



## INDEPENDENT AUDITOR'S REPORT

### Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network (the Network), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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 Network and the consolidated entity. The consolidated entity comprises the Network 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:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Network and the consolidated entity

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 Network 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 32. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

## **The Chief Executive's Responsibilities for the Financial Statements**

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive 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 Chief Executive is responsible for assessing the ability of the Network 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](http://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 Network 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  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

5 October 2021  
SYDNEY

# Justice Health and Forensic Mental Health Network

## Statement by the Accountable Authority

for the year ended 30 June 2021

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I state, pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'):

1. The financial statements of the Justice Health and Forensic Mental Health Network for the year ended 30 June 2021 have been prepared in accordance with:
  - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018* ; and
  - c. Treasurer's Directions issued under the Act.
2. The financial statements present fairly the Justice Health and Forensic Mental Health Network's financial position as at 30 June 2021 and the financial performance and cash flows for the year then ended; and
3. I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read "Rajiv Anand".

Rajiv Anand  
**Acting Chief Executive**  
1 October 2021

**Justice Health and Forensic Mental Health Network**  
**Statement of Comprehensive Income for the year ended 30 June 2021**

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee related expenses	2	179,803	184,890	185,349	-	-
Personnel services	3	-	-	-	179,175	177,601
Visiting medical officers	4	6,422	6,843	6,590	6,422	6,590
Other expenses	5	79,238	76,030	87,955	79,238	87,955
Depreciation and amortisation	6	6,130	5,810	6,033	6,130	6,033
Grants and subsidies	7	6,969	6,968	6,952	6,969	6,952
Finance costs	8	3,391	3,171	3,867	3,391	3,867
<b>Total expenses excluding losses</b>		<b>281,953</b>	<b>283,712</b>	<b>296,746</b>	<b>281,325</b>	<b>288,998</b>
<b>Revenue</b>						
NSW Ministry of Health recurrent allocations	10	236,400	236,620	230,971	236,400	230,971
NSW Ministry of Health capital allocations	10	4,290	4,309	2,396	4,290	2,396
Acceptance by the Crown <sup>2</sup> of employee benefits	13	628	651	7,748	-	-
Sale of goods and services from contracts with customers	11	40,994	39,619	53,509	40,994	53,509
Grants and other contributions	12	501	47	398	501	398
Other income	14	63	864	5	63	5
<b>Total revenue</b>		<b>282,876</b>	<b>282,110</b>	<b>295,027</b>	<b>282,248</b>	<b>287,279</b>
<b>Operating result</b>		<b>923</b>	<b>(1,602)</b>	<b>(1,719)</b>	<b>923</b>	<b>(1,719)</b>
Gains / (losses) on disposal	15	14	-	(41)	14	(41)
Impairment losses on financial assets	17	(425)	-	(306)	(425)	(306)
<b>Net result from continuing operations</b>	<b>30</b>	<b>512</b>	<b>(1,602)</b>	<b>(2,066)</b>	<b>512</b>	<b>(2,066)</b>
<b>Net result</b>		<b>512</b>	<b>(1,602)</b>	<b>(2,066)</b>	<b>512</b>	<b>(2,066)</b>
<b>Other comprehensive income</b>						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	19	8,876	-	-	8,876	-
<b>Total other comprehensive income</b>		<b>8,876</b>	<b>-</b>	<b>-</b>	<b>8,876</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,388</b>	<b>(1,602)</b>	<b>(2,066)</b>	<b>9,388</b>	<b>(2,066)</b>

<sup>1</sup> Unaudited adjusted budget, see Note 32.

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.

**Justice Health and Forensic Mental Health Network**  
**Statement of Financial Position as at 30 June 2021**

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	16	1,843	1,686	2,349	1,843	2,349
Receivables	17	5,289	5,129	5,130	5,289	5,130
Inventories	18	721	2,342	2,342	721	2,342
<b>Total current assets</b>		<b>7,853</b>	<b>9,157</b>	<b>9,821</b>	<b>7,853</b>	<b>9,821</b>
<b>Non-current assets</b>						
Property, plant & equipment	19					
- Land and buildings		108,662	97,541	97,406	108,662	97,406
- Plant and equipment		6,807	8,057	8,706	6,807	8,706
Total property, plant & equipment		115,469	105,598	106,112	115,469	106,112
Right-of-use assets	20	11,079	11,399	6,705	11,079	6,705
Intangible assets	21	1,339	1,708	1,708	1,339	1,708
<b>Total non-current assets</b>		<b>127,887</b>	<b>118,705</b>	<b>114,525</b>	<b>127,887</b>	<b>114,525</b>
<b>Total assets</b>		<b>135,740</b>	<b>127,862</b>	<b>124,346</b>	<b>135,740</b>	<b>124,346</b>

**Justice Health and Forensic Mental Health Network**  
**Statement of Financial Position as at 30 June 2021 (continued)**

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget <sup>1</sup>	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Notes	\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	23	14,506	19,426	18,542	14,506	18,542
Contract liabilities	24	2	-	-	2	-
Borrowings	25	3,580	3,505	3,248	3,580	3,248
Provisions	26	29,999	28,287	26,454	29,999	26,454
<b>Total current liabilities</b>		<b>48,087</b>	<b>51,218</b>	<b>48,244</b>	<b>48,087</b>	<b>48,244</b>
<b>Non-current liabilities</b>						
Borrowings	25	75,192	75,170	73,176	75,192	73,176
Provisions	26	505	505	358	505	358
<b>Total non-current liabilities</b>		<b>75,697</b>	<b>75,675</b>	<b>73,534</b>	<b>75,697</b>	<b>73,534</b>
<b>Total liabilities</b>		<b>123,784</b>	<b>126,893</b>	<b>121,778</b>	<b>123,784</b>	<b>121,778</b>
<b>Net assets</b>		<b>11,956</b>	<b>969</b>	<b>2,568</b>	<b>11,956</b>	<b>2,568</b>
<b>EQUITY</b>						
Reserves		31,389	22,514	22,513	31,389	22,513
Accumulated funds		(19,433)	(21,545)	(19,945)	(19,433)	(19,945)
<b>Total Equity</b>		<b>11,956</b>	<b>969</b>	<b>2,568</b>	<b>11,956</b>	<b>2,568</b>

<sup>1</sup> Unaudited adjusted budget, see Note 32.

The accompanying notes form part of these financial statements.

**Justice Health and Forensic Mental Health Network**  
**Statement of Changes in Equity for the year ended 30 June 2021**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2020</b>		<b>(19,945)</b>	<b>22,513</b>	<b>2,568</b>
<b>Net result for the year</b>		<b>512</b>	<b>-</b>	<b>512</b>
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment	19	-	8,876	8,876
<b>Total other comprehensive income</b>		<b>-</b>	<b>8,876</b>	<b>8,876</b>
<b>Total comprehensive income for the year</b>		<b>512</b>	<b>8,876</b>	<b>9,388</b>
<b>Balance at 30 June 2021</b>		<b>(19,433)</b>	<b>31,389</b>	<b>11,956</b>

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2019</b>		<b>(17,879)</b>	<b>22,513</b>	<b>4,634</b>
<b>Net result for the year</b>		<b>(2,066)</b>	<b>-</b>	<b>(2,066)</b>
<b>Other comprehensive income:</b>				
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the Year</b>		<b>(2,066)</b>	<b>-</b>	<b>(2,066)</b>
<b>Balance at 30 June 2020</b>		<b>(19,945)</b>	<b>22,513</b>	<b>2,568</b>

The accompanying notes form part of these financial statements.

**Justice Health and Forensic Mental Health Network**  
**Statement of Cash Flows for the year ended 30 June 2021**

	Notes	Consolidated Actual 2021 \$000	Consolidated Budget <sup>1</sup> 2021 \$000	Consolidated Actual 2020 \$000	Parent Actual 2021 \$000	Parent Actual 2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(177,485)	(183,454)	(178,495)	-	-
Suppliers for goods and services		(97,896)	(92,620)	(105,203)	(97,896)	(105,203)
Grants and subsidies		(7,754)	(7,753)	(7,740)	(7,754)	(7,740)
Finance costs		(3,390)	(3,171)	(3,867)	(3,390)	(3,867)
Personnel services		-	-	-	(177,485)	(178,495)
<b>Total payments</b>		<b>(286,525)</b>	<b>(286,998)</b>	<b>(295,305)</b>	<b>(286,525)</b>	<b>(295,305)</b>
<b>Receipts</b>						
NSW Ministry of Health recurrent allocations		236,400	236,619	230,966	236,400	230,966
NSW Ministry of Health capital allocations		4,290	4,309	2,396	4,290	2,396
Reimbursements from the Crown <sup>2</sup>		2,210	2,210	3,216	2,210	3,216
Sale of goods and services		42,247	41,178	55,049	42,247	55,049
Grants and other contributions		552	97	462	552	462
Other		8,574	9,661	9,965	8,574	9,965
<b>Total receipts</b>		<b>294,273</b>	<b>294,074</b>	<b>302,054</b>	<b>294,273</b>	<b>302,054</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	30	<b>7,748</b>	<b>7,076</b>	<b>6,749</b>	<b>7,748</b>	<b>6,749</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of property, plant and equipment		211	-	451	211	451
Purchases of property, plant and equipment and intangibles		(5,312)	(4,489)	(3,185)	(5,312)	(3,185)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(5,101)</b>	<b>(4,489)</b>	<b>(2,734)</b>	<b>(5,101)</b>	<b>(2,734)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Repayment of borrowings and advances		(2,426)	(2,426)	(2,193)	(2,426)	(2,193)
Payment of principal portion of lease liabilities		(727)	(824)	(757)	(727)	(757)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(3,153)</b>	<b>(3,250)</b>	<b>(2,950)</b>	<b>(3,153)</b>	<b>(2,950)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
		(506)	(663)	1,065	(506)	1,065
Opening cash and cash equivalents	16	2,349	2,349	1,284	2,349	1,284
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	16	<b>1,843</b>	<b>1,686</b>	<b>2,349</b>	<b>1,843</b>	<b>2,349</b>

<sup>1</sup> Unaudited adjusted budget, see Note 32.

<sup>2</sup> Crown represents "The Crown in right of the State of New South Wales"

The accompanying notes form part of these financial statements.



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

#### a) Reporting entity

The Justice Health and Forensic Mental Health Network (the Network) was established under the provisions of the Health Services Act 1997 with effect from 30 March 2012.

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

The Network, as a reporting entity, comprises all the entities under its control, namely:

- \* The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control.
- \* The Justice Health and Forensic Mental Health Network Special Purpose Service Entity, which was established as a Division of the Network on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

It should be noted that the Network's financial statements do not include the cost of external or community based patient care services provided by Local Health District's (LHD) due to the application of the Ministry of Health policy PD2020\_025 Health Services Act 1997 – Scale of Fees for Hospital and Other Services. The costs of these services remain in the LHD and are not charged to the Network. The Network also has established Memoranda of Understanding with various Local Health Districts to enable the operation of the Forensic Mental Health Network and improve patient flow.

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive on 3 September 2021.

#### b) Basis of preparation

The Network'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 *Government Sector Finance Act 2018* ('the Act'); and
- \* Treasurer's Directions issued under the Act.

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

The Secretary of NSW Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the Network saw a decline in expected hospital activities. The Australian Government imposed restrictions on health systems, including a suspension of non-urgent elective surgeries, to ensure increased public hospital capacity would be available. Ongoing critical resources in 2021 have been reassigned to treat, test and manage for surges of COVID-19 cases. A free COVID-19 vaccination program for all Australian citizens, permanent residents, and most visa-holders has commenced during 2021.

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

Since March 2020, the NSW Government has committed more than \$4.0 billion to support NSW Health to increase its capacity and to manage the ongoing impacts of COVID-19. The 2021-22 NSW Budget included over \$30 billion for the NSW Health Cluster. This was enshrined in legislation on 28 June 2021 in Division 3 of the Appropriation Act 2021 No 18.

The Network has received an additional \$7.7 million (2020: \$1.1 million) through NSW Ministry of Health allocations as financial support for COVID-19 activity, see Note 10.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

- \* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
- \* The Network has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure debts can be paid when they become due and payable.
- \* The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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

All amounts are rounded to the nearest one thousand dollars (unless otherwise stated) and are expressed in Australian currency, which is the Network's presentation and functional currency.

### c) Statement of Compliance

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

### d) 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 Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

#### e) Foreign currency translation

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

#### f) 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.

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

##### (i) Effective for the first time in 2020-21

The accounting policies applied in 2020-21 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 Network applied AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.
- \* Several other amendments and interpretations apply for the first time in 2020-21, but do not have an impact on the financial statements of the Network.

##### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 is effective for the Network from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: Accounting for Privately Financed Projects (TPP 06-8) was withdrawn effective from 1 July 2020.

Service Concession Arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The Network has adopted the modified retrospective approach permitted under AASB 1059 by recognising and measuring service concession assets and related liabilities at the date of initial application of 1 July 2019, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at that date.

##### **Withdrawal of TPP 06-8 Accounting for Privately Financed Projects (TPP 06-8)**

The Long Bay Prison and Forensic Hospital PPP arrangement was previously accounted for under TPP 06-8 Accounting for Privately Financed Projects (TPP 06-8). TPP 06-8 has been withdrawn from 1 July 2020 following the introduction of AASB 1059 Service Concession Arrangements (AASB 1059). This is because many arrangements to which TPP 06-8 applied, now fall within the scope of AASB 1059. However, based on the Network's assessment, this arrangement is outside the scope of AASB 1059.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 1. Statement of Significant Accounting Policies

Upon the withdrawal of TPP 06-8, management has used its judgement and determined that this arrangement should now be accounted for under AASB 116 Property, Plant and Equipment and AASB 9 Financial Instruments as a change in accounting policy. This is because management has determined that adopting AASB 116 and AASB 9 best reflects the economic substance of the arrangement and AASB 116 and AASB 9 provides the most reliable and relevant information about the effects of the arrangement on Network's Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows.

Under TPP 06-8, the entity had recognised finance lease assets and liabilities in accordance with AASB 117 Leases. Upon withdrawal of TPP 06-8, the finance lease assets were reclassified to owned property, plant & equipment and the finance lease liability was reclassified as external borrowing. The reclass did not change the asset or liability values or the presentation in the Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows.

The entity has adopted AASB 116 and AASB 9 retrospectively. The change in accounting policy did not have any material impact on the financial statements of the Network.

The adoption of AASB 1059 and the withdrawal of TPP 06-8 did not have an impact on the financial statements of the Network.

#### (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 Network, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the Network.

#### h) Impact of COVID-19 on Financial Reporting for 2020-21

The COVID-19 pandemic has resulted in significant changes in the Network activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2020-21 and increased disclosures are presented in the following notes:

- \* Note 1b) Basis of preparation
- \* Note 10 NSW Ministry of Health allocations
- \* Note 22 Fair value measurement of non-financial assets

## Justice Health and Forensic Mental Health Network

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

#### 2. Employee related expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	160,081	160,822	-	-
Superannuation - defined benefit plans	511	656	-	-
Superannuation - defined contribution plans	14,162	13,947	-	-
Long service leave	1,260	7,497	-	-
Redundancies	499	19	-	-
Workers' compensation insurance	3,263	2,370	-	-
Fringe benefits tax	27	38	-	-
	<b>179,803</b>	<b>185,349</b>	<b>-</b>	<b>-</b>

#### 3. Personnel services

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	160,081	160,822
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	14,162	13,947
Long service leave	-	-	1,143	405
Redundancies	-	-	499	19
Workers' compensation insurance	-	-	3,263	2,370
Fringe benefits tax	-	-	27	38
	<b>-</b>	<b>-</b>	<b>179,175</b>	<b>177,601</b>

Personnel services of Justice Health and Forensic Mental Health Network were provided by its controlled entity, Justice Health and Forensic Mental Health Network Special Purpose Service Entity.

#### 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 Network's hospitals. VMO expenses of \$6.42 million (2020: \$6.59 million) represent part of the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 5. Other expenses

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Advertising	55	43	55	43
Auditor's remuneration - audit of financial statements	123	112	123	112
Blood and blood products	(88)	217	(88)	217
Consultancies	432	25	432	25
Contractors	383	122	383	122
Domestic supplies and services	542	618	542	618
Drug supplies	39,617	53,182	39,617	53,182
Food supplies	689	653	689	653
Fuel, light and power	30	36	30	36
Patient transport costs	67	59	67	59
Information management expenses	5,799	5,133	5,799	5,133
Insurance	126	90	126	90
Maintenance (see Note 5 (b))	8,082	4,716	8,082	4,716
Medical and surgical supplies	1,145	1,012	1,145	1,012
Motor vehicle expenses	290	289	290	289
Postal and telephone costs	495	496	495	496
Printing and stationery	805	823	805	823
Rates and charges	90	64	90	64
Specialised services (dental, radiology, pathology and allied health)	5,032	4,759	5,032	4,759
Staff related costs	2,522	2,759	2,522	2,759
Travel related costs	994	1,844	994	1,844
Other (see Note 5 (a))	12,008	10,903	12,008	10,903
	<b>79,238</b>	<b>87,955</b>	<b>79,238</b>	<b>87,955</b>

The majority of the costs in relation to drug supplies expenses relate to the consumption of inventory items held by the Network. There has been a decrease in the number of patients receiving Hepatitis C treatment, which impacted the level of inventory.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 5. Other expenses (continued)

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>(a) Other</b>				
Corporate support services	827	744	827	744
Courier and freight	854	567	854	567
Legal services	894	678	894	678
Membership/professional fees	9	13	9	13
Public private partnership contracted services	7,835	7,464	7,835	7,464
Quality assurance / accreditation	-	87	-	87
Security services	10	24	10	24
Expenses relating to short-term leases	74	70	74	70
Expenses relating to leases of low-value assets	19	19	19	19
Other miscellaneous	1,486	1,237	1,486	1,237
	<b>12,008</b>	<b>10,903</b>	<b>12,008</b>	<b>10,903</b>
<b>(b) Reconciliation of total maintenance</b>				
Maintenance contracts	2,543	2,493	2,543	2,493
New / replacement equipment under \$10,000	5,247	2,209	5,247	2,209
Repairs maintenance / non contract	276	13	276	13
Other	16	1	16	1
	<b>8,082</b>	<b>4,716</b>	<b>8,082</b>	<b>4,716</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 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 Network. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 23.

##### **Insurance**

The Network'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 Insurance for NSW, a controlled entity of the ultimate parent.

##### **Lease expense**

The Network 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.



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 6. Depreciation and amortisation

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Depreciation - buildings	3,441	3,364	3,441	3,364
Depreciation - plant and equipment	945	874	945	874
Depreciation - right-of-use buildings	1,127	1,076	1,127	1,076
Amortisation - intangible assets	617	719	617	719
	<b>6,130</b>	<b>6,033</b>	<b>6,130</b>	<b>6,033</b>

Refer to Note 19 Property, plant and equipment, Note 20 Leases, and Note 21 Intangible assets for recognition and measurement policies on depreciation and amortisation.

### 7. Grants and subsidies

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Grants paid to entities controlled by the ultimate parent	6,886	6,869	6,886	6,869
Grants paid to entities controlled by the immediate parent	83	83	83	83
	<b>6,969</b>	<b>6,952</b>	<b>6,969</b>	<b>6,952</b>

#### 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 8. Finance costs

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Interest expense from lease liabilities	229	147	229	147
Interest expense from financial liabilities at amortised cost	3,162	3,720	3,162	3,720
	<b>3,391</b>	<b>3,867</b>	<b>3,391</b>	<b>3,867</b>

#### 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 9. Revenue

#### Recognition and Measurement

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. Comments regarding the accounting policies for the recognition of income are discussed below.

Under the GSF Act 2018, the Network's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

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

#### Movement of Section 4.7 GSF Act - Deemed Appropriations

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Opening balance	2,349	-	2,349	-
Add: Appropriations deemed on 1 July 2019	-	1,284	-	1,284
Add: additions of deemed appropriations <sup>1</sup>	53,794	69,142	53,794	69,142
Less: expenditure charged against deemed appropriations <sup>2</sup>	54,300	68,077	54,300	68,077
	<b>1,843</b>	<b>2,349</b>	<b>1,843</b>	<b>2,349</b>

#### Notes

<sup>1</sup> 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 Income of Not-for-Profit Entities.

<sup>2</sup> Deemed appropriations is a legal concept under the GSF Act, that does not have a corresponding financial statement line item. Instead, deemed appropriations may come from various sources, such as sale of goods and services, and the corresponding revenue is disclosed in the relevant sections of these items in the financial statements.

### 10. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the Network and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the Network does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The Network recognised additional NSW Ministry of Health recurrent allocations of \$7.7 million (2020: \$1.1 million) and NSW Ministry of Health capital allocations of \$0.3 million (2020: \$nil) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 11. Sale of goods and services from contracts with customers

#### (a) Sale of goods comprise the following:

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Sale and recovery of pharmaceutical supplies	34,545	47,436	34,545	47,436
	<b>34,545</b>	<b>47,436</b>	<b>34,545</b>	<b>47,436</b>

#### (b) Rendering of services comprise the following:

<b>Patients</b>				
Patient Fees:				
- Nursing home fees	2,316	2,419	2,316	2,419
<b>Staff</b>				
Private use of motor vehicles	16	41	16	41
<b>General community</b>				
Cafeteria / kiosk	202	195	202	195
Fees for conferences and training	1,156	871	1,156	871
Fees for medical records	260	-	260	-
Information retrieval	-	212	-	212
Other	2,499	2,335	2,499	2,335
	<b>6,449</b>	<b>6,073</b>	<b>6,449</b>	<b>6,073</b>
	<b>40,994</b>	<b>53,509</b>	<b>40,994</b>	<b>53,509</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 11. Sale of goods and services from contracts with customers (continued)

#### Recognition and Measurement (continued)

##### Sale of goods

Revenue from the sale of goods is recognised when the Network satisfies a performance obligation by transferring the promised goods.

<b>Type of good</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, 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

Revenue from rendering of services is recognised when the Network satisfies the performance obligation by transferring the promised services.

<b>Type of service</b>	<b>Nature of timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition policies</b>
Patient services - Inpatient fees, Nursing home fees, Non inpatient fees, Department of Veterans' Affairs, Motor Accident Authority third party	The performance obligations in relation to patient services are typically satisfied as the health services are delivered to the chargeable inpatients and non-inpatients. Public patients are not charged for health services provided at public hospitals. Chargeable patients, including Medicare ineligible patients, privately insured patients, eligible veterans, compensable patients are billed for health services provided under various contractual arrangements. Billings are typically done upon patient discharge and is based on the rates specified by the NSW Ministry of Health. The payments are typically due within 30 days after the invoice date.	Revenue is recognised on an accrual basis when the service has been provided to the patient. In limited circumstances the price is not fully recovered, e.g. due to inadequate insurance policies, overseas patients returning to their home country before paying, etc. The likelihood of their occurrences is considered on a case by case basis. In most instances revenue is initially recognised at full amounts and subsequently adjusted when more information is provided. No element of financing is deemed present as majority of the services are made with a short credit term.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 11. Sale of goods and services from contracts with customers (continued)

#### Recognition and Measurement (continued)

#### Rendering of services (continued)

<u>Type of service</u>	<u>Nature of timing of satisfaction of performance obligations, including significant payment terms</u>	<u>Revenue recognition policies</u>
Non-Patient services provided to staff, General community, Non-NSW Health entities and Entities controlled by the immediate parent	Various non-patient related services are provided to the members of staff, general community, non-NSW health entities and entities controlled by the immediate parent. The performance obligations for these services are typically satisfied by transferring the promised services to its respective customers. The payments are typically due within 30 days after the invoice date.	Revenue is recognised when promised services are delivered. No element of financing is deemed present as the services are made with a short credit term.

Refer to Note 24 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the Network expects to recognise the unsatisfied portion as revenue.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 12. Grants and other contributions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Other grants with sufficiently specific performance obligations</b>				
Cancer Institute grants received from an entity controlled by the immediate parent	98	93	98	93
Grants from entities controlled by the ultimate parent	37	36	37	36
<b>Grants without specific performance obligations</b>				
Other grants from entities controlled by the immediate parent	366	269	366	269
	<b>501</b>	<b>398</b>	<b>501</b>	<b>398</b>

#### Recognition and Measurement

##### **Grants and other contributions**

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network are recognised when the Network satisfies its obligations under the transfer. The Network 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 are recognised when the Network satisfies a performance obligation by transferring the promised goods or services. The Network typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Network uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

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

Refer to Note 24 for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue.

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 13. Acceptance by The Crown in right of the State of New South Wales (Crown) of employee benefits

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Superannuation - defined benefit plans	511	657	-	-
Long service leave provision	117	7,091	-	-
	<b>628</b>	<b>7,748</b>	<b>-</b>	<b>-</b>

### 14. Other income

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Other income comprises the following:				
Commissions	1	1	1	1
Insurance refunds	15	-	15	-
Other	47	4	47	4
	<b>63</b>	<b>5</b>	<b>63</b>	<b>5</b>



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 15. Gains / (losses) on disposal

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Gains / (losses) on disposals of:</b>				
<b>Property, plant and equipment</b>				
Written down value of assets disposed	197	492	197	492
Less: proceeds from disposal	211	451	211	451
<b>Net gains / (losses) on disposal</b>	<b>14</b>	<b>(41)</b>	<b>14</b>	<b>(41)</b>
<b>Total gains / (losses) on disposal</b>	<b>14</b>	<b>(41)</b>	<b>14</b>	<b>(41)</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 16. Cash and cash equivalents

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Cash at bank and on hand	1,843	2,349	1,843	2,349
	<b>1,843</b>	<b>2,349</b>	<b>1,843</b>	<b>2,349</b>

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)	1,843	2,349	1,843	2,349
	<b>1,843</b>	<b>2,349</b>	<b>1,843</b>	<b>2,349</b>

Refer to Note 34 for details regarding credit risk and market risk arising from financial instruments.

Most cash and cash equivalents held by the Network are restricted assets and are not held for operating and capital

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the Network. These payments are reported as expenses and operating cash outflows in the financial statements of the Network.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the Network 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 Network when HealthShare NSW makes these payments on behalf of the Network.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the Network. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the Network.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the Network to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the Network.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 17. Receivables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Trade receivables from contracts with customers	3,112	2,517	3,112	2,517
Intra health receivables	78	120	78	120
Goods and Services Tax	1,528	1,458	1,528	1,458
Other receivables	1,360	1,490	1,360	1,490
<b>Sub total</b>	<b>6,078</b>	<b>5,585</b>	<b>6,078</b>	<b>5,585</b>
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(1,551)	(1,132)	(1,551)	(1,132)
<b>Sub total</b>	<b>4,527</b>	<b>4,453</b>	<b>4,527</b>	<b>4,453</b>
Prepayments	762	677	762	677
	<b>5,289</b>	<b>5,130</b>	<b>5,289</b>	<b>5,130</b>

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

<b>Trade receivables from contracts with customers</b>				
Balance at the beginning of the year	(1,132)	(1,092)	(1,132)	(1,092)
Amounts written off during the year	6	266	6	266
(Increase) / decrease in allowance recognised in the net result <sup>1</sup>	(425)	(306)	(425)	(306)
<b>Balance at the end of the year</b>	<b>(1,551)</b>	<b>(1,132)</b>	<b>(1,551)</b>	<b>(1,132)</b>
	<b>(1,551)</b>	<b>(1,132)</b>	<b>(1,551)</b>	<b>(1,132)</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 17. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Patient fees - inpatient & other	1,733	1,385	1,733	1,385
	<b>1,733</b>	<b>1,385</b>	<b>1,733</b>	<b>1,385</b>

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 34.

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Contract receivables (included in Note 17)	3,247	2,637	3,247	2,637
<b>Total contract receivables</b>	<b>3,247</b>	<b>2,637</b>	<b>3,247</b>	<b>2,637</b>

#### 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

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

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 18. Inventories

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Drug supplies	721	2,342	721	2,342
	<b>721</b>	<b>2,342</b>	<b>721</b>	<b>2,342</b>

#### 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 or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 19. Property, plant and equipment

#### (a) Total property, plant and equipment

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Total \$000
<b>At 1 July 2019 - fair value</b>			
Gross carrying amount	132,422	11,121	143,543
Less: accumulated depreciation and impairment	32,140	3,746	35,886
<b>Net carrying amount</b>	<b>100,282</b>	<b>7,375</b>	<b>107,657</b>

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
<b>Year ended 30 June 2020</b>			
Net carrying amount at beginning of year	100,282	7,374	107,656
Additions	434	2,751	3,185
Disposals	(31)	(460)	(491)
Depreciation expense	(3,364)	(874)	(4,238)
Reclassifications	85	(85)	-
<b>Net carrying amount at end of year</b>	<b>97,406</b>	<b>8,706</b>	<b>106,112</b>

<sup>1</sup> 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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 19. Property, plant and equipment (continued)

#### (a) Total property, plant and equipment (continued)

##### PARENT AND CONSOLIDATION

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Total \$000
<b>At 1 July 2020 - fair value</b>			
Gross carrying amount	132,882	12,945	145,827
<i>Less: accumulated depreciation and impairment</i>	35,476	4,239	39,715
<b>Net carrying amount</b>	<b>97,406</b>	<b>8,706</b>	<b>106,112</b>

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
<b>Year ended 30 June 2021</b>			
Net carrying amount at beginning of year	97,406	8,706	106,112
Additions	3,017	2,047	5,064
Disposals	(28)	(169)	(197)
Net revaluation increments less revaluation decrements	8,876	-	8,876
Depreciation expense	(3,441)	(945)	(4,386)
Reclassifications	2,832	(2,832)	-
<b>Net carrying amount at end of year</b>	<b>108,662</b>	<b>6,807</b>	<b>115,469</b>

	Land and Buildings \$000	Plant and Equipment <sup>1</sup> \$000	Total \$000
<b>At 30 June 2021 - fair value</b>			
Gross carrying amount	149,926	11,663	161,589
<i>Less: accumulated depreciation and impairment</i>	41,264	4,856	46,120
<b>Net carrying amount</b>	<b>108,662</b>	<b>6,807</b>	<b>115,469</b>

<sup>1</sup> 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.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

The Network 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 Network.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 19. Property, plant and equipment (continued)

#### Recognition and Measurement

##### **Acquisition of property, plant and equipment**

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

Health Infrastructure, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Infrastructure receives NSW Ministry of Health Capital Allocations and grants on behalf of the Network and makes payments to contractors and suppliers. Health Infrastructure initially records all costs incurred as work in progress or expenses and subsequently transfers to the Network. The costs are then accordingly reflected in the Network financial statements. The Network acquires most assets in this manner.

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 33).

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

##### **Capitalisation thresholds**

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

##### **Major inspection costs**

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

##### **Restoration costs**

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



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 19. Property, plant and equipment (continued)

#### **Depreciation of property, plant and equipment**

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network.

All material identifiable components of assets are depreciated separately over their useful life.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

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

	<b>Useful lives</b>
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles and furniture and fittings.

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

#### **Right-of-use assets acquired by lessees**

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

Further information on leases is contained in Note 20.

#### **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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 19. Property, plant and equipment (continued)

#### *Revaluation of property, plant and equipment*

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 22 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 Network conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

The last comprehensive revaluation was completed on 31 December 2020 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Network uses an independent professionally qualified valuer for such interim revaluations.

An interim management revaluation was completed on 30 June 2021 as a result of a cumulative increase in indicators of 1.00% for land and buildings. The Network used an external professionally qualified valuer to conduct the interim revaluation. Indicators provided by CBRE were not applied as they were deemed immaterial.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The Network 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.

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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 19. Property, plant and equipment (continued)

#### ***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 Network 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 Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 20. Leases

#### Entity as a lessee

The Network leases various property. Lease contracts are typically made for fixed periods of 3 to 19 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 Network 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 Network 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 \$0.2 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 was an increase in recognised lease liabilities and right-of-use assets of \$5.5 million.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Network 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.

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2020	6,705	-	6,705
Reassessments	5,501	-	5,501
Depreciation expense	(1,127)	-	(1,127)
<b>Balance at 30 June 2021</b>	<b>11,079</b>	<b>-</b>	<b>11,079</b>

#### PARENT AND CONSOLIDATION

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	7,576	-	7,576
Additions	205	-	205
Depreciation expense	(1,076)	-	(1,076)
<b>Balance at 30 June 2020</b>	<b>6,705</b>	<b>-</b>	<b>6,705</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 20. Leases (continued)

#### Lease liabilities

The following table presents liabilities under leases.

#### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Balance at 1 July	7,024	7,576
Additions	-	205
Interest expenses	229	147
Payments	(956)	(904)
Other adjustments	5,501	-
<b>Balance at 30 June</b>	<b>11,798</b>	<b>7,024</b>

The following amounts were recognised in the Statement of Comprehensive Income during the period in respect of leases where the Network is the lessee:

#### PARENT AND CONSOLIDATION

	2021 \$000	2020 \$000
Depreciation expense of right-of-use assets	1,127	1,076
Interest expense on lease liabilities	229	147
Expenses relating to short-term leases	74	70
Expenses relating to leases of low-value assets	19	19
<b>Total amount recognised in the statement of comprehensive income</b>	<b>1,449</b>	<b>1,312</b>

The Network had total cash outflows for leases of \$1.05 million for the year ended 30 June 2021 (2020: \$0.99 million).

#### Recognition and Measurement

The Network 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 Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 20. Leases (continued)

#### *i. Right-of-use assets*

The Network 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:

	<b>Useful lives</b>
Buildings	3 to 19 years

If ownership of the leased asset transfers to the Network 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 Network 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 Network 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 Network 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 Network; and
- payments of penalties for terminating the lease, if the lease term reflects the Network 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 Network does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Network is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 20. Leases (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 Network's lease liabilities are included in borrowings in Note 25.

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

The Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 21. Intangible assets

#### PARENT AND CONSOLIDATION

	Total \$000
<b>At 1 July 2019</b>	
Cost (gross carrying amount)	8,880
Less: accumulated amortisation and impairment	6,453
<b>Net carrying amount</b>	<b>2,427</b>
<b>Year ended 30 June 2020</b>	
Net carrying amount at beginning of year	2,427
Amortisation (recognised in depreciation and amortisation)	(719)
<b>Net carrying amount at end of year</b>	<b>1,708</b>
<b>At 1 July 2020</b>	
Cost (gross carrying amount)	8,880
Less: accumulated amortisation and impairment	7,172
<b>Net carrying amount</b>	<b>1,708</b>
<b>Year ended 30 June 2021</b>	
Net carrying amount at beginning of year	1,708
Additions - acquired separately	248
Amortisation (recognised in depreciation and amortisation)	(617)
<b>Net carrying amount at end of year</b>	<b>1,339</b>



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 21. Intangible assets (continued)

#### PARENT AND CONSOLIDATION

	Total \$000
<b>At 30 June 2021</b>	
Cost (gross carrying amount)	8,873
Less: accumulated amortisation and impairment	7,534
<b>Net carrying amount</b>	<b>1,339</b>

#### Recognition and Measurement

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network 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 Network'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 Network's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the Network are recognised as intangible assets. Most computer software is acquired from eHealth NSW, 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 with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

#### PARENT AND CONSOLIDATION

##### Fair value measurement and hierarchy

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

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

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

The Network 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

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 19)				
- Land and buildings	-	-	100,778	100,778
	-	-	100,778	100,778

There were no transfers between level 1 and 2 during the year ended 30 June 2021.

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 19.

	Level 1	Level 2	Level 3	Total Fair Value
2020	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 19)				
- Land and buildings	-	-	93,885	93,885
	-	-	93,885	93,885

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 19.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

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

For land and buildings the Network obtains external valuations by independent valuers at least every three years. The last revaluation was performed by CBRE for the 2020-21 financial year. CBRE is an independent entity and is not an associated entity of the Network.

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 Note 19 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 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, 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.

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

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

##### PARENT AND CONSOLIDATION

	Infrastructure Systems \$000	Other Assets \$000	Land and Buildings \$000	Total Level 3 Recurring \$000
<b>2021</b>				
<b>Fair value as at 1 July 2020</b>			93,885	93,885
Additions			935	935
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 19)			8,876	8,876
Depreciation expense			(2,918)	(2,918)
<b>Fair value as at 30 June 2021</b>			<b>100,778</b>	<b>100,778</b>

There were no transfers between level 1 or 2 during the year ended 30 June 2021.

	Land and Buildings \$000	Total Level 3 Recurring \$000
<b>2020</b>		
<b>Fair value as at 1 July 2019</b>	96,553	96,553
Depreciation expense	(2,668)	(2,668)
<b>Fair value as at 30 June 2020</b>	<b>93,885</b>	<b>93,885</b>

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 23. Payables

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Accrued salaries, wages and on-costs	4,376	3,945	-	-
Salaries and wages deductions	35	29	-	-
Payroll and fringe benefits tax	16	39	-	-
Accrued liability - purchase of personnel services	-	-	4,427	4,013
Creditors	2,624	4,710	2,624	4,710
Other creditors				
- Payables to entities controlled by the immediate parent	1,982	1,831	1,982	1,831
- Other	5,473	7,988	5,473	7,988
	<b>14,506</b>	<b>18,542</b>	<b>14,506</b>	<b>18,542</b>

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 34.

#### Recognition and Measurement

Payables represent liabilities for goods and services provided to the Network and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 24. Contract liabilities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Contract liabilities	2	-	2	-
	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>

#### Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2021 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 the 30 June 2021. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 25. Borrowings

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
Lease liabilities (see Note 20)	897	822	897	822
Public Private Partnerships	2,683	2,426	2,683	2,426
	<b>3,580</b>	<b>3,248</b>	<b>3,580</b>	<b>3,248</b>
<b>Non-current</b>				
Lease liabilities (see Note 20)	10,901	6,202	10,901	6,202
Public Private Partnerships	64,291	66,974	64,291	66,974
	<b>75,192</b>	<b>73,176</b>	<b>75,192</b>	<b>73,176</b>

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

Final repayment of the Public, Privates Partnership liability is scheduled for 30 June 2034.

Other loans still to be extinguished represent monies to be repaid to the Health Administration Corporation, an entity controlled by the immediate parent; the immediate parent itself; and the NSW Treasury, which is controlled by the ultimate parent.

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

The Public, Private Partnership liability above are for the Forensic Hospital and support buildings at the Long Bay Complex, Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 34.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 25. Borrowings (continued)

#### Recognition and Measurement

Borrowings represents interest bearing liabilities mainly raised through lease liabilities and public private partnerships.

#### *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.

Borrowings are classified as current liabilities unless the Network has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 34 (b) for derecognition policy.

#### Changes in liabilities arising from financing activities

#### PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
<b>1 July 2019</b>	71,593	-	71,593
Recognised on adoption of AASB 16	-	7,576	7,576
<b>Adjusted 1 July 2019</b>	<b>71,593</b>	<b>7,576</b>	<b>79,169</b>
Cash flows	(2,193)	(757)	(2,950)
New leases	-	205	205
<b>30 June 2020</b>	<b>69,400</b>	<b>7,024</b>	<b>76,424</b>
<b>1 July 2020</b>	<b>69,400</b>	<b>7,024</b>	<b>76,424</b>
Cash flows	(2,426)	(727)	(3,153)
Lease reassessments	-	5,501	5,501
<b>30 June 2021</b>	<b>66,974</b>	<b>11,798</b>	<b>78,772</b>



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 26. Provisions

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave - obligations expected to be settled within 12 months	15,790	15,856	-	-
Annual leave - obligations expected to be settled after 12 months	7,906	5,165	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	439	427	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	4,668	3,685	-	-
Provision for other employee benefits including ADO	1,196	1,321	-	-
Provision for personnel services liability	-	-	29,999	26,454
<b>Total current provisions</b>	<b>29,999</b>	<b>26,454</b>	<b>29,999</b>	<b>26,454</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave consequential on-costs	505	358	-	-
Provision for personnel services liability	-	-	505	358
<b>Total non-current provisions</b>	<b>505</b>	<b>358</b>	<b>505</b>	<b>358</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	29,999	26,454	-	-
Provisions - non-current	505	358	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 23)	4,411	3,974	-	-
Liability - purchase of personnel services	-	-	34,915	30,786
	<b>34,915</b>	<b>30,786</b>	<b>34,915</b>	<b>30,786</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 26. 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 20.78% are applied to the value of leave payable at 30 June 2021 (comparable on-costs for 30 June 2020 were 18.52%). The Network has assessed the actuarial advice based on the Network'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 Network does not expect to settle the liability within 12 months as the Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 26. Provisions (continued)

#### Recognition and Measurement (continued)

##### *Long service leave and superannuation*

The Network's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The Network 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 of employee benefits'.

Specific on-costs relating to long service leave assumed by The Crown in right of the State of New South Wales are borne by the Network.

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 Aware 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.

##### *Other provisions*

Other provisions are recognised when: the Network 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 Network 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 Network has a detailed formal plan, and the Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 27. 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 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Within one year	730	-	730	-
<b>Total (including GST)</b>	<b>730</b>	<b>-</b>	<b>730</b>	<b>-</b>

### 28. Contingent liabilities and contingent assets

#### PARENT AND CONSOLIDATION

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 29. Trust funds

#### PARENT AND CONSOLIDATION

The Network holds trust funds of \$1.2 million (2020: \$1.1 million) which are held for the safe keeping of patients' monies.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives.

The following is a summary of the transactions in the trust account.

Category	1 July 2020 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2021 Closing equity \$'000
Patient Trust	1,111	2,245	(2,163)	1,193
Refundable Deposits	13	26	(21)	18
<b>Total trust funds</b>	<b>1,124</b>	<b>2,271</b>	<b>(2,184)</b>	<b>1,211</b>

Category	1 July 2019 Opening equity \$'000	Revenue \$000	Expense \$000	30 June 2020 Closing equity \$'000
Patient Trust	1,011	2,142	(2,042)	1,111
Refundable Deposits	-	13	-	13
<b>Total trust funds</b>	<b>1,011</b>	<b>2,155</b>	<b>(2,042)</b>	<b>1,124</b>

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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

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

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Net cash used on operating activities	7,748	6,749	7,748	6,749
Depreciation and amortisation expense	(6,130)	(6,033)	(6,130)	(6,033)
Allowance for impairment	(425)	(306)	(425)	(306)
Decrease / (increase) in provisions	(3,693)	(2,988)	(3,693)	(2,988)
Increase / (decrease) in prepayments and other assets	(1,140)	1,365	(1,140)	1,365
Decrease / (increase) in payables	4,140	(812)	4,140	(812)
Decrease / (increase) in contract liabilities	(2)	-	(2)	-
Net gain / (loss) on sale of property, plant and equipment	14	(41)	14	(41)
<b>Net result</b>	<b>512</b>	<b>(2,066)</b>	<b>512</b>	<b>(2,066)</b>

### 31. Non-cash financing and investing activities

	Consolidated 2021 \$000	Consolidated 2020 \$000	Parent 2021 \$000	Parent 2020 \$000
Property, plant and equipment acquired by a lease	-	205	-	205
	-	205	-	205

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 32. 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 Network'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 Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network 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.

#### PARENT AND CONSOLIDATION

##### Net result

Actual Net Result was \$2.1 million favourable to budget, mainly due to timing of new Correctional Centre opening, and improved efficiency in overtime, travel, pathology, and medications management.

##### Assets and liabilities

Actual Net Assets for the year were \$11.0 million favourable to budget largely due to a \$2.1 million favourable to budget Net Result, and \$8.9 million increase in land and building revaluation. The \$34 million reduction in 2015-16 Recurrent Allocations as a result of new cash management arrangements for unrestricted cash assets as required by the NSW Treasury Circular TC15-01 Cash Management - Expanding the Scope of the Treasury Banking System implemented from 1 July 2015, is the main reason for negative Accumulated Funds of \$19.4 million.

##### Cash flows

Actual net cash flows from the operating activities were favourable to budget by \$0.7 million mainly due to creditor and inventory management.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2020 are as follows:

	<b>\$000</b>
Initial allocation (Interim Service Agreement)	107,641
Final allocation November 2020	120,235
Voluntary Redundancy	529
General funding	(513)
Special projects	1,034
COVID-19 incremental budget relief	7,694
<b>Balance as per Statement of Comprehensive Income</b>	<b>236,620</b>

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 33. Equity

#### ***Revaluation surplus***

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 19.

#### ***Accumulated funds***

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

#### ***Reserves***

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).



# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 34. Financial instruments

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

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

The Chief Executive 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 Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

#### (a) Financial instrument categories

##### PARENT AND CONSOLIDATION

Class	Category	Carrying Amount 2021 \$000	Carrying Amount 2020 \$000
<b>Financial assets</b>			
Cash and cash equivalents (Note 16)	Amortised cost	1,843	2,349
Receivables (Note 17) <sup>1</sup>	Amortised cost	2,999	2,995
<b>Total financial assets</b>		<b>4,842</b>	<b>5,344</b>
<b>Financial liabilities</b>			
Borrowings (Note 25)	Financial liabilities measured at amortised cost	78,772	76,424
Payables (Note 23) <sup>2</sup>	Financial liabilities measured at amortised cost	14,490	18,503
<b>Total financial liabilities</b>		<b>93,262</b>	<b>94,927</b>

##### Notes

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

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

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

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

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

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

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 34. Financial instruments (continued)

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

When the Network 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 Network 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 Network's continuing involvement in the asset. In that case, the Network also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

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

#### (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 Network. 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 Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

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

##### Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% in 2020-21 compared to 0.00% in the previous year.

##### 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 Network 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 34. Financial instruments (continued)

#### (d) Financial risk (continued)

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

#### Accounting policy for impairment of trade receivables and other financial assets (continued)

#### Receivables - trade receivables, other receivables and contract assets (continued)

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 Network 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 2021 and 30 June 2020 was determined as follows:

#### PARENT AND CONSOLIDATION

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.68%	2.70%	42.34%	55.13%	85.90%	34.68%
Estimated total gross carrying amount <sup>1</sup>	2,061	555	111	78	1,667	4,472
Expected credit loss	14	15	47	43	1,432	1,551
30 June 2020	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.59%	23.44%	58.82%	44.32%	82.83%	28.25%
Estimated total gross carrying amount <sup>1</sup>	2,547	64	85	88	1,223	4,007
Expected credit loss	15	15	50	39	1,013	1,132

#### Notes

<sup>1</sup> The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 17.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2021 and 30 June 2020.

#### Other Financial Assets - Authority Deposits

The Network 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 Network didn't recognise a provision for expected credit losses on its other financial assets as at 30 June 2021 (2020: \$Nil).

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 34. Financial instruments (continued)

#### (d) Financial risk (continued)

##### ii. Liquidity risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The Network 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 Network's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The Network 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 Network 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. For all suppliers, that has 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 34. Financial instruments (continued)

#### (d) Financial risk (continued)

#### ii. Liquidity risk (continued)

#### PARENT AND CONSOLIDATION

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

#### Maturity Analysis and interest rate exposure of financial liabilities

	EIR <sup>3</sup> %	Nominal Amount <sup>1</sup> \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
<b>2021</b>								
Payables:								
- Creditors <sup>2</sup>		14,490	-	-	14,490	14,490	-	-
Borrowings:								
- Lease liabilities	2.3	13,251	13,251	-	-	1,157	5,218	6,876
- Public Private Partnership	10.62	125,743	-	125,743	-	9,794	39,177	76,772
		<b>153,484</b>	<b>13,251</b>	<b>125,743</b>	<b>14,490</b>	<b>25,441</b>	<b>44,395</b>	<b>83,648</b>
<b>2020</b>								
Payables:								
- Creditors <sup>2</sup>		18,503	-	-	18,503	18,503	-	-
Borrowings:								
- Lease liabilities	2.00	7,501	7,501	-	-	954	4,962	1,585
- Public Private Partnership	10.62	135,536	-	135,536	-	9,794	39,177	86,565
		<b>161,540</b>	<b>7,501</b>	<b>135,536</b>	<b>18,503</b>	<b>29,251</b>	<b>44,139</b>	<b>88,150</b>

#### Notes:

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

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

<sup>3</sup> Weighted Average Effective Interest Rate (EIR).

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 34. 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 Network's exposures to market risk are primarily through interest rate risk. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network 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 2020. 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 Network's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The Network 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 the carrying value or interest paid/earned. 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 Network 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**

	<b>2021</b>		<b>2020</b>	
	<b>\$000</b>		<b>\$000</b>	
	<b>-1%</b>	<b>1%</b>	<b>-1%</b>	<b>1%</b>
Net result	769	(769)	741	(741)
Equity	769	(769)	741	(741)

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

### 35. Related party disclosures

#### PARENT AND CONSOLIDATION

##### (a) Key management personnel compensation

Key management personnel compensation is as follows:

	2021	2020
	\$000	\$000
Short-term employee benefits	614	640
Post-employment benefits	57	58
Other long-term benefits	12	12
	<b>683</b>	<b>710</b>

During the financial year, Justice Health and Forensic Mental Health Network obtained key management personnel services from the immediate parent and incurred \$383 thousand (2020: \$354 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The Network's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

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 are 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 (2020: \$Nil).

##### (c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2020: \$Nil).

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

During the financial year and comparative year, the Network entered into the 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 (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) 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.

# Justice Health and Forensic Mental Health Network

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

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### 35. Related party disclosures

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

*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

*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

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

- Various grants and other contributions towards research and other projects
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

*Assets and liabilities as follows:*

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- The majority of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

### 36. Events after the reporting period

On 28 June 2021, the NSW Government put in place Public Health (COVID-19 Temporary Movement and Gathering Restrictions) Order 2021 under the Public Health Act 2010 to contain the spread of COVID-19 and to prioritise the health and safety of the community. The Public Health Order 2021 placed various restrictions on Greater Sydney and impacted the way the Network operates since reporting date. Management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of COVID-19 on the Network after reporting date.

**END OF AUDITED FINANCIAL STATEMENTS**