**-10%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Denominated US Dollars	100,729	(9,157)	(9,157)	11,192	11,192

2019		**+10%**		**-10%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Denominated US Dollars	-	-	-	-	-

45. Financial instruments (continued)

(d) Financial risks (continued)

iii. Market risk (continued)

Other price risk - TCorpIM Funds

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

Facility	Investment Sectors	Investment Horizon	2020 $'000	2019 $'000
TCorpIM Cash Fund	Cash and fixed income	Up to 1.5 years	176,398	254,787
TCorpIM Short Term Income Fund	Cash and fixed income	1.5 years to 3 years	130,329	84,928
TCorpIM Medium-Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	3 years to 7 years	14,013	16,390
TCorpIM Long-Term Growth Fund	Cash and fixed income, credit, equities, alternative assets and real assets	7 years and over	45,272	52,098

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

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

TCorp provides sensitivity analysis information for each of the Investment facilities. For 30 June 2020, TCorp has adopted a new approach of applying a flat 10% sensitivity across all funds which is consistent with best market practice for investment funds. Previous years were based on historical volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorpIM Funds are designated at fair value through profit or loss and therefore any change in unit price impacts directly on net results.

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

	Change in unit price		Impact on net result	
	2020 %	2019 %	2020 $'000	2019 $'000
TCorpIM Funds - Cash facility	+/- 10%	+/- 1%	17,640	2,548
TCorpIM Funds - Short Term Income facility	+/- 10%	+/- 1%	13,033	849
TCorpIM Funds - Medium-Term Growth facility	+/- 10%	+/- 6%	1,401	983
TCorpIM Funds - Long-Term Growth facility	+/- 10%	+/- 13%	4,527	6,773

45. Financial instruments (continued)

(e) Fair value measurement (continued)

i. Fair value compared to carrying amount

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

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

ii. Fair value recognised in the Statement of Financial Position

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

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, the consolidated entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
TCorpIM Funds Investment Facility	-	366,012	-	**366,012**

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

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

There were no transfers between Level 1 and 2 during the year ended 30 June 2020 (2019: $Nil).

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

46. Related party transactions

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Short-term employee benefits	3,102	3,057	3,102	3,057
Post-employment benefits	63	62	63	62
	3,165	**3,119**	**3,165**	**3,119**

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

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

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

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

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

Operating expenses incurred as follows:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Cost for mobile radio network services
- Utilities, including electricity, gas and water expenses
- Property lease expenses
- Insurance costs
- Legal and consultancy costs
- Motor vehicle toll expenses
- Grants and other contributions to health cluster agencies
- Various grants and other contributions
- Project management costs for capital works projects.

Revenue earned as follows:

- Recurrent and Capital appropriations as per the Appropriations Act
- NSW Treasurer's State Contingency Grant on COVID-19
- Motor Accident Third Party revenue is received from State Insurance Regulatory Authority (SIRA) under a bulk billing agreement
- Clinical services revenue was earned from the NSW Police Force and Transport for NSW
- Various grants and other contributions
- Interest income on TCorpIM Funds Investment facilities
- Contract revenue for the construction works
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit superannuation.

46. Related party transactions (continued)

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

Assets and Liabilities as follows:

- Receivables / payables in respect of the above noted related party revenue and expense transactions
- Right-of-use assets and lease liabilities with Property NSW and Department of Customer Service
- Some term deposits are invested with TCorpIM Funds Investment facilities
- Energy Efficient Government Program loans are held with the Crown Finance Entity.

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

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

Operating expenses incurred as follows:

- Grants and subsidies provided to health entities.

Revenue earned as follows:

- Revenue from personnel services provided
- Various grants from Department of Communities and Justice.

Assets and Liabilities as follows:

- Intra-health receivables and payables
- Right-of-use assets and lease liabilities with Property NSW and Department of Customer Service
- Receivable for advances made to health entities.

(d) Individually significant transactions with Government-related entities

Peppercorn Lease 1: Doonside Lease

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

Peppercorn Lease 2: Mt Druitt Lease

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

Finance lease with associate

On 1 July 2012, South Western Sydney Local Health District entered into a collaborative relationship with the Ingham Institute (an associate entity of NSW Health) for Applied Medical Research to create a research precinct on the grounds of Liverpool Hospital. The goal is to undertake medical research that can be translated & applied to the needs of the local population and wider Australia. As part of the arrangement the Ingham Institute Building has been sub-leased to South Western Sydney Local Health District to allow its employees to conduct research across a number of streams. This arrangement has been classified as a finance lease. The final repayments for the Ingham Finance Lease are to be made during the year ending 30 June 2052.

47. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS