INDEPENDENT AUDITOR'S REPORT

Health Administration Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Health Administration Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 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 Corporation 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.

Emphasis of Matter - Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 40. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Corporation. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Corporation's financial statements present adjusted budget information.

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

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

- that the Corporation 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.

Michael Kharzoo
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2020
SYDNEY

Health Administration Corporation

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

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

Elizabeth Koff
Secretary, NSW Health

29 September 2020

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

29 September 2020

Health Administration Corporation

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	1,944,671	1,921,750	1,823,370	-	-
Personnel services	3	-	-	-	1,848,236	1,692,670
Visiting medical officers	4	63	60	60	63	60
Other expenses	5	1,504,317	1,500,998	1,523,596	1,504,317	1,523,596
Depreciation and amortisation	6	246,571	241,285	138,172	246,571	138,172
Grants and subsidies	7	43,878	38,608	42,370	43,878	42,370
Finance costs	8	8,621	8,533	21	8,621	21
Payments to Affiliated Health Organisations	9	2,140	4,000	458	2,140	458
Total expenses excluding losses		**3,750,261**	**3,715,234**	**3,528,047**	**3,653,826**	**3,397,347**
Revenue						
NSW Ministry of Health recurrent allocations	11	1,535,498	1,181,932	1,113,558	1,535,498	1,113,558
NSW Ministry of Health capital allocations	11	144,662	149,306	139,323	144,662	139,323
Acceptance by the Crown Entity of employee benefits	15	96,435	95,983	130,700	-	-
Sale of goods and services	12	-	-	2,165,730	-	2,165,730
Sale of goods and services from contracts with customers	12	2,281,493	2,302,881	-	2,281,493	-
Investment revenue	13	3,191	4,654	4,687	3,191	4,687
Grants and other contributions	14	970,884	959,944	29,879	970,884	29,879
Other income	16	57,790	40,935	73,821	57,790	73,821
Total revenue		**5,089,953**	**4,735,635**	**3,657,698**	**4,993,518**	**3,526,998**
Operating result		**1,339,692**	**1,020,401**	**129,651**	**1,339,692**	**129,651**
Gains / (losses) on disposal	17	(5,357)	244	(25,183)	(5,357)	(25,183)
Impairment losses on financial assets	21	(16,504)	(14,351)	(15,075)	(16,504)	(15,075)
Other losses	18	(8,614)	(8,614)	-	(8,614)	-
Net result	**38**	**1,309,217**	**997,680**	**89,393**	**1,309,217**	**89,393**
Other comprehensive income						
Items that will not be reclassified to net result in subsequent periods						
Changes in revaluation surplus of property, plant and equipment	24	3,811	-	9,925	3,811	9,925
Total other comprehensive income		**3,811**	**-**	**9,925**	**3,811**	**9,925**
TOTAL COMPREHENSIVE INCOME		**1,313,028**	**997,680**	**99,318**	**1,313,028**	**99,318**

[1] Unaudited adjusted budget, see Note 40.

The accompanying notes form part of these financial statements.

Health Administration Corporation

Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
ASSETS						
Current assets						
Cash and cash equivalents	20	1,102,299	285,250	155,550	1,102,299	155,550
Receivables	21	896,986	841,940	378,247	896,986	378,247
Inventories	22	789,821	560,868	46,066	789,821	46,066
Other financial assets	23	-	130,000	130,000	-	130,000
		2,789,106	**1,818,058**	**709,863**	**2,789,106**	**709,863**
Non-current assets held for sale	27	2,079	4,601	4,601	2,079	4,601
Total current assets		**2,791,185**	**1,822,659**	**714,464**	**2,791,185**	**714,464**
Non-current assets						
Receivables	21	3,327	9,420	9,421	3,327	9,421
Property, plant & equipment	24					
- Land and buildings		622,985	626,516	615,364	622,985	615,364
- Plant and equipment		239,496	247,220	243,648	239,496	243,648
- Infrastructure systems		8,213	5,391	356	8,213	356
Total property, plant & equipment		870,694	879,127	859,368	870,694	859,368
Right-of-use assets	25	407,948	419,135	-	407,948	-
Intangible assets	26	670,806	663,548	661,081	670,806	661,081
Total non-current assets		**1,952,775**	**1,971,230**	**1,529,870**	**1,952,775**	**1,529,870**
Total assets		**4,743,960**	**3,793,889**	**2,244,334**	**4,743,960**	**2,244,334**
LIABILITIES						
Current liabilities						
Payables	30	527,425	528,246	528,171	527,425	528,171
Contract liabilities	31	4,983	-	-	4,983	-
Borrowings	32	819,736	184,839	11,069	819,736	11,069
Provisions	33	326,307	303,903	293,211	326,307	293,211
Other current liabilities	34	41,573	46,867	31,005	41,573	31,005
Total current liabilities		**1,720,024**	**1,063,855**	**863,456**	**1,720,024**	**863,456**
Non-current liabilities						
Borrowings	32	334,329	351,065	-	334,329	-
Provisions	33	13,528	12,760	12,349	13,528	12,349
Total non-current liabilities		**347,857**	**363,825**	**12,349**	**347,857**	**12,349**
Total liabilities		**2,067,881**	**1,427,680**	**875,805**	**2,067,881**	**875,805**
Net assets		**2,676,079**	**2,366,209**	**1,368,529**	**2,676,079**	**1,368,529**
EQUITY						
Reserves		189,796	187,163	187,067	189,796	187,067
Accumulated funds		2,486,283	2,179,046	1,181,462	2,486,283	1,181,462
Total Equity		**2,676,079**	**2,366,209**	**1,368,529**	**2,676,079**	**1,368,529**

[1] *Unaudited adjusted budget, see Note 40.*

The accompanying notes form part of these financial statements.

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

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2019		**1,181,462**	**187,067**	**1,368,529**
Net result for the year		**1,309,217**	**-**	**1,309,217**
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	3,811	3,811
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		1,082	(1,082)	-
Total other comprehensive income		**1,082**	**2,729**	**3,811**
Total comprehensive income for the year		**1,310,299**	**2,729**	**1,313,028**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers	41	(5,478)	-	(5,478)
Balance at 30 June 2020		**2,486,283**	**189,796**	**2,676,079**

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2018		**1,083,395**	**196,637**	**1,280,032**
Net result for the year		**89,393**	**-**	**89,393**
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	24	-	9,925	9,925
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		19,495	(19,495)	-
Total other comprehensive income		**19,495**	**(9,570)**	**9,925**
Total Comprehensive Income for the Year		**108,888**	**(9,570)**	**99,318**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers	41	(10,821)	-	(10,821)
Balance at 30 June 2019		**1,181,462**	**187,067**	**1,368,529**

The accompanying notes form part of these financial statements.

Health Administration Corporation

Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(1,823,475)	(1,863,647)	(1,711,127)	-	-
Suppliers for goods and services		(3,067,804)	(2,769,956)	(1,760,143)	(3,067,804)	(1,760,143)
Grants and subsidies		(52,083)	(49,441)	(45,005)	(52,083)	(45,005)
Finance costs		(8,620)	(8,533)	(20)	(8,620)	(20)
Personnel services		-	-	-	(1,823,475)	(1,711,127)
Total payments		**(4,951,982)**	**(4,691,577)**	**(3,516,295)**	**(4,951,982)**	**(3,516,295)**
Receipts						
NSW Ministry of Health recurrent allocations		1,535,498	1,181,932	1,113,558	1,535,498	1,113,558
NSW Ministry of Health capital allocations		144,662	149,306	139,323	144,662	139,323
Reimbursements from the Crown Entity		31,690	31,690	33,596	31,690	33,596
Sale of goods and services		2,388,267	2,511,668	2,350,167	2,388,267	2,350,167
Interest received		4,149	4,623	4,687	4,149	4,687
Grants and other contributions		1,066,050	1,052,379	32,619	1,066,050	32,619
Other		147,503	60,857	102,749	147,503	102,749
Total receipts		**5,317,819**	**4,992,455**	**3,776,699**	**5,317,819**	**3,776,699**
NET CASH FLOWS FROM OPERATING ACTIVITIES	38	**365,837**	**300,878**	**260,404**	**365,837**	**260,404**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment and intangibles		3,009	2,484	5,600	3,009	5,600
Proceeds from sale of financial assets		130,000	-	110,000	130,000	110,000
Purchases of property, plant and equipment and intangibles		(192,984)	(190,486)	(243,379)	(192,984)	(243,379)
Purchases of financial assets		-	-	(130,000)	-	(130,000)
Other		(8,614)	(8,614)	-	(8,614)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(68,589)**	**(196,616)**	**(257,779)**	**(68,589)**	**(257,779)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings and advances		739,176	739,176	11,041	739,176	11,041
Repayment of borrowings and advances		(11,069)	(639,425)	(9,583)	(11,069)	(9,583)
Payment of principal portion of lease liabilities		(78,606)	(74,313)	-	(78,606)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**649,501**	**25,438**	**1,458**	**649,501**	**1,458**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		946,749	129,700	4,083	946,749	4,083
Opening cash and cash equivalents	20	155,550	155,550	151,467	155,550	151,467
CLOSING CASH AND CASH EQUIVALENTS	20	**1,102,299**	**285,250**	**155,550**	**1,102,299**	**155,550**

[1] *Unaudited adjusted budget, see Note 40.*

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

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

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

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Secretary, NSW Health on 29 September 2020.

b) Basis of preparation

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

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

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

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

1. Statement of Significant Accounting Policies (continued)

c) Principles of consolidation

The consolidated financial statements include the financial statements of the parent and its subsidiaries at 30 June 2020 and the net result of the parent and its subsidiaries for the year ended 30 June 2020.

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

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

d) Statement of Compliance

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

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

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).

1. Statement of Significant Accounting Policies (continued)

g) Comparative Information

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

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

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 Corporation 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 Corporation.

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 Corporation expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the Corporation 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.

In accordance with the transition provisions in AASB 15, the Corporation 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 Corporation 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.

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)

The effect of adopting AASB 15 is as follows:

PARENT AND 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		2,281,493	2,281,493	-
Grants and other contributions	(a)	17,502	18,856	(1,354)
Net Result		**2,298,995**	**2,300,349**	**(1,354)**

PARENT AND 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
Liabilities				
Contract liabilities	(a)	4,983	-	4,983
Other current liabilities	(a)	-	3,629	(3,629)
Total liabilities		**4,983**	**3,629**	**1,354**
Equity				
Accumulated funds		(4,983)	(3,629)	(1,354)
Total adjustments to equity		**(4,983)**	**(3,629)**	**(1,354)**

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

The nature of these adjustments 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 a deferral of grant income where the Corporation 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.

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.* 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 Corporation.
* immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Corporation 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 Corporation has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the Corporation to further its objectives, are not restated to their fair value.

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases,* 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 Corporation 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 Corporation 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.

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)

The Corporation 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 1.90%.

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.

For leases previously classified as finance leases the Corporation 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 Corporation 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).

In applying AASB 16 for the first time, the Corporation 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.

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)

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

PARENT AND CONSOLIDATED	**1 July 2019 $'000**
Assets	
Right-of-use assets	469,941
Total assets	**469,941**
Liabilities	
Borrowings	469,941
Total liabilities	**469,941**
Equity	
Accumulated funds	-
	-

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

PARENT AND CONSOLIDATED	**1 July 2019 $'000**
Operating lease commitments as at 30 June 2019 (GST included)	512,715
(*Less):* GST included in operating lease commitments	(46,611)
Operating lease commitments as at 30 June 2019 (GST excluded)	**466,104**
Weighted average incremental borrowing rate as at 1 July 2019	1.90%
Discounted operating lease commitments as at 1 July 2019	**431,315**
(*Less):* commitments relating to short-term leases	(3,071)
(*Less):* commitments relating to low-value assets	(21)
(*Less):* commitments including service charges	(23,115)
Add : contracts re-assessed as lease contracts	26,730
Add: lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	39,540
(Less): adjustments relating to differences in rental amounts, including changes in the index or rate affecting variable payments	(1,002)
(Less): other adjustments	(435)
Lease liabilities as at 1 July 2019	**469,941**

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 Corporation have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 1059 *Service Concession Arrangements*

AASB 1059 *Service Concession Arrangements* is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 *Fair Value Measurement* principles. They are subsequently accounted for under AASB 116 *Property, Plant & Equipment* or AASB 138 *Intangible Assets.* Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 *Financial Instruments* or, the 'grant of right' model under AASB 1059 *Service Concession Arrangements.* AASB 1059 *Service Concession Arrangements* requires retrospective application.

Overview of Assessment Activities

The Corporation 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 Corporation. Any identified arrangements have 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 Corporation has not identified any arrangements in scope of AASB 1059.

2. Employee related expenses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Salaries and wages (including annual leave and ADO)	1,630,522	1,503,235	-	-
Superannuation - defined benefit plans	16,189	18,083	-	-
Superannuation - defined contribution plans	136,505	122,792	-	-
Long service leave	85,388	121,374	-	-
Redundancies	6,554	4,771	-	-
Workers' compensation insurance	57,456	51,161	-	-
Fringe benefits tax	763	595	-	-
Other staff related	11,294	1,359	-	-
	1,944,671	**1,823,370**	**-**	**-**

Employee related costs of $12.8 million (2019: $14.5 million) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

3. Personnel services

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Salaries and wages (including annual leave and ADO)	-	-	1,630,522	1,503,235
Superannuation - defined contribution plans	-	-	136,505	122,792
Long service leave	-	-	5,142	8,757
Redundancies	-	-	6,554	4,771
Workers' compensation insurance	-	-	57,456	51,161
Fringe benefits tax	-	-	763	595
Other staff related	-	-	11,294	1,359
	-	**-**	**1,848,236**	**1,692,670**

Personnel services of the Health Administration Corporation were provided by the employment divisions of the Ambulance Service of NSW, eHealth NSW, Health Infrastructure, HealthShare NSW, Health System Support Group and NSW Health Pathology.

Personnel services of $12.8 million (2019: $14.5 million) have been capitalised in property, plant and equipment and intangible assets and are excluded from the above.

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the Corporation's hospitals. VMO expenses of $63 thousand (2019: $60 thousand) represent part of the day-to-day running costs incurred in the normal operations of the Corporation. These costs are expensed as incurred.

5. Other expenses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Advertising	1,346	2,562	1,346	2,562
Auditor's remuneration - audit of financial statements	576	552	576	552
Blood and blood products	88	103	88	103
Work performed for entities controlled by the ultimate parent	78,719	62,485	78,719	62,485
Consultancies	2,256	2,639	2,256	2,639
Contractors	126,354	107,881	126,354	107,881
Domestic supplies and services	34,021	28,678	34,021	28,678
Drug supplies	7,875	7,858	7,875	7,858
Food supplies	90,018	90,021	90,018	90,021
Fuel, light and power	12,181	13,442	12,181	13,442
Patient transport costs	1,308	927	1,308	927
Information management expenses	188,521	213,862	188,521	213,862
Insurance	4,217	3,494	4,217	3,494
Maintenance (see Note 5(b))	106,698	123,150	106,698	123,150
Medical and surgical supplies	43,384	36,388	43,384	36,388
Motor vehicle expenses	22,492	22,210	22,492	22,210
Postal and telephone costs	10,560	14,480	10,560	14,480
Printing and stationery	6,499	6,234	6,499	6,234
Rates and charges	2,725	2,679	2,725	2,679
Rental	-	38,634	-	38,634
Hosted services purchased from entities controlled by the immediate parent	2,092	1,855	2,092	1,855
Specialised services (dental, radiology, pathology and allied health)	155,148	141,524	155,148	141,524
Staff related costs	16,256	18,159	16,256	18,159
Travel related costs	13,405	17,113	13,405	17,113
Other (see Note 5(a))	577,578	566,666	577,578	566,666
	1,504,317	**1,523,596**	**1,504,317**	**1,523,596**

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the Corporation.

5. Other expenses (continued)

		Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
(a)	**Other**				
	Aircraft expenses (Ambulance)	110,364	149,258	110,364	149,258
	Corporate support services	248,250	224,239	248,250	224,239
	Courier and freight	11,945	11,013	11,945	11,013
	Legal services	2,120	2,356	2,120	2,356
	Membership/professional fees	2,647	2,091	2,647	2,091
	Quality assurance / accreditation	3,792	3,718	3,792	3,718
	Security services	1,172	1,305	1,172	1,305
	Motor vehicle operating lease expense - minimum lease payments	-	23,485	-	23,485
	Other operating lease expense - minimum lease payments	-	178	-	178
	Expenses relating to short-term leases	9,590	-	9,590	-
	Expenses relating to leases of low-value assets	2,192	-	2,192	-
	Variable lease payments, not included in lease liabilities	661	-	661	-
	Other miscellaneous	184,845	149,023	184,845	149,023
		577,578	**566,666**	**577,578**	**566,666**
(b)	**Reconciliation of total maintenance**				
	Maintenance contracts	36,187	34,785	36,187	34,785
	New / replacement equipment under $10,000	54,023	74,135	54,023	74,135
	Repairs maintenance / non contract	15,948	13,912	15,948	13,912
	Other	540	318	540	318
	Maintenance expense - contracted labour and other (non-employee related) in Note 5	**106,698**	**123,150**	**106,698**	**123,150**
	Employee related/personnel services maintenance expense	5,687	5,365	5,687	5,365
		112,385	**128,515**	**112,385**	**128,515**

5. Other expenses (continued)

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 Corporation. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 30.

Insurance

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

Lease expense

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 Corporation 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.

6. Depreciation and amortisation

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Depreciation - buildings	22,549	21,914	22,549	21,914
Depreciation - plant and equipment	61,539	54,665	61,539	54,665
Depreciation - infrastructure systems	930	35	930	35
Depreciation - right-of-use buildings	40,899	-	40,899	-
Depreciation - right-of-use plant and equipment	44,650	-	44,650	-
Amortisation - intangible assets	76,004	61,558	76,004	61,558
	246,571	**138,172**	**246,571**	**138,172**

Refer to Note 24 Property, plant and equipment, Note 25 Leases, and Note 26 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Non-government organisations	2,608	2,563	2,608	2,563
Community packages	32,197	28,431	32,197	28,431
Grants to research organisations	1,209	1,885	1,209	1,885
Grants paid to entities controlled by the immediate parent	7,740	9,375	7,740	9,375
Other grants	124	116	124	116
	43,878	**42,370**	**43,878**	**42,370**

Recognition and Measurement

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

8. Finance costs

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Interest expense from lease liabilities	8,608	-	8,608	-
Interest expense from financial liabilities at amortised cost	1	3	1	3
Other interest charges	12	18	12	18
	8,621	**21**	**8,621**	**21**

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing 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.

9. Payments to Affiliated Health Organisations

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
(a) Recurrent sourced	500	-	500	-
	500	**-**	**500**	**-**
(b) Capital sourced	1,640	458	1,640	458
	1,640	**458**	**1,640**	**458**
	2,140	**458**	**2,140**	**458**

Recognition and Measurement

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

General operating expenses / revenues have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The Corporation is not deemed to own or control the various assets / liabilities of the Health Organisations and such amounts have been excluded from the Statement of Financial Position.

10. 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.

Under the *GSF Act 2018,* the Corporation's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, other ancillary services, proceeds from the sale of property, plant and equipment and proceeds from borrowings and advances) meets the definition of deemed appropriation money under the *GSF Act* (Section 4.7).

Deemed appropriation money is money received directly by the Corporation which forms part of the consolidated fund and is not appropriated to the Corporation by an Act.

11. NSW Ministry of Health allocations

Payments are made by the immediate parent on the basis of the allocation for the Corporation and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. There are no sufficiently specific enforceable performance obligations between the immediate parent and the Corporation as defined by AASB 15 *Revenue from Contracts with Customers* and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The Corporation recognised additional NSW Ministry of Health recurrent allocations of $29.7 million and NSW Ministry of Health capital allocations of $34.5 million to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

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

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
(a) Sale of goods comprise the following:				
Sale of small medical equipment	4,660	34,674	4,660	34,674
	4,660	**34,674**	4,660	**34,674**
(b) Rendering of services comprise the following:				
Patients				
Patient Fees:				
- Non inpatient fees	3,318	-	3,318	-
Department of Veterans' Affairs	18,422	20,999	18,422	20,999
Motor Accident Authority third party	36,739	39,404	36,739	39,404
Patient co-payments - program of appliances for disabled people	608	994	608	994
Patient transport fees	163,278	162,182	163,278	162,182
Staff				
Private use of motor vehicles	401	329	401	329
Salary packaging fee	573	569	573	569
General community				
Cafeteria / kiosk	3,401	4,116	3,401	4,116
Car parking	85	126	85	126
Clinical services (excluding clinical drug trials)	20,635	19,936	20,635	19,936
Commercial activities	495,911	431,652	495,911	431,652
Fees for conferences and training	629	222	629	222
Fees for medical records	208	204	208	204
Meals on Wheels	289	341	289	341
Non-NSW Health entities				
Linen service revenues	4,868	5,606	4,868	5,606
Services to other organisations	5,962	1,622	5,962	1,622
Entities controlled by the immediate parent				
Linen service revenues	84,337	85,242	84,337	85,242
Shared corporate service revenues	1,205,540	1,119,696	1,205,540	1,119,696
Use of ambulance facilities	6,447	7,928	6,447	7,928
Entities controlled by the ultimate parent				
Work performed reimbursed by entities controlled by the ultimate parent	78,719	62,485	78,719	62,485
Other				
Infrastructure fees - annual charge	8,414	12,584	8,414	12,584
Infrastructure fees - monthly facility charge	132,212	147,403	132,212	147,403
Other	5,837	7,416	5,837	7,416
	2,276,833	**2,131,056**	2,276,833	**2,131,056**
	2,281,493	**2,165,730**	**2,281,493**	**2,165,730**

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

Recognition and Measurement

Sale of goods (until 30 June 2019)

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

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

Revenue from the sale of goods is recognised when the Corporation satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The Corporation typically satisfies its performance obligations when the control of goods is transferred 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 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 Corporation satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

i. *Patient fees*

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

ii. *Department of Veterans' Affairs*

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

iii. *Highly specialised drugs*

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

iv. *Motor Accident Authority third party*

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

v. *Use of hospital facilities*

Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health.

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

13. Investment revenue

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Interest income from financial assets at amortised cost	3,191	4,687	3,191	4,687
	3,191	**4,687**	**3,191**	**4,687**

Recognition and Measurement

Interest income

Interest income 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).

14. Grants and other contributions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Clinical drug trials	-	95	-	95
Commonwealth government grants	-	8,160	-	8,160
Cancer Institute grants received from an entity controlled by the immediate parent	-	300	-	300
Grants & contributions received from entities controlled by the ultimate parent	-	16,010	-	16,010
Grants & contributions received from entities controlled by the immediate parent	-	2,584	-	2,584
Research grants	-	214	-	214
Other grants	-	2,149	-	2,149
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	300	-	300	-
Clinical trials and research grants	436	-	436	-
Commonwealth government grants other	13,147	-	13,147	-
Grants from entities controlled by the ultimate parent	2,080	-	2,080	-
Other grants from entities controlled by the immediate parent	14	-	14	-
Other grants	1,505	-	1,505	-
Grants without specific performance obligations				
Clinicals trial and research grants	51	-	51	-
Grants from entities controlled by the ultimate parent	933,800	-	933,800	-
Other grants from entities controlled by the immediate parent	14,084	-	14,084	-
Other grants	31	-	31	-
Donations	5,436	367	5,436	367
	970,884	**29,879**	**970,884**	**29,879**

14. Grants and other contributions (continued)

Recognition and Measurement

Grants and other contributions (until 30 June 2019)

Income from grants (other than contributions by owners) is recognised when the Corporation obtains control over the contribution. The Corporation 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.

Grants and other contributions (from 1 July 2019)

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Corporation is recognised when the Corporation satisfies its obligations under the transfer. The Corporation 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 Corporation satisfies a performance obligation by transferring the promised goods or services. The Corporation typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Corporation 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.

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

15. Acceptance by the Crown Entity of employee benefits

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

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Superannuation - defined benefit plans	16,189	18,083	-	-
Long service leave provision	80,247	112,617	-	-
	96,436	**130,700**	**-**	**-**

16. Other income

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Other income comprises the following:				
Bad debts recovered	94	632	94	632
Capital project management cost	46,014	45,922	46,014	45,922
Commissions	60	77	60	77
Discounts	55	247	55	247
Insurance refunds	881	860	881	860
Rental income	495	597	495	597
Property not previously recognised	1,825	-	1,825	-
Sale of merchandise, old wares and books	82	108	82	108
Sponsorship	641	283	641	283
Treasury Managed Fund hindsight adjustment	-	18,048	-	18,048
Unclaimed deposits	23	13	23	13
Other	7,620	7,034	7,620	7,034
	57,790	**73,821**	**57,790**	**73,821**

Recognition and Measurement

Other Income

Other income includes rental income arising from operating leases which 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.

17. Gains / (losses) on disposal

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Property, plant and equipment	61,040	55,111	61,040	55,111
Less: accumulated depreciation	53,389	27,614	53,389	27,614
Written down value	**7,651**	**27,497**	**7,651**	**27,497**
Less: proceeds from disposal	2,241	2,734	2,241	2,734
Loss on disposal of property, plant and equipment	**(5,410)**	**(24,763)**	**(5,410)**	**(24,763)**
Right-of-use assets	521	-	521	-
Less: accumulated depreciation	77	-	77	-
Written down value	**444**	**-**	**444**	**-**
Less: lease liabilities extinguished	446	-	446	-
Gain on disposal of right-of-use assets	**2**	**-**	**2**	**-**
Intangible assets	10	379	10	379
Less: proceeds from disposal	-	-	-	-
Loss on disposal of intangible assets	**(10)**	**(379)**	**(10)**	**(379)**
Assets held for sale	707	2,907	707	2,907
Less: proceeds from disposal	768	2,866	768	2,866
Gain / (loss) on disposal of assets held for sale	**61**	**(41)**	**61**	**(41)**
Financial assets	130,000	110,000	130,000	110,000
Less: proceeds from disposal	130,000	110,000	130,000	110,000
Gain / (loss) on disposal of financial assets	**-**	**-**	**-**	**-**
Total loss on disposal	**(5,357)**	**(25,183)**	**(5,357)**	**(25,183)**

18. Other losses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Foreign exchange loss	8,614	-	8,614	-
	8,614	**-**	**8,614**	**-**

Recognition and Measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the Corporation 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 21 Receivables
- Note 24 Property, plant and equipment
- Note 25 Leases
- Note 26 Intangible assets

19. Conditions and restrictions on income of not-for-profit entities

The Corporation receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The Corporation 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 29 Restricted assets.

20. Cash and cash equivalents

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Cash at bank and on hand	1,002,548	155,550	1,002,548	155,550
Short term deposits	99,751	-	99,751	-
	1,102,299	**155,550**	**1,102,299**	**155,550**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

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:

Cash and cash equivalents (per Statement of Financial Position)	1,102,299	155,550	1,102,299	155,550
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,102,299**	**155,550**	**1,102,299**	**155,550**

Refer to Note 42 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the Corporation are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of all health entities. These payments are reported as expenses and operating cash outflows in the financial statements of the health entities.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the health entities to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the health entities when HealthShare NSW makes these payments on behalf of the health entities.

Health Infrastructure makes most payments to purchase property, plant and equipment on behalf of the health entities. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the health entities.

Health Infrastructure receives payments directly from the NSW Ministry of Health and the Crown Finance Entity, an entity controlled by the ultimate parent on behalf of the health entities to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations and grants and other contributions) and operating cash inflows in the financial statements of the health entities.

21. Receivables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Trade receivables from contracts with customers	93,610	-	93,610	-
Sale of goods and services	-	69,231	-	69,231
Intra health receivables	291,140	199,389	291,140	199,389
Goods and Services Tax	51,231	26,841	51,231	26,841
Other receivables	76,654	60,544	76,654	60,544
Sub total	**512,635**	**356,005**	**512,635**	**356,005**
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(30,830)	-	(30,830)	-
- Sale of goods and services	-	(28,876)	-	(28,876)
- Other receivables	(824)	(294)	(824)	(294)
Sub total	**480,981**	**326,835**	**480,981**	**326,835**
Prepayments	416,005	51,412	416,005	51,412
	896,986	**378,247**	**896,986**	**378,247**

(a) * Movement in the allowance for expected credit losses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Trade receivables from contracts with customers				
Balance at the beginning of the year	**(28,876)**	**-**	**(28,876)**	**-**
Amounts written off during the year	13,927	-	13,927	-
Increase in allowance recognised in the net result [1]	(15,880)	-	(15,880)	-
Balance at the end of the year	**(30,830)**	**-**	**(30,830)**	**-**
Sale of goods and services				
Balance at the beginning of the year	**-**	**(33,598)**	**-**	**(33,598)**
Amounts written off during the year	-	19,658	-	19,658
Increase in allowance recognised in the net result [1]	-	(14,936)	-	(14,936)
Balance at the end of the year	**-**	**(28,876)**	**-**	**(28,876)**
Other receivables				
Balance at the beginning of the year	**(294)**	**(1,070)**	**(294)**	**(1,070)**
Amounts written off during the year	94	915	94	915
Increase in allowance recognised in the net result	(624)	(139)	(624)	(139)
Balance at the end of the year	**(824)**	**(294)**	**(824)**	**(294)**
	(31,654)	**(29,170)**	**(31,654)**	**(29,170)**

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Non-current				
Prepayments	3,327	9,421	3,327	9,421
	3,327	**9,421**	**3,327**	**9,421**

[1] Includes impairment loss of $15.9 million (2019: $14.9 million) recognised on receivables from contracts with customers.

21. Receivables (continued)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Patient fees - inpatient & other	49,693	45,558	49,693	45,558
	49,693	**45,558**	**49,693**	**45,558**

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 42.

	Consolidated 2020 $000	Parent 2020 $000
Contract receivables (included in Note 21)	382,133	382,133
	382,133	**382,133**

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

Impairment

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

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

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

22. Inventories

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Medical and surgical supplies	627,371	41,541	627,371	41,541
Food and hotel supplies	3,767	4,522	3,767	4,522
Other including goods in transit	158,683	3	158,683	3
	789,821	**46,066**	**789,821**	**46,066**

The increase in medical and surgical supplies is a result of the Corporation preparing for an increase in COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed in the normal services provided by the Corporation.

Recognition and Measurement

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. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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 Corporation has determined that it plans to use the remaining medical and surgical supplies inventory in a relatively short time period, well before 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 Corporation 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 NSW Ministry of Health.

23. Other financial assets

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Loans and deposits	-	130,000	-	130,000
	-	**130,000**	**-**	**130,000**

Refer to Note 42 for details regarding 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. Other financial assets include intra health loans and deposits with a maturity of three months or more.

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

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

The Corporation term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence, the Corporation measures the loss allowance for term deposits at an amount equal to 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 Corporation uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

24. Property, plant and equipment

(a) Total property, plant and equipment

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	Land and Buildings $000	Plant and Equipment [1] $000	Infrastructure Systems $000	Total $000
As at 30 June 2020				
Gross carrying amount	949,121	511,764	11,661	1,472,546
Less: accumulated depreciation and impairment	326,136	272,268	3,448	601,852
Net carrying amount	**622,985**	**239,496**	**8,213**	**870,694**

	Land and Buildings $000	Plant and Equipment[1] $000	Infrastructure Systems $000	Total $000
As at 30 June 2019				
Gross carrying amount	948,824	504,330	1,387	1,454,541
Less: accumulated depreciation and impairment	333,460	260,682	1,031	595,173
Net carrying amount	**615,364**	**243,648**	**356**	**859,368**

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

(a) Total property, plant and equipment - reconciliation

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

	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Total $000
Year ended 30 June 2020				
Net carrying amount at beginning of year	615,364	243,648	356	859,368
Additions	39,108	60,632	4,166	103,906
Reclassification from intangibles	-	709	-	709
Reclassification to assets held for sale	1,815	-	-	1,815
Disposals	(4,325)	(3,326)	-	(7,651)
Equity transfers - transfers out	(5,478)	-	-	(5,478)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(768)	-	(768)
Net revaluation increments less revaluation decrements	3,700	-	111	3,811
Depreciation expense	(22,549)	(61,539)	(930)	(85,018)
Reclassifications	(4,650)	140	4,510	-
Net carrying amount at end of year	**622,985**	**239,496**	**8,213**	**870,694**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

24. Property, plant and equipment (continued)

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

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	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	573,128	236,713	391	810,232
Additions	93,743	65,753	-	159,496
Reclassification to assets held for sale	(3,590)	-	-	(3,590)
Disposals	(24,690)	(2,807)	-	(27,497)
Equity transfers - transfers out	(11,048)	-	-	(11,048)
Transfers within NSW Health entities through Statement of Comprehensive Income	-	(1,536)	-	(1,536)
Net revaluation increments less revaluation decrements	9,925	-	-	9,925
Depreciation expense	(21,914)	(54,665)	(35)	(76,614)
Reclassifications	(190)	190	-	-
Net carrying amount at end of year	**615,364**	**243,648**	**356**	**859,368**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 28.

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

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The Corporation has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by the Corporation.

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 - Note 41).

24. Property, plant and equipment (continued)

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 Corporation. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

	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).

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

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

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.

24. Property, plant and equipment (continued)

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 Corporation 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 in Note 25.

Revaluation of property, plant and equipment

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 28 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 Corporation conducts a comprehensive revaluation at least every three years 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 Corporation uses an independent professionally qualified valuer for such revaluations.

Due to the COVID-19 pandemic in early 2020, the Corporation's management 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 there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

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

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

24. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

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

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

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

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 Corporation 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 Corporation 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.

25. Leases

(a) Entity as a lessee

The Corporation leases various aeromedical, property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of one to ten 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 Corporation 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 Corporation 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 $242.9 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 value.

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 Corporation 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.

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

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	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
2020			
Balance at 1 July 2019	247,082	222,859	469,941
Additions	1,651	18,960	20,611
Reassessments	3,373	16	3,389
Disposals	-	(444)	(444)
Depreciation expense	(40,899)	(44,650)	(85,549)
Balance at 30 June 2020	**211,207**	**196,741**	**407,948**

25. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	Total $'000
2020	
Balance at 1 July 2019	469,941
Additions	20,611
Interest expenses	8,608
Payments	(87,214)
Terminations	(446)
Other adjustments	3,389
Balance at 30 June 2020	**414,889**

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

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	Total $'000
2020	
Depreciation expense of right-of-use assets	85,549
Interest expense on lease liabilities	8,608
Expenses relating to short-term leases	9,590
Expenses relating to leases of low-value assets	2,192
Variable lease payments not included in the measurement of lease liabilities	661
Gains on disposal	(2)
Total amount recognised in the statement of comprehensive income	**106,598**

The Corporation had total cash outflows for leases of $87.2 million for the year ended 30 June 2020.

25. Leases (continued)

(a) Entity as a lessee (continued)

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

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	Operating leases 2019 $'000
Within one year	96,565
Later than one year and not later than five years	287,178
Later than five years	128,972
Total (including GST)	**512,715**
Less: GST recoverable from the Australian Taxation Office	46,611
Total (excluding GST)	**466,104**

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

The Corporation entered into a number of leases with lease terms ranging from one to ten years. The leases are with the NSW Office Office of Environment and Heritage at Perisher Valley, the Australian Federal Government Defence Support Group at Paddington, the Culburra and Districts Community Health Service and the Victoria Barracks helipad. The contracts specify lease payments of up to three dollars per annum. The leased premises are used by the Corporation to provide community health services and access to the helipad. This does not have a significant impact on the Corporation's operations.

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

The Corporation 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 Corporation 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.

25. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The Corporation 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
Buildings	1 to 10 years
Plant and equipment	1 to 4 years
Motor vehicles and other equipment	1 to 5 years
Aeromedical	1 to 10 years

If ownership of the leased asset transfers to the Corporation 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.

The right-of-use assets are also subject to impairment. The Corporation 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 Corporation 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.

ii. Lease liabilities

At the commencement date of the lease, the Corporation 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 Corporation; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation 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 Corporation 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 Corporation is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

25. Leases (continued)

(a) Entity as a lessee (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 Corporation's lease liabilities are included in borrowings in Note 32.

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

The Corporation 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 an 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 Corporation 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 Corporation 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 Corporation 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.

Leases not yet commenced to which the lessee is committed

The Ambulance Service of NSW has entered into a ten year contract with Pel-Air Aviation Pty Ltd to provide aeromedical services. The contract has a lease component for the right to use the contracted aircraft. The lease has not yet commenced and as a result, no right-of-use asset or liability has been recognised at 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.

26. Intangible assets

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Cost (gross carrying amount)	1,116,804	1,033,338	1,116,804	1,033,338
Less: accumulated amortisation and impairment	445,998	372,257	445,998	372,257
Net carrying amount	**670,806**	**661,081**	**670,806**	**661,081**

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

	2020 $000	2019 $000
Year ended 30 June 2020		
Net carrying amount at beginning of year	661,081	639,135
Additions - acquired separately	86,448	83,883
Reclassifications to plant and equipment	(709)	-
Disposals	(10)	(379)
Amortisation (recognised in depreciation and amortisation)	(76,004)	(61,558)
Net carrying amount at end of year	**670,806**	**661,081**

Recognition and Measurement

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

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 Corporation's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the Corporation are recognised as intangible assets. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. 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.

27. 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	2,079	4,601	2,079	4,601
	2,079	**4,601**	**2,079**	**4,601**

Assets held for sale consist of regional residences and ambulance stations that are surplus to the needs of the Ambulance Service of NSW and are being actively marketed for sale.

Further details regarding fair value measurement are disclosed in Note 28.

Recognition and Measurement

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

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

28. Fair value measurement of non-financial assets

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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.

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

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

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

(a) Fair value hierarchy

2020	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, plant and equipment (Note 24)				
- Land and buildings	-	166,949	363,269	530,218
- Infrastructure systems	-	-	8,166	8,166
Non-current assets held for sale (Note 27)	-	2,079	-	2,079
	-	**169,028**	**371,435**	**540,463**

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 24.

2019	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, plant and equipment (Note 24)				
- Land and buildings	-	151,128	355,038	506,166
- Infrastructure systems	-	-	356	356
Non-current assets held for sale (Note 27)	-	4,601	-	4,601
	-	**155,729**	**355,394**	**511,123**

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 24.

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Corporation obtains external valuations by independent valuers at least every three years. The valuer used by each controlled entity is an independent entity and is not an associated entity of the Corporation.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer to Note 24 for the reconciliation).

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

For land, the valuation by the valuer 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.

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

For buildings and infrastructure, 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 properties are valued on a market approach and included in level 2.

Non-current assets held for sale is a non-recurring item that is measured at the lower of its fair value less cost to sell or its carrying amount. These assets are categorised as level 2.

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

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

(c) Reconciliation of recurring Level 3 fair value measurements

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2020	Land and Buildings $000	Infrastructure Systems $000	Total Level 3 Recurring $000
Fair value as at 1 July 2019	355,038	356	355,394
Additions	43,935	4,438	48,373
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	(11,442)	110	(11,332)
Transfers from Level 2	1,791	-	1,791
Transfers to Level 2	(926)	-	(926)
Disposals	(3,404)	-	(3,404)
Depreciation expense	(17,259)	(931)	(18,190)
Equity transfers - transfers in / (out)	(235)	-	(235)
Other reclassifications	(4,229)	4,193	(36)
Fair value as at 30 June 2020	**363,269**	**8,166**	**371,435**

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

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2019	Land and Buildings $000	Infrastructure Systems $000	Total Level 3 Recurring $000
Fair value as at 1 July 2018	240,591	390	240,981
Additions	83,121	-	83,121
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 24)	(434)	-	(434)
Disposals	(23,815)	-	(23,815)
Depreciation expense	(16,809)	(34)	(16,843)
Equity transfers - transfers in	7,861	-	7,861
Other reclassifications	64,523	-	64,523
Fair value as at 30 June 2019	**355,038**	**356**	**355,394**

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

29. Restricted assets

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

Category	1 July 2019 Opening $000	Revenue $000	Expense $000	2020 Closing $000
Community welfare	7	-	-	7
Facility improvements	50,937	54,633	15,032	90,538
Patient welfare	369	6	148	227
Private practice disbursements (No.2 Accounts)	116,230	12,650	16,429	112,451
Public contributions	11,672	489	963	11,198
Research	7,122	4,349	3,921	7,550
Staff welfare	12,827	1,221	53	13,995
Training and education including conferences	410	58	60	408
Other	13,900	-	13,900	-
	213,474	**73,406**	**50,506**	**236,374**

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.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private practice disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.
Other	Does not meet the definition of any of the above categories.

30. Payables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Accrued salaries, wages and on-costs	42,825	32,448	-	-
Taxation and payroll deductions	54,391	17,327	-	-
Accrued liability - purchase of personnel services	-	-	97,216	49,775
Creditors	153,987	140,204	153,987	140,204
Other creditors				
- Capital works	161,555	166,682	161,555	166,682
- Payables to entities controlled by the immediate parent	64,521	97,828	64,521	97,828
- Other	50,146	73,682	50,146	73,682
	527,425	**528,171**	**527,425**	**528,171**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 42.

Recognition and Measurement

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

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

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Corporation. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

31. 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	4,983	4,410	4,983	4,410
	4,983	**4,410**	**4,983**	**4,410**

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities as at 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 had not been met at 30 June 2020. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

The contract liability balance has 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	4,410	4,410
Transaction price allocated to the remaining performance obligations from contracts with customers	5,044	5,044

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

Specific revenue class	2021 $'000	2022 $'000
Sales of goods and services from contracts with customers	2,191	-
Grants and other contributions	2,813	40
	5,004	**40**

32. Borrowings

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Loans and deposits	739,176	11,069	739,176	11,069
Lease liability (see Note 25)	80,560	-	80,560	-
	819,736	**11,069**	**819,736**	**11,069**
Non-current				
Lease liability (see Note 25)	334,329	-	334,329	-
	334,329	**-**	**334,329**	**-**

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 42.

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 the 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.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 42 (b) for the derecognition policy.

Changes in liabilities arising from financing activities

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	Loans and deposits $000	Leases $000	Total liabilities from financing activities $000
1 July 2018	9,611	-	9,611
Cash flows	1,458	-	1,458
30 June 2019	**11,069**	**-**	**11,069**
Recognised on adoption of AASB 16	**-**	**469,941**	**469,941**
1 July 2019	11,069	469,941	481,010
Cash flows	728,107	(78,606)	649,501
New leases	-	23,554	23,554
30 June 2020	**739,176**	**414,889**	**1,154,065**

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 42.

33. Provisions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	172,611	167,465	-	-
Annual leave - long term benefit	84,636	68,918	-	-
Death and disability (Ambulance officers)	-	1,249	-	-
Long service leave consequential on-costs	55,015	50,285	-	-
Provision for other employee benefits	9,215	5,066	-	-
Provision for personnel services liability	-	-	321,477	292,983
	321,477	**292,983**	**321,477**	**292,983**
Other Provisions				
Make good provision	1,653	228	1,653	228
Other	3,177	-	3,177	-
	4,830	**228**	**4,830**	**228**
Total current provisions	**326,307**	**293,211**	**326,307**	**293,211**
Non-current				
Employee benefits and related on-costs				
Death and disability (Ambulance officers)	698	1,049	-	-
Long service leave consequential on-costs	4,784	4,373	-	-
Provision for personnel services liability	-	-	5,482	5,422
	5,482	**5,422**	**5,482**	**5,422**
Other Provisions				
Make good provision	5,642	6,927	5,642	6,927
Other	2,404	-	2,404	-
	8,046	**6,927**	**8,046**	**6,927**
Total non-current provisions	**13,528**	**12,349**	**13,528**	**12,349**
Aggregate employee benefits and related on-costs				
Provisions - current	321,477	292,983	-	-
Provisions - non-current	5,482	5,422	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 30)	97,216	49,775	-	-
Liability - purchase of personnel services	-	-	424,175	348,180
	424,175	**348,180**	**424,175**	**348,180**

Movements in provisions (other than employee benefits)

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

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Make good provisions				
Carrying amount at beginning of period	7,155	-	7,155	-
- Additional provisions recognised	140	7,155	140	7,155
Carrying amount at end of period	**7,295**	**7,155**	**7,295**	**7,155**
Other				
- Additional provisions recognised	5,581	-	5,581	-
Carrying amount at end of period	**5,581**	**-**	**5,581**	**-**

33. Provisions (continued)

Recognition and Measurement

Employee benefits and other provisions

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

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

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 15.8% to 27.1% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 15.8% to 26.8%). The Corporation has assessed the actuarial advice based on the Corporation's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the Corporation does not expect to settle the liability within 12 months as the Corporation does not have an unconditional right to defer settlement.

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

Long service leave and superannuation

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

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

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

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

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.

33. Provisions (continued)

Recognition and Measurement (continued)

Other provisions

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

Any provisions for restructuring are recognised only when the Corporation has a detailed formal plan, and the Corporation 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.

34. Other liabilities

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Unearned revenue	41,573	31,005	41,573	31,005
	41,573	**31,005**	**41,573**	**31,005**

Unearned revenue was derived from the following:

In June 2020, 'Unearned revenue' includes $41.6 million that was received in advance from the Central Coast Local Health District (LHD), Hunter New England LHD, Northern Sydney LHD, South Eastern Sydney LHD and Western Sydney LHD which are entities controlled by the immediate parent.

In June 2019, 'Unearned revenue' includes $25.3 million that was received in advance from the Central Coast Local Health District (LHD), Hunter New England LHD, Northern NSW LHD and South Eastern Sydney LHD which are entities controlled by the immediate parent and the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

35. Commitments

(a) Capital commitments

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

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Within one year	75,394	99,003	75,394	99,003
Later than one year and not later than five years	262	3,540	262	3,540
Total (including GST)	**75,656**	**102,543**	**75,656**	**102,543**

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of $75.7 million as at 30 June 2020 includes input tax credits of $6.9 million that are expected to be recoverable from the Australian Taxation Office (2019: $9.3 million).

36. Contingent liabilities and assets

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

37. Trust funds

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

Category	1 July 2019 Opening equity $'000	Revenue $000	Expense $000	30 June 2020 Closing equity $'000
Private Patient Trust Funds	-	189,348	(189,348)	-
Total trust funds	**-**	**189,348**	**(189,348)**	**-**

Category	1 July 2018 Opening equity $'000	Revenue $000	Expense $000	30 June 2019 Closing equity $'000
Private Patient Trust Funds	-	200,225	(200,225)	-
Total trust funds	**-**	**200,225**	**(200,225)**	**-**

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

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

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Net cash used on operating activities	365,837	260,404	365,837	260,404
Depreciation and amortisation expense	(246,571)	(138,172)	(246,571)	(138,172)
Allowance for impairment	(16,504)	(15,075)	(16,504)	(15,075)
Effects of exchange rate changes	(8,614)	-	(8,614)	-
Increase in unearned revenue	(14,978)	(7,884)	(14,978)	(7,884)
Increase in provisions	(34,275)	(20,559)	(34,275)	(20,559)
Increase in prepayments and other assets	1,260,889	146,171	1,260,889	146,171
Decrease / (increase) in payables	7,632	(108,548)	7,632	(108,548)
Increase in contract liabilities	(574)	-	(574)	-
Net loss on sale of property, plant and equipment	(5,359)	(25,183)	(5,359)	(25,183)
Net gain on disposal of right-of-use assets	2	-	2	-
Non-cash revenue items	-	(225)	-	(225)
Assets donated or brought to account (Note 39)	1,305	(1,536)	1,305	(1,536)
Other	427	-	427	-
Net result	**1,309,217**	**89,393**	**1,309,217**	**89,393**

39. Non-cash financing and investing activities

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Assets donated or brought to account	1,305	(1,536)	1,305	(1,536)
Property, plant and equipment acquired by a lease	20,611	-	20,611	-
	21,916	**(1,536)**	**21,916**	**(1,536)**

40. Adjusted budget review

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

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Net result

The actual net result was higher than the adjusted budget by $311.5 million primarily due to funds allocated from the Ministry of Health to fund COVID-19 related procurement for the whole of the State.

Assets and liabilities

Net assets were higher than the adjusted budget by $309.9 million due to asset disposals offset by higher term deposits now held as cash, higher intra-health receivables, higher intangible assets and asset purchases related to COVID-19.

Cash flows

The actual net cash flows from operating activities were higher than the adjusted budget by $64.9 million. This was mainly attributable to COVID-19 related purchases and monies due from TCorp for USD $68.4 million (AUD $99.8 million).

The actual net cash flows from investing activities were higher than budget by $128.0 million. This was mainly due to the proceeds of a term deposit for $130.0 million.

41. Equity

Accumulated Funds

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

Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Corporation's policy on the revaluation of property, plant and equipment as discussed in Note 24.

Equity transfers effected in the 2019/20 year were:

(a) An increase of $20 thousand in net assets occurred during the current year. This relates to the transfer of land at Tumbarumba from Murrumbidgee Local Health District to the Ambulance Service of NSW.

(b) A decrease of $0.6 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Kiama from the Ambulance Service of NSW to the Ministry of Health.

(c) A decrease of $0.1 million in net assets occurred during the current year. This relates to the transfer of land and buildings at Molong from the Ambulance Service of NSW to the Ministry of Health.

(d) A decrease of $4.8 million in net assets occurred during the current year. This relates to the transfer of land at Liverpool from the Ambulance Service of NSW to the Ministry of Health.

Equity transfers effected in the 2018/19 year were:

(a) An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of $0.2 million.

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

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

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

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

41. Equity (continued)

Equity transfers effected comprised:

Net assets transferred are as follows:	**2020 $000**
(a) Land transfer from Murrumbidgee Local Health District to the Ambulance Service of NSW.	20
(b) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(622)
(c) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(55)
(d) Land and buildings transfer from the Ambulance Service of NSW to the Ministry of Health.	(4,821)
Decrease in Net Assets From Equity Transfers	(5,478)

Net assets transferred are as follows:	**2019 $000**
(a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities.	227
(b) Ambulance stations transfer from the Ambulance Service of NSW to the Ministry.	(17,300)
(c) Land and buildings transfer from Sydney Local Health District to the Ambulance Service of NSW.	9,652
(d) Land and buildings transfer from the Ambulance Service of NSW to South Western Sydney Local Health District.	(836)
(e) Land and buildings transfer from the Ambulance Service of NSW to the Nepean Blue Mountains Local Health District.	(2,564)
Decrease in Net Assets From Equity Transfers	(10,821)

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

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

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

42. Financial instruments

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

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

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

(a) Financial instrument categories

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Class	Category	Carrying Amount 2020 $000	Carrying Amount 2019 $000
Financial Assets			
Cash and cash equivalents (Note 20)	Amortised cost	1,102,299	155,550
Receivables (Note 21) [1]	Amortised cost	429,750	299,994
Other Financial Assets (Note 23)	Amortised cost	-	130,000
Total Financial Assets		**1,532,049**	**585,544**
Financial Liabilities			
Borrowings (Note 32)	Financial liabilities measured at amortised cost	1,154,065	11,069
Payables (Note 30) [2]	Financial liabilities measured at amortised cost	473,034	510,844
Total Financial Liabilities		**1,627,099**	**521,913**

Notes

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

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

The Corporation 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 Corporation transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

• The Corporation has transferred substantially all the risks and rewards of the asset; or

• The Corporation has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

42. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

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

(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 risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system and short term deposits held with Westpac. Interest is earned on daily bank balances at rates of approximately 1.94% (Restricted Funds Bank balance: 1.53%) in 2019-20 compared to 2.24% (Restricted Funds Bank balance: 2.34%) in the previous year.

42. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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 Corporation 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 Corporation has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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.

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

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	0.58%	9.09%	15.26%	62.15%	60.01%	18.59%
Estimated total gross carrying amount [1]	93,596	18,004	13,031	4,843	40,790	170,264
Expected credit loss	541	1,636	1,988	3,010	24,479	31,654

30 June 2019 [2]	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	8.33%	9.16%	28.32%	67.56%	69.87%	22.48%
Estimated total gross carrying amount [1]	71,917	23,201	7,426	3,218	24,013	129,775
Expected credit loss	5,990	2,126	2,103	2,174	16,777	29,170

Notes

[1] *The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will note reconcile to the receivables total in Note 21.*

[2] *Prior year balances have been restated to include other receivables.*

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

42. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Other Financial Assets - Authority Deposits

The Corporation 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 Corporation didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2020 (2019: $Nil).

ii. Liquidity risk

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

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

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

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

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 NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 5 days from the 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 receipt 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 all suppliers, that have a correctly rendered invoice, that has 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 affected 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.

42. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

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			Interest Rate Exposure		Maturity Dates		
	EIR[3] %	Nominal Amount[1] $000	Fixed Interest Rate $000	Non - Interest Bearing $000	< 1 Yr $000	1-5 Yr $000	> 5Yr $000
2020							
Payables:							
- Creditors [2]		473,034	-	473,034	473,034	-	-
Borrowings:							
- Loans and deposits		739,176	-	739,176	739,176	-	-
- Lease liabilities	1.97%	430,713	430,713	-	85,678	239,358	105,677
		1,642,923	**430,713**	**1,212,210**	**1,297,888**	**239,358**	**105,677**
2019							
Payables:							
- Creditors [2]		510,844	-	510,844	510,844	-	-
Borrowings:							
- Loans and deposits	4.48%	11,069	28	11,041	11,069	-	-
		521,913	**28**	**521,885**	**521,913**	**-**	**-**

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 Corporation can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

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

3 Weighted Average Effective Interest Rate (EIR).

42. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through interest rate risk on the Corporation's borrowings and foreign currency risk. The Corporation 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 Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as 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 Corporation's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Corporation does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in 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 Reserve Bank of Australia 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.

However, the Corporation is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

PARENT AND CONSOLIDATION	**2020 $000**		**2019 $000**	
	-1%	**1%**	**-1%**	**1%**
Net result	518	(518)	(2,745)	2,745
Equity	518	(518)	(2,745)	2,745

42. Financial instruments (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 Corporation manages its foreign exchange risk by maintaining US dollar denominated bank accounts or buying US currencies from TCorp at the time of purchase commitment in accordance with the Corporation's risk management policies.

At year end, the Corporation 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 Corporation is not exposed to foreign exchange rate fluctuations.

A sensitivity analysis has been disclosed, should the cash and currency held in US dollars not be used for the 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.

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2020		**+10%**		**-10%**	
		Net result	**Equity**	**Net result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Denominated US Dollars	99,750	(9,068)	(9,068)	11,083	(11,083)

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

43. Related party transactions

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(a) Key management personnel compensation

During the financial year, Health Administration Corporation obtained key management personnel services from the immediate parent and incurred $2.1 million (2019: $2.1 million) for these services.

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

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

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2019: $Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: $Nil).

(d) Transactions the Corporation had with government related entities during the financial year

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

The following operating expenses were incurred with entities controlled by the immediate parent:

- Health Administration Corporation provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services
- Health Administration Corporation provides some specialised services which includes pathology related costs
- Rental for building leases
- Staff related costs in relation to secondments to other health entities
- Various grants and subsidies towards research and other projects
- Overhead costs that have been incurred with Northern Sydney Local Health District
- Short term motor vehicle expenses.

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs
- Rental costs for Property NSW leased properties
- Various grants and subsidies towards research and other projects.

43. Related party transactions (continued)

(d) Transactions the Corporation had with government related entities during the financial year (continued)

The following revenues were earned from entities controlled by the immediate parent:

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects
- Commercial activities revenue in respect of information technology, financial services and pathology charges
- Patient transport fees.

The following revenues were earned from entities controlled by the ultimate parent:

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards research and other projects
- Clinical services revenue earned from the NSW Police Force and Transport for NSW
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit superannuation
- Revenue for medical record fees from the Legal Aid Commission of NSW
- Revenue for schools fee from the NSW Department of Education.

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- COVID-19 US dollar monies related to procurement of inventory held with TCorp
- Energy Efficient Government Program loans are held with the Crown Finance Entity
- Intra-health loans and advances.

Other transactions as follows:

- The majority of the construction of property, plant and equipment is managed and overseen by the Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

44. 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