

Central Adelaide  
Local Health Network Incorporated

Financial report  
for the year ended  
30 June 2020



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## **To the Chair of the Board Central Adelaide Local Health Network Incorporated**

### **Opinion**

I have audited the financial report of the Central Adelaide Local Health Network Incorporated for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Central Adelaide Local Health Network Incorporated as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Board Chair, the Chief Executive Officer and the Executive Director, Finance and Business Services.

### **Basis for opinion**

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Central Adelaide Local Health Network Incorporated. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

## **Responsibilities of the Chief Executive Officer and the Board for the financial report**

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The Board is responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, section 36 of the *Health Care Act 2008* and Australian Accounting Standards, I have audited the financial report of Central Adelaide Local Health Network Incorporated for the financial year ended 30 June 2020.

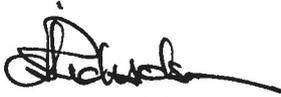
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Adelaide Local Health Network Incorporated's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

23 September 2020

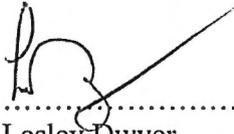
## Certification of the financial statements

We certify that the:

- financial statements of the Central Adelaide Local Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Central Adelaide Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....  
Raymond Spencer  
Board Chair



.....  
Lesley Dwyer  
Chief Executive Officer



.....  
Gary Seach  
Executive Director, Finance and  
Business Services

Date ...15/9/20.....

**CENTRAL ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

|  | Note  | Consolidated     |                  | Parent           |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2020             | 2019             | 2020             | 2019             |
|  |       | \$'000           | \$'000           | \$'000           | \$'000           |
| <b>Income</b>  |       |                  |                  |                  |                  |
| Revenues from SA Government                            | 13    | 1,978,898        | 1,899,327        | 1,978,898        | 1,899,327        |
| Fees and charges                                       | 7     | 492,993          | 423,040          | 481,257          | 410,371          |
| Grants and contributions                               | 8     | 231,956          | 214,254          | 232,098          | 214,359          |
| Interest   | 9     | 777              | 1,564            | 697              | 1,436            |
| Resources received free of charge                      | 10    | 10,501           | 9,225            | 10,501           | 9,225            |
| Other revenues/income                                  | 12    | 34,671           | 25,559           | 33,136           | 24,668           |
| <b>Total income</b>                                    |       | <b>2,749,796</b> | <b>2,572,969</b> | <b>2,736,587</b> | <b>2,559,386</b> |
| <b>Expenses</b>  |       |                  |                  |                  |                  |
| Staff benefits expenses                                | 2     | 1,544,236        | 1,525,205        | 1,535,456        | 1,516,405        |
| Supplies and services                                  | 3     | 908,153          | 869,196          | 905,406          | 866,083          |
| Depreciation and amortisation                          | 20,21 | 139,602          | 127,700          | 139,003          | 127,374          |
| Grants and subsidies                                   | 4     | 4,122            | 4,892            | 3,737            | 4,486            |
| Borrowing costs  | 5     | 149,128          | 167,997          | 149,091          | 167,997          |
| Net loss from disposal of non-current and other assets | 11    | 145              | 985              | 158              | 985              |
| Impairment loss on receivables                         | 15    | (1,539)          | 961              | (1,578)          | 961              |
| Other expenses   | 6     | 11,855           | 20,923           | 11,406           | 20,733           |
| <b>Total expenses</b>                                  |       | <b>2,755,702</b> | <b>2,717,859</b> | <b>2,742,679</b> | <b>2,705,024</b> |
| <b>Net result</b>                                      |       | <b>(5,906)</b>   | <b>(144,890)</b> | <b>(6,092)</b>   | <b>(145,638)</b> |
| <b>Total comprehensive result</b>                      |       | <b>(5,906)</b>   | <b>(144,890)</b> | <b>(6,092)</b>   | <b>(145,638)</b> |

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**CENTRAL ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

|  | Note  | Consolidated     |                  | Parent           |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2020             | 2019             | 2020             | 2019             |
|  |       | \$'000           | \$'000           | \$'000           | \$'000           |
| <b>Current assets</b>                      |       |                  |                  |                  |                  |
| Cash and cash equivalents                  | 14    | 170,694          | 125,083          | 166,439          | 122,291          |
| Receivables                                | 15    | 92,310           | 109,517          | 91,721           | 107,351          |
| Other financial assets                     | 16    | 12,547           | 9,169            | 7,089            | 3,704            |
| Inventories                                | 17    | 24,627           | 20,571           | 24,094           | 20,458           |
| Contract assets                            | 18    | 6,564            | 9,801            | 6,564            | 9,801            |
| <b>Total current assets</b>                |       | <b>306,742</b>   | <b>274,141</b>   | <b>295,907</b>   | <b>263,605</b>   |
| <b>Non-current assets</b>                  |       |                  |                  |                  |                  |
| Receivables                                | 15    | 4,709            | 5,610            | 4,709            | 5,610            |
| Other financial assets                     | 16    | 528              | 2,069            | 1,150            | 1,150            |
| Property, plant and equipment              | 19,20 | 3,309,276        | 3,347,977        | 3,308,185        | 3,347,111        |
| Investment property                        | 19,20 | 5,550            | 4,670            | -                | -                |
| Intangible assets                          | 19,21 | 37,802           | 46,231           | 37,802           | 46,231           |
| <b>Total non-current assets</b>            |       | <b>3,357,865</b> | <b>3,406,557</b> | <b>3,351,846</b> | <b>3,400,102</b> |
| <b>Total assets</b>                        |       | <b>3,664,607</b> | <b>3,680,698</b> | <b>3,647,753</b> | <b>3,663,707</b> |
| <b>Current liabilities</b>                 |       |                  |                  |                  |                  |
| Payables                                   | 23    | 100,011          | 138,985          | 99,247           | 137,647          |
| Financial liabilities                      | 24    | 68,702           | 61,234           | 68,541           | 61,234           |
| Staff benefits                             | 25    | 233,997          | 207,959          | 233,037          | 206,896          |
| Provisions                                 | 26    | 8,235            | 7,355            | 8,235            | 7,355            |
| Contract liabilities and other liabilities | 27    | 4,341            | 1,879            | 4,200            | 1,879            |
| <b>Total current liabilities</b>           |       | <b>415,286</b>   | <b>417,412</b>   | <b>413,260</b>   | <b>415,011</b>   |
| <b>Non-current liabilities</b>             |       |                  |                  |                  |                  |
| Payables                                   | 23    | 11,770           | 9,582            | 11,770           | 9,582            |
| Financial liabilities                      | 24    | 2,636,100        | 2,650,031        | 2,636,043        | 2,650,031        |
| Staff benefits                             | 25    | 305,824          | 299,997          | 305,812          | 299,980          |
| Provisions                                 | 26    | 12,303           | 11,353           | 12,303           | 11,353           |
| Contract liabilities and other liabilities | 27    | 743              | 2,494            | 743              | 2,494            |
| <b>Total non-current liabilities</b>       |       | <b>2,966,740</b> | <b>2,973,457</b> | <b>2,966,671</b> | <b>2,973,440</b> |
| <b>Total liabilities</b>                   |       | <b>3,382,026</b> | <b>3,390,869</b> | <b>3,379,931</b> | <b>3,388,451</b> |
| <b>Net assets</b>                          |       | <b>282,581</b>   | <b>289,829</b>   | <b>267,822</b>   | <b>275,256</b>   |
| <b>Equity</b>                              |       |                  |                  |                  |                  |
| Retained earnings                          |       | 239,719          | 246,485          | 224,960          | 231,912          |
| Asset revaluation surplus                  |       | 42,862           | 43,344           | 42,862           | 43,344           |
| <b>Total equity</b>                        |       | <b>282,581</b>   | <b>289,829</b>   | <b>267,822</b>   | <b>275,256</b>   |

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**CENTRAL ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2020**

**CONSOLIDATED**

|   | Note | Asset<br>revaluation<br>surplus<br>\$ '000 | Other<br>reserves<br>\$ '000 | Retained<br>earnings<br>\$ '000 | Total<br>equity<br>\$ '000 |
|---|------|--|------------------------------|---------------------------------|----------------------------|
| <b>Balance at 30 June 2018</b>                          |      | <b>43,344</b>                              | <b>80</b>                    | <b>391,946</b>                  | <b>435,370</b>             |
| Adjustments on initial adoption of Accounting Standards |      | -  | (80)                         | (571)                           | (651)                      |
| <b>Adjusted balance at 1 July 2018</b>                  |      | <b>43,344</b>                              | <b>-</b>                     | <b>391,375</b>                  | <b>434,719</b>             |
| <b>Net result for 2018-19</b>                           |      | <b>-</b>                                   | <b>-</b>                     | <b>(144,890)</b>                | <b>(144,890)</b>           |
| <b>Total comprehensive result for 2018-19</b>           |      | <b>-</b>                                   | <b>-</b>                     | <b>(144,890)</b>                | <b>(144,890)</b>           |
| <b>Balance at 30 June 2019</b>                          |      | <b>43,344</b>                              | <b>-</b>                     | <b>246,485</b>                  | <b>289,829</b>             |
| Adjustments on initial adoption of Accounting Standards |      | -  | -                            | 1,846                           | 1,846                      |
| <b>Adjusted balance at 1 July 2019</b>                  |      | <b>43,344</b>                              | <b>-</b>                     | <b>248,331</b>                  | <b>291,675</b>             |
| <b>Net result for 2019-20</b>                           |      | <b>-</b>                                   | <b>-</b>                     | <b>(5,906)</b>                  | <b>(5,906)</b>             |
| <b>Total comprehensive result for 2019-20</b>           |      | <b>-</b>                                   | <b>-</b>                     | <b>(5,906)</b>                  | <b>(5,906)</b>             |
| Transfer between equity components                      |      | (482)                                      | -                            | 482                             | -                          |
| Net assets received from an administrative restructure  |      | -  | -                            | (3,188)                         | (3,188)                    |
| <b>Balance at 30 June 2020</b>                          |      | <b>42,862</b>                              | <b>-</b>                     | <b>239,719</b>                  | <b>282,581</b>             |

**PARENT**

|   | Note | Asset<br>revaluation<br>surplus<br>\$ '000 | Other<br>reserves<br>\$ '000 | Retained<br>earnings<br>\$ '000 | Total<br>equity<br>\$ '000 |
|---|------|--|------------------------------|---------------------------------|----------------------------|
| <b>Balance at 30 June 2018</b>                          |      | <b>43,344</b>                              | <b>-</b>                     | <b>378,201</b>                  | <b>421,545</b>             |
| Adjustments on initial adoption of Accounting Standards |      | -  | -                            | (651)                           | (651)                      |
| <b>Adjusted balance at 1 July 2018</b>                  |      | <b>43,344</b>                              | <b>-</b>                     | <b>377,550</b>                  | <b>420,894</b>             |
| <b>Net result for 2018-19</b>                           |      | <b>-</b>                                   | <b>-</b>                     | <b>(145,638)</b>                | <b>(145,638)</b>           |
| <b>Total comprehensive result for 2018-19</b>           |      | <b>-</b>                                   | <b>-</b>                     | <b>(145,638)</b>                | <b>(145,638)</b>           |
| <b>Balance at 30 June 2019</b>                          |      | <b>43,344</b>                              | <b>-</b>                     | <b>231,912</b>                  | <b>275,256</b>             |
| Adjustments on initial adoption of Accounting Standards |      | -  | -                            | 1,846                           | 1,846                      |
| <b>Adjusted balance at 1 July 2019</b>                  |      | <b>43,344</b>                              | <b>-</b>                     | <b>233,758</b>                  | <b>277,102</b>             |
| <b>Net result for 2019-20</b>                           |      | <b>-</b>                                   | <b>-</b>                     | <b>(6,092)</b>                  | <b>(6,092)</b>             |
| <b>Total comprehensive result for 2019-20</b>           |      | <b>-</b>                                   | <b>-</b>                     | <b>(6,092)</b>                  | <b>(6,092)</b>             |
| Transfer between equity components                      |      | (482)                                      | -                            | 482                             | -                          |
| Net assets received from an administrative restructure  |      | -  | -                            | (3,188)                         | (3,188)                    |
| <b>Balance at 30 June 2020</b>                          |      | <b>42,862</b>                              | <b>-</b>                     | <b>224,960</b>                  | <b>267,822</b>             |

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

**CENTRAL ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2020**

|   | Note | Consolidated       |                    | Parent             |                    |
|---|------|--------------------|--------------------|--------------------|--------------------|
|   |      | 2020               | 2019               | 2020               | 2019               |
|   |      | \$'000             | \$'000             | \$'000             | \$'000             |
| <b>Cash flows from operating activities</b>                 |      |                    |                    |                    |                    |
| <b>Cash inflows</b>   |      |                    |                    |                    |                    |
| Fees and charges  |      | 301,199            | 254,513            | 287,921            | 242,060            |
| Grants and contributions                                    |      | 241,316            | 224,193            | 241,458            | 224,298            |
| Interest received   |      | 790                | 1,540              | 697                | 1,436              |
| GST recovered from ATO                                      |      | 65,533             | 58,364             | 65,533             | 58,364             |
| Other receipts  |      | 25,688             | 24,630             | 24,892             | 23,973             |
| Receipts from SA Government                                 |      | 2,076,509          | 1,896,093          | 2,076,509          | 1,896,093          |
| <b>Cash generated from operations</b>                       |      | <b>2,711,035</b>   | <b>2,459,333</b>   | <b>2,697,010</b>   | <b>2,446,224</b>   |
| <b>Cash outflows</b>  |      |                    |                    |                    |                    |
| Staff benefits payments                                     |      | (1,505,326)        | (1,456,958)        | (1,496,434)        | (1,448,339)        |
| Payments for supplies and services                          |      | (902,612)          | (752,237)          | (898,838)          | (749,538)          |
| Payments of grants and subsidies                            |      | (4,609)            | (5,438)            | (4,224)            | (5,032)            |
| Interest paid   |      | (137,088)          | (156,035)          | (137,051)          | (156,035)          |
| Other payments  |      | (20,553)           | (40,702)           | (20,315)           | (40,512)           |
| <b>Cash used in operations</b>                              |      | <b>(2,570,188)</b> | <b>(2,411,370)</b> | <b>(2,556,862)</b> | <b>(2,399,456)</b> |
| <b>Net cash provided by operating activities</b>            |      | <b>140,847</b>     | <b>47,963</b>      | <b>140,148</b>     | <b>46,768</b>      |
| <b>Cash flows from investing activities</b>                 |      |                    |                    |                    |                    |
| <b>Cash inflows</b>   |      |                    |                    |                    |                    |
| Proceeds from sale of property, plant and equipment         |      | 181                | 160                | 168                | 160                |
| Proceeds from sale/maturities of investments                |      | 3,106              | 2,799              | 103                | -                  |
| <b>Cash generated from investing activities</b>             |      | <b>3,287</b>       | <b>2,959</b>       | <b>271</b>         | <b>160</b>         |
| <b>Cash outflows</b>  |      |                    |                    |                    |                    |
| Purchase of property, plant and equipment                   |      | (27,142)           | (22,460)           | (26,684)           | (21,866)           |
| Purchase of intangible assets                               |      | (946)              | (765)              | (946)              | (765)              |
| Purchase of investments                                     |      | (1,687)            | (2,935)            | (21)               | (3)                |
| <b>Cash used in investing activities</b>                    |      | <b>(29,775)</b>    | <b>(26,160)</b>    | <b>(27,651)</b>    | <b>(22,634)</b>    |
| <b>Net cash used in investing activities</b>                |      | <b>(26,488)</b>    | <b>(23,201)</b>    | <b>(27,380)</b>    | <b>(22,474)</b>    |
| <b>Cash flows from financing activities</b>                 |      |                    |                    |                    |                    |
| <b>Cash outflows</b>  |      |                    |                    |                    |                    |
| Repayment of leases   |      | (68,748)           | (59,107)           | (68,620)           | (59,107)           |
| <b>Cash used in financing activities</b>                    |      | <b>(68,748)</b>    | <b>(59,107)</b>    | <b>(68,620)</b>    | <b>(59,107)</b>    |
| <b>Net cash used in financing activities</b>                |      | <b>(68,748)</b>    | <b>(59,107)</b>    | <b>(68,620)</b>    | <b>(59,107)</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>45,611</b>      | <b>(34,345)</b>    | <b>44,148</b>      | <b>(34,813)</b>    |
| Cash and cash equivalents at the beginning of the period    |      | 125,083            | 159,428            | 122,291            | 157,104            |
| <b>Cash and cash equivalents at the end of the period</b>   | 14   | <b>170,694</b>     | <b>125,083</b>     | <b>166,439</b>     | <b>122,291</b>     |
| Non-cash transactions                                       | 28   |                    |                    |                    |                    |

The accompanying notes form part of these financial statements.

**CENTRAL ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

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## **1. About Central Adelaide Local Health Network**

The Central Adelaide Local Health Network Incorporated (the Hospital) is a not-for-profit incorporated hospital under the *Health Care Act 2008*. The financial statements and accompanying notes include all controlled activities of the Hospital, this includes the Hospital and AusHealth Corporate Pty Ltd (AusHealth).

The consolidated financial statements have been prepared in accordance with AASB 10 *Consolidated Financial Statements*. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full. Information on the consolidated entity's interest in other entities is at note 36.

### *Administered Items*

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and are disclosed in the Schedule of Administered Financial Statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Hospital's transactions.

### **1.1 Objectives and activities**

The Hospital is committed to protecting and improving the health of all South Australians by delivering a system that balances the provision of safe, high-quality and accessible services that are sustainable and reflective of local values, needs and priorities with strategic system leadership, regulatory responsibilities and an increased focus on wellbeing, illness prevention, early intervention and quality care.

The Hospital is part of the SA Health portfolio providing health services for Central Adelaide, including those managed on a State-wide basis.

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital-based quaternary care including medical, surgical and other acute services, rehabilitation, mental health and palliative care, dental, breast screening and other community health services to veterans and other persons living within the central Adelaide metropolitan area and Statewide as appropriate.

The Hospital is governed by a Board, which is responsible for providing strategic oversight and monitoring the Hospital's financial and operational performance. The Board must comply with any direction of the Minister for Health and Wellbeing (Minister) or Chief Executive of the Department for Health and Wellbeing (Department).

The Chief Executive Officer is responsible for managing the operations and affairs of the Hospital and is accountable to, and subject to the direction of, the Board in undertaking that function.

The Hospital is comprised of:

- Royal Adelaide Hospital (RAH)
- Hampstead Rehabilitation Centre
- The Queen Elizabeth Hospital
- St Margaret's Hospital
- Pregnancy Advisory Centre
- Statewide Clinical Support Services including SA Pathology, SA Medical Imaging, SA Pharmacy and Breast Screen SA
- Donate Life
- SA Dental Service
- Glenside and community health
- Primary Health Care Services
- Prison Health SA

### **1.2 Basis of preparation**

These financial statements are general purpose financial statements prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out below or throughout the notes.

**CENTRAL ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

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### **1.3 Taxation**

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO, is classified as part of operating cash flows.

### **1.4 Continuity of Operations**

As at 30 June 2020, the Hospital had a working capital deficiency of \$108.544 million (\$143.271 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

### **1.5 Equity**

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Other reserves represents an investment revaluation reserve to record unrealised gains or losses on available for sale investments.

### **1.6 Changes to the Hospital**

#### 2019-20

#### Transferred In

As part of governance reforms and new department structure, it was agreed that a portion of the following functions would be transferred from the Department to the Hospital, effective 1 July 2019:

- SA Biomedical Engineering (hospital based functions and staff);
- Debt management function (patient, compensable and Medicare ineligible); and
- SA Pathology ICT function.

This resulted in the transfer in of 88 employees and net liabilities of \$3.188 million, consisting of \$0.174 million payables, \$3.055 million leave entitlements and \$0.041 million plant and equipment.

There were no functions transferred out in 2019-20.

#### 2018-19

There were no functions transferred in or out in 2018-19

### **1.7 Impact of COVID-19 pandemic on Central Adelaide Local Health Network**

COVID-19 has been classified as a global pandemic by the World Health Organisation. SA Health is the Control Agency in SA for human disease pursuant to the State Emergency Management Plan.

As at 30 June 2020, SA has had a total of 444 confirmed COVID cases. Noteworthy, since the 22 April, SA has only had five new cases. Accordingly SA has minimised transmission of the virus and maintained containment of COVID-19 infection.

As the lead agency, SA Health has:

- activated COVID-19 clinics in metro and regional SA;
- increased hospital capacity through commissioning of temporary hospital capacity and diversion of activity to the private hospital system;
- secured medical supplies and personal protective equipment to deliver COVID-19 services in a very high demand environment;
- maximized community engagement; and
- Managed workforce surge planning and up-skill training.

The material impacts on the Hospital's financial performance and financial position are outlined below:

- Additional financial assistance from the Commonwealth and State Government has assisted the Hospital with its COVID-19 response. This funding was for additional costs incurred by the Hospital in responding to the COVID-19 outbreak, including the diagnosis and treatment of patients with or suspected of having COVID-19, and efforts to minimise the spread in the Australian community;

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- Hospital staff accessing special leave with pay for up to 15 days for absences related to COVID-19 situations \$1.881 million.
- Additional net costs associated with public health activities (e.g. preparation of hospitals to respond and establishing testing clinics), purchases of personal protective equipment for staff, and non-clinical costs (e.g. additional hospital cleaning costs), establishment of a Rapid Response Nursing Service (Airport Border Nurses Program, Medi-Hotel Nursing Service program, Residential Aged Care Facility, Group Homes and APY Lands) \$10.108 million;
- Additional costs associated with the diversion of activity to the private hospital system \$2.1 million; and
- The Hospital has purchased various plant and equipment e.g. new ventilators and ICT infrastructure to assist with responding to SA Health COVID-19 matters \$4.662 million.

Business continuity information is at note 1.4, impairment information is at note 15.1 and 19.4, estimates and judgements are at note 15.1, 23, 25.2 and 26.

**1.8 Change in accounting policy**

**AASB 16 Leases**

AASB 16 Leases sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 replaces AASB 117 *Leases and related interpretation*.

The adoption of AASB 16 from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements and changes to accounting policies:

- AASB 117 required the recognition of an asset and liability in relation to only finance leases (not operating leases). AASB 16 will result in leases previously classified as an operating lease having right-of-use assets and lease liability being recognised in the Statement of Financial Position.
- AASB 17 required lessors to classify sublease arrangements on the basis of whether substantially all the risks and rewards incidental to ownership of the underlying asset had been transferred to the sublessee. Under AASB 16 classification is made on the basis of whether substantially all the risks and rewards associated with the right of use asset arising from the head lease have been transferred to the lessee. AASB 16 has resulted in the Hospital continuing to classify sub leases arrangements as operating leases.
- AASB 117 resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 largely replaces this with depreciation expense that represents the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

The total impact on the Hospital's retained earnings as at 1 July 2019 is as follows:

|  | Consolidated<br>\$'000 | Parent<br>\$'000 |
|--|------------------------|------------------|
| <b>Closing retained earnings 30 June 2019 – AASB 117</b> | <b>246,485</b>         | <b>231,912</b>   |
| <b>Assets</b>  |                        |                  |
| Right of use assets                                      | (54,783)               | (53,844)         |
| <b>Liabilities</b>                                       |                        |                  |
| Lease liabilities  | 54,783                 | 53,844           |
| Other liabilities (lease incentive liabilities)          | 1,846                  | 1,846            |
| <b>Opening retained earnings 1 July 2019 – AASB 16</b>   | <b>248,331</b>         | <b>233,758</b>   |

The initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments. Lease incentive liabilities have been written off against retained earnings at transition date. The initial measurement of the lease liability was the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate as at 1 July 2019. The average weighted incremental borrowing rate for this purpose was 1.51%.

The Hospital disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$81.733 million (Parent \$81.474 million) under AASB 117. The Hospital has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of a lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitment should have been disclosed as \$60.908 million (Parent \$59.826 million) under AASB 117.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. The misclassification impacted items within the supplies and services expense line. Note 29 applies the correct classification for both the current and comparative years. Commitments related to accommodation services provided by DPTI are included in note 29.1.2.

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The difference between operating lease commitments disclosed under AASB 117 at 30 June 2019, adjusted to be discounted using incremental borrowing rates used on transition to AASB 16, and the lease liabilities recognised on 1 July 2019 under AASB 16 is as follows:

|  | Consolidated<br>\$'000 | Parent<br>\$'000 |
|--|------------------------|------------------|
| <b>Total Operating Lease Commitments disclosed as of 30 June 2019 (AASB 117)</b>           | 60,908                 | 59,826           |
| Adjustments:   |                        |                  |
| <i>Less: short term leases for which no lease liability is recognised</i>                  | (1,097)                | (1,097)          |
| <b>Commitments for lease payments</b>  | <u>59,811</u>          | <u>58,729</u>    |
| Discounted using the incremental borrowing rate of 1.38% - 2.64%                           | <u>(5,028)</u>         | <u>(4,885)</u>   |
| <b>Lease liability recognised in statement of financial position 1 July 2019 (AASB 16)</b> | <u>54,783</u>          | <u>53,844</u>    |

*Accounting policy on transition*

AASB 16 sets out accounting policies on transition. *Treasurer's Instructions (Accounting Policy Statements)*, required the Hospital to apply AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives have not been restated); apply AASB 16 to contracts that were previously identified as containing a lease under AASB 117 and not transitioned operating leases for which the lease term ends before 30 June 2020 (with the exception of vehicles leased through South Australian Financing Authority (SAFA)).

*Ongoing accounting policies*

As per *Treasurer's Instructions (Accounting Policy Statements)*, the Hospital will not apply AASB 16 to intangible assets; has adopted a \$15,000 threshold for determining whether an underlying asset is a low value asset; will apply the short term lease recognition exemption (with the exception of vehicles leased through SAFA); will adopt a cost model and will not record at fair value on initial recognition, leases that have significantly below market terms and conditions principally to enable the Hospital to further its objectives.

Significant accounting policies relating to the application of AASB 16 are disclosed under relevant notes and are referenced at notes 19.9, 20 and 24.

**AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

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

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to enable the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes the current income recognition requirements contained in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

The Hospital adopted AASB 15 and AASB 1058 on 1 July 2019 and where applicable applied the transitional provisions specified in the standard.

The adoption of these standards did not have an impact on the timing or recognition of the Hospital's revenues, as detailed below:

- Revenues from SA Government (72.0%) will continue to be recognised as income when the Hospital obtains control of the funds (i.e. upon receipt);
- Commonwealth revenues and other grants (8.4%) continue to be recognised as service/performance obligations are satisfied, or alternatively where there are no service/performance obligations, upon receipt;
- Fees and Charges (17.9%) continue to be recognised as the service/performance obligations are satisfied;
- Taxes, rates and fines continue to be recognised as income when the taxable event occurs;
- Contributed services (resources received free of charge) continues to be recognised where they would have been purchased if they were not donated under AASB 1058 (previously AASB 1004) and contributed assets that do not have sufficiently specific performance obligations will continue to be accounted for as a donation via AASB 1058 (previously AASB 1004); and
- Interest income continues to be recognised via AASB 9.

In addition, revenue earned in prior periods but not yet receivable (previously recorded as an accrual), is now recorded as a contract asset in the Statement of Financial Position and revenue received in prior periods but not yet recognised (previously recorded as unearned revenue), is now recorded as a contract liability in the Statement of Financial Position.

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Concessional (peppercorn) lease arrangements will continue to be recognised at nominal amounts until such time as the AASB develops valuation guidance.

**1.9 Changes in presentation of financial statements**

Treasurer's Instructions (Accounting Policy Statements) issued 1 June 2020 remove the previous requirement for financial statements to be prepared using the net cost of service format. The Statement of Comprehensive Income and Statement of Cash Flows now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

**2. Staff benefits expenses**

|  | Consolidated     |                  | Parent           |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2020             | 2019             | 2020             | 2019             |
|  | \$'000           | \$'000           | \$'000           | \$'000           |
| Salaries and wages                                   | 1,220,723        | 1,183,085        | 1,213,499        | 1,175,855        |
| Targeted voluntary separation packages (refer below) | 24,660           | 1,360            | 24,660           | 1,360            |
| Long service leave                                   | 31,749           | 90,627           | 31,672           | 90,541           |
| Annual leave   | 119,863          | 116,178          | 119,530          | 115,870          |
| Skills and experience retention leave                | 6,099            | 5,425            | 6,099            | 5,425            |
| Staff on-costs - superannuation*                     | 127,253          | 120,064          | 126,598          | 119,400          |
| Staff on-costs - other                               | 315              | 386              | 6                | 13               |
| Workers compensation                                 | 9,889            | 75               | 9,833            | 29               |
| Board and committee fees                             | 431              | 378              | 341              | 324              |
| Other staff related expenses                         | 3,254            | 7,627            | 3,218            | 7,588            |
| <b>Total staff benefits expenses</b>                 | <b>1,544,236</b> | <b>1,525,205</b> | <b>1,535,456</b> | <b>1,516,405</b> |

\* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

Refer note 25 for further discussion on long service leave movement.

**2.1 Key Management Personnel**

Key management personnel (KMP) of the Hospital includes the Minister, the seven members of the governing board, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the 13 (eight) members of the Executive Management Group plus two external contractors with responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

In addition, the table below excludes the value of the contracts of services for the two external contractors.

| Compensation                                    | Consolidated |              | Parent       |              |
|---|--------------|--------------|--------------|--------------|
|   | 2020         | 2019         | 2020         | 2019         |
|   | \$'000       | \$'000       | \$'000       | \$'000       |
| Salaries and other short term employee benefits | 4,084        | 3,770        | 4,084        | 3,014        |
| Post-employment benefits                        | 471          | 298          | 471          | 298          |
| <b>Total</b>                                    | <b>4,555</b> | <b>4,068</b> | <b>4,555</b> | <b>3,312</b> |

The Hospital did not enter into any transactions with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

**2.2 Remuneration of boards and committee members**

|                      | 2020           | 2019           |
|----------------------|----------------|----------------|
|                      | No. of Members | No. of Members |
| \$0                  | 319            | 328            |
| \$1 - \$20,000       | 72             | 70             |
| \$20,001 - \$40,000  | 8              | 5              |
| \$40,001 - \$60,000  | 1              | 1              |
| \$60,001 - \$80,000  | 1              | 1              |
| \$80,001 - \$100,000 | 1              | -              |
| <b>Total</b>         | <b>402</b>     | <b>405</b>     |

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The total remuneration received or receivable by members was \$0.387 million (\$0.334 million). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Refer to note 37 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

**2.3 Remuneration of staff**

| Remuneration of employees   | Consolidated            |                         | Parent                  |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2020<br>Total<br>Number | 2019<br>Total<br>Number | 2020<br>Total<br>Number | 2019<br>Total<br>Number |
| The number of staff whose remuneration received or receivable falls within the following bands: |                         |                         |                         |                         |
| \$151,000 - \$155,000*  | n/a                     | 61                      | n/a                     | 61                      |
| \$155,001 - \$175,000   | 248                     | 274                     | 247                     | 274                     |
| \$175,001 - \$195,000   | 170                     | 139                     | 170                     | 139                     |
| \$195,001 - \$215,000   | 102                     | 85                      | 102                     | 84                      |
| \$215,001 - \$235,000   | 67                      | 76                      | 65                      | 75                      |
| \$235,001 - \$255,000   | 65                      | 60                      | 65                      | 60                      |
| \$255,001 - \$275,000   | 49                      | 46                      | 49                      | 46                      |
| \$275,001 - \$295,000   | 41                      | 33                      | 41                      | 33                      |
| \$295,001 - \$315,000   | 39                      | 27                      | 39                      | 27                      |
| \$315,001 - \$335,000   | 31                      | 37                      | 31                      | 36                      |
| \$335,001 - \$355,000   | 34                      | 45                      | 34                      | 45                      |
| \$355,001 - \$375,000   | 37                      | 34                      | 36                      | 34                      |
| \$375,001 - \$395,000   | 32                      | 28                      | 32                      | 28                      |
| \$395,001 - \$415,000   | 25                      | 39                      | 25                      | 39                      |
| \$415,001 - \$435,000   | 42                      | 22                      | 42                      | 22                      |
| \$435,001 - \$455,000   | 27                      | 28                      | 27                      | 28                      |
| \$455,001 - \$475,000   | 27                      | 27                      | 27                      | 27                      |
| \$475,001 - \$495,000   | 25                      | 21                      | 25                      | 21                      |
| \$495,001 - \$515,000   | 20                      | 24                      | 20                      | 24                      |
| \$515,001 - \$535,000   | 24                      | 13                      | 24                      | 13                      |
| \$535,001 - \$555,000   | 11                      | 13                      | 11                      | 13                      |
| \$555,001 - \$575,000   | 19                      | 14                      | 19                      | 14                      |
| \$575,001 - \$595,000   | 19                      | 16                      | 19                      | 16                      |
| \$595,001 - \$615,000   | 8                       | 16                      | 8                       | 16                      |
| \$615,001 - \$635,000   | 18                      | 17                      | 18                      | 17                      |
| \$635,001 - \$655,000   | 13                      | 10                      | 13                      | 10                      |
| \$655,001 - \$675,000   | 8                       | 5                       | 8                       | 5                       |
| \$675,001 - \$695,000   | 1                       | 4                       | 1                       | 4                       |
| \$695,001 - \$715,000   | 6                       | 1                       | 6                       | 1                       |
| \$715,001 - \$735,000   | 2                       | -                       | 2                       | -                       |
| \$735,001 - \$755,000   | 1                       | 2                       | 1                       | 2                       |
| \$755,001 - \$775,000   | -                       | 2                       | -                       | 2                       |
| \$775,001 - \$795,000   | 2                       | -                       | 2                       | -                       |
| \$795,001 - \$815,000   | 1                       | -                       | 1                       | -                       |
| \$815,001 - \$835,000   | -                       | 1                       | -                       | 1                       |
| \$855,001 - \$875,000   | 1                       | -                       | 1                       | -                       |
| \$875,001 - \$895,000   | -                       | 1                       | -                       | 1                       |
| \$895,001 - \$915,000   | 1                       | -                       | 1                       | -                       |
| \$915,001 - \$935,000   | -                       | 1                       | -                       | 1                       |
| \$935,001 - \$955,000   | -                       | 1                       | -                       | 1                       |
| \$975,001 - \$995,000   | 1                       | -                       | 1                       | -                       |
| \$1,035,001 - \$1,055,000   | -                       | 1                       | -                       | 1                       |
| \$1,215,001 - \$1,235,000   | -                       | 1                       | -                       | 1                       |
| \$1,235,001 - \$1,255,000   | 1                       | -                       | 1                       | -                       |
| \$1,355,001 - \$1,375,000   | 1                       | -                       | 1                       | -                       |
| \$1,615,001 - \$1,635,000   | -                       | 1                       | -                       | 1                       |
| <b>Total number of staff</b>  | <b>1,219</b>            | <b>1,226</b>            | <b>1,215</b>            | <b>1,223</b>            |

\*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

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The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

**2.4 Remuneration of staff by classification**

The total remuneration received by staff, included in note 2.3:

|                                   | Consolidated |                |              |                | Parent       |                |              |                |
|-----------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|                                   | 2020         |                | 2019         |                | 2020         |                | 2019         |                |
|                                   | No.          | \$'000         | No.          | \$'000         | No.          | \$'000         | No.          | \$'000         |
| Medical (excluding Nursing)       | 1,068        | 338,977        | 1,047        | 325,063        | 1,068        | 338,977        | 1,047        | 325,063        |
| Executive                         | 28           | 6,689          | 24           | 5,702          | 25           | 5,888          | 21           | 4,945          |
| Nursing                           | 63           | 11,122         | 79           | 13,248         | 63           | 11,122         | 79           | 13,248         |
| Non-medical (i.e. administration) | 60           | 10,946         | 76           | 13,224         | 59           | 10,783         | 76           | 13,224         |
| <b>Total</b>                      | <b>1,219</b> | <b>367,734</b> | <b>1,226</b> | <b>357,237</b> | <b>1,215</b> | <b>366,770</b> | <b>1,223</b> | <b>356,480</b> |

**2.5 Targeted voluntary separation packages (TVSP)**

|   | Consolidated  |              | Parent        |              |
|---|---------------|--------------|---------------|--------------|
|   | 2020          | 2019         | 2020          | 2019         |
|   | \$'000        | \$'000       | \$'000        | \$'000       |
| Amount paid/payable to separated staff:   |               |              |               |              |
| Targeted voluntary separation packages    | 24,660        | 1,360        | 24,660        | 1,360        |
| Leave paid/payable to separated employees | 10,678        | 1,295        | 10,678        | 1,295        |
| <b>Net cost to the Hospital</b>           | <b>35,338</b> | <b>2,655</b> | <b>35,338</b> | <b>2,655</b> |

|   |     |    |     |    |
|---|-----|----|-----|----|
| The number of staff who accepted a TVSP during the reporting period | 293 | 27 | 293 | 27 |
|---|-----|----|-----|----|

TVSPs include 13 (21) separations resulting from the Registered Nurse/Midwife Workforce Renewal Program.

**3. Supplies and services**

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020           | 2019           | 2020           | 2019           |
|   | \$'000         | \$'000         | \$'000         | \$'000         |
| Administration                            | 5,668          | 5,713          | 7,425          | 7,270          |
| Advertising                               | 570            | 745            | 359            | 496            |
| Communication                             | 2,741          | 2,994          | 2,629          | 2,889          |
| Computing                                 | 24,089         | 21,349         | 23,535         | 20,945         |
| Consultants                               | 1,638          | 4,395          | 1,581          | 4,344          |
| Contract of services                      | 6,663          | 6,324          | 6,663          | 6,324          |
| Contractors                               | 20,601         | 16,660         | 20,551         | 16,611         |
| Contractors - agency staff                | 38,444         | 48,907         | 38,408         | 48,901         |
| Cost of goods sold                        | 1,965          | 2,069          | -              | -              |
| Drug supplies                             | 259,839        | 241,724        | 259,839        | 241,724        |
| Electricity, gas and fuel                 | 16,497         | 16,659         | 16,449         | 16,614         |
| Fee for service                           | 46,712         | 35,458         | 46,712         | 35,458         |
| Food supplies                             | 4,830          | 5,104          | 4,830          | 5,104          |
| Housekeeping                              | 24,503         | 24,353         | 24,406         | 24,270         |
| Insurance                                 | 11,847         | 9,791          | 11,787         | 9,737          |
| Internal SA Health SLA payments           | 22,463         | 20,744         | 22,463         | 20,744         |
| Interstate patient transfers              | 10             | 33             | 10             | 33             |
| Legal                                     | 1,095          | 1,623          | 1,016          | 1,416          |
| Medical, surgical and laboratory supplies | 167,584        | 165,002        | 167,584        | 165,002        |
| Minor equipment                           | 6,796          | 6,854          | 6,778          | 6,847          |
| Motor vehicle expenses                    | 1,581          | 1,905          | 1,581          | 1,905          |
| Occupancy rent and rates                  | 11,860         | 19,281         | 11,756         | 19,014         |
| Patient transport                         | 8,862          | 9,299          | 8,862          | 9,299          |
| Postage                                   | 7,419          | 7,986          | 7,389          | 7,950          |
| Printing and stationery                   | 4,592          | 4,862          | 4,565          | 4,826          |
| PPP operating expenses                    | 94,943         | 85,775         | 94,943         | 85,775         |
| Rental expense on operating lease         | -              | 1,442          | -              | 1,442          |
| Repairs and maintenance                   | 32,572         | 22,906         | 32,542         | 22,859         |
| Security                                  | 18,250         | 17,030         | 18,250         | 17,030         |
| Services from Shared Services SA          | 10,827         | 9,201          | 10,827         | 9,201          |
| Short term lease expense                  | 1,373          | -              | 1,373          | -              |
| Training and development                  | 21,335         | 20,366         | 21,158         | 20,146         |
| Travel expenses                           | 2,568          | 3,159          | 2,316          | 2,835          |
| Other supplies and services               | 27,416         | 29,483         | 26,819         | 29,072         |
| <b>Total supplies and services</b>        | <b>908,153</b> | <b>869,196</b> | <b>905,406</b> | <b>866,083</b> |

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Accommodation – a part of the Hospital’s accommodation is provided by DPTI under MoAA issued in accordance with Government wide accommodation policies, these arrangements do not meet the definition of a lease. In prior years expenses associated with these arrangements and accommodation operating lease expenses have been classified as occupancy rent and rates. DPTI accommodation expenses will continue to be disclosed under occupancy, rent and rates and any accommodation operating lease expenses have been reclassified to rental expenses on operating lease for the comparative year. Any operating lease payments are recognised on a straight line basis over the lease term.

From 1 July 2019, the Hospital recognises lease payments associated with short term leases (12 months or less) and leases for which the underlying asset is low value (less than \$15,000) as an expense on a straight line basis over the lease term. Lease commitments for short term leases is similar to short term lease expenses disclosed

**Consultants**

The number of consultancies and dollar amount paid/payable (included in supplies and service expense) to consultants that fell within the following bands:

|                | Consolidated |              |           |              | Parent    |              |           |              |
|----------------|--------------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|
|                | 2020         |              | 2019      |              | 2020      |              | 2019      |              |
|                | No.          | \$'000       | No.       | \$'000       | No.       | \$'000       | No.       | \$'000       |
| Below \$10,000 | 8            | 18           | 11        | 37           | 2         | 7            | 4         | 17           |
| Above \$10,000 | 22           | 1,620        | 21        | 4,358        | 21        | 1,574        | 19        | 4,327        |
| <b>Total</b>   | <b>30</b>    | <b>1,638</b> | <b>32</b> | <b>4,395</b> | <b>23</b> | <b>1,581</b> | <b>23</b> | <b>4,344</b> |

**4. Grants and subsidies**

|   | Consolidated |              | Parent       |              |
|---|--------------|--------------|--------------|--------------|
|   | 2020         | 2019         | 2020         | 2019         |
|   | \$'000       | \$'000       | \$'000       | \$'000       |
| Subsidies                               | 385          | 406          | -            | -            |
| Funding to non-government organisations | 3,737        | 4,486        | 3,737        | 4,486        |
| <b>Total grants and subsidies</b>       | <b>4,122</b> | <b>4,892</b> | <b>3,737</b> | <b>4,486</b> |

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

**5. Borrowing costs**

|                             | Consolidated   |                | Parent         |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2020           | 2019           | 2020           | 2019           |
|                             | \$'000         | \$'000         | \$'000         | \$'000         |
| Lease costs                 | 149,128        | 167,997        | 149,091        | 167,997        |
| <b>Total borrowing cost</b> | <b>149,128</b> | <b>167,997</b> | <b>149,091</b> | <b>167,997</b> |

Included in borrowing costs is a reduction in contingent rental amounts of \$110.092 million (\$94.311 million).

The Hospital does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through the profit and loss was \$149.128 million (\$167.997 million).

**6. Other expenses**

|  | Consolidated  |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2020          | 2019          | 2020          | 2019          |
|  | \$'000        | \$'000        | \$'000        | \$'000        |
| Debts written off                      | 1,838         | 2,316         | 1,810         | 2,309         |
| Bank fees and charges                  | 105           | 75            | 48            | 51            |
| Donated assets expense                 | 1,182         | -             | 1,182         | -             |
| Net loss on revaluation of investments | 188           | 10            | -             | 10            |
| Net loss on sale of investments        | 23            | 15            | -             | -             |
| Royalty payments                       | 2,726         | 13,729        | 2,726         | 13,729        |
| Other*                                 | 5,793         | 4,778         | 5,640         | 4,634         |
| <b>Total other expenses</b>            | <b>11,855</b> | <b>20,923</b> | <b>11,406</b> | <b>20,733</b> |

Donated assets expense includes transfer of plant and equipment and is recorded as expenditure at their fair value.

\* Includes audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.398 million (\$0.548 million). No other services were provided by the Auditor-General’s Department. Also includes fees paid or payable to BDO for audit services for AusHealth of \$0.029 million (\$0.035 million).

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**7. Fees and charges**

|                                  | Consolidated   |                | Parent         |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2020           | 2019           | 2020           | 2019           |
|                                  | \$'000         | \$'000         | \$'000         | \$'000         |
| Ambulance transport              | 74             | 102            | 74             | 102            |
| Car parking revenue              | 7,994          | 8,611          | 7,994          | 8,611          |
| Commissions revenue              | 65             | 69             | 65             | 69             |
| Fines, fees and penalties        | 206            | 103            | 206            | 103            |
| Insurance recoveries             | 248            | 333            | 248            | 333            |
| Patient and client fees          | 341,166        | 273,601        | 329,428        | 260,932        |
| Private practice fees            | 43,555         | 45,615         | 43,555         | 45,615         |
| Recoveries                       | 76,442         | 53,075         | 76,442         | 53,075         |
| Royalty income                   | 4,372          | 19,273         | 4,372          | 19,273         |
| Sale of goods - medical supplies | 1,076          | 929            | 1,076          | 929            |
| Other user charges and fees      | 17,795         | 21,329         | 17,797         | 21,329         |
| <b>Total fees and charges</b>    | <b>492,993</b> | <b>423,040</b> | <b>481,257</b> | <b>410,371</b> |

The Hospital measures revenue based on the consideration specified in a major contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Hospital satisfies performance obligations by transferring the promised goods or services to its customers

All revenue from fees and charges is revenue recognised from contracts with customers except for recoveries, insurance recoveries and, fines, fees and penalties.

**Consolidated**

**Contracts with Customers disaggregated by pattern of revenue recognition and type of customer**

|   | 2020  | 2020   | 2019  | 2019   |
|---|---|--|---|--|
|   | Goods/Services transferred at a point in time | Goods/Services transferred over a period of time | Goods/Services transferred at a point in time | Goods/Services transferred over a period of time |
| Ambulance transport                                 | 40  | -  | 59  | -  |
| Car parking revenue                                 | 4,296   | 3,698  | 4,531   | 4,080  |
| Commissions revenue                                 | 65  | -  | 69  | -  |
| Patient and client fees                             | 177,121                                       | -  | 193,422                                       | -  |
| Private practice fees                               | 43,555  | -  | 45,615  | -  |
| Royalty income                                      | 4,372   | -  | 19,263  | -  |
| Sale of goods - medical supplies                    | 57  | -  | 38  | -  |
| Other user charges and fees                         | 12,962  | -  | 15,402  | -  |
| <b>Total contracts with external customers</b>      | <b>242,468</b>                                | <b>3,698</b>                                     | <b>278,399</b>                                | <b>4,080</b>                                     |
| Ambulance transport                                 | 34  | -  | 43  | -  |
| Patient and client fees                             | 164,045                                       | -  | 80,179  | -  |
| Royalty income                                      | -   | -  | 10  | -  |
| Sale of goods - medical supplies                    | 1,019   | -  | 891   | -  |
| Other user charges and fees                         | 4,833   | -  | 5,927   | -  |
| <b>Total contracts with SA Government customers</b> | <b>169,931</b>                                | <b>-</b>   | <b>87,050</b>                                 | <b>-</b>   |
| <b>Total contracts with customers</b>               | <b>412,399</b>                                | <b>3,698</b>                                     | <b>365,449</b>                                | <b>4,080</b>                                     |

The Hospital recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities (refer to note 27). Similarly, if the Hospital satisfies a performance obligation before it receives the consideration, The Hospital recognises either a contract asset or a receivable, depending on whether something other than the passage of time is required before the consideration is due (refer to note 15).

The Hospital recognises revenue (contract from customers) from the following major sources:

*Patient and Client Fees*

Public health care is free for medicare eligible customers. Non-medicare eligible customers pay in arrears to stay overnight in a public hospital and to receive medical assessment, advice, treatment and care from a health professional. These charges may include doctors, surgeons, anaesthetist, pathology, radiology services etc. Revenue from these services is recognised on a time-and-material basis as services are provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable

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*Private practice fees*

SA Health grants SA Health employed salaried medical consultants the ability to provide billable medical services relating to the assessment, treatment and care of privately referred outpatients or private inpatients in SA Health sites. Fees derived from undertaking private practice is income derived in the hands of the specialist. The specialist appoints the Hospital as an agent in the rendering and recovery of accounts of the specialists private practice. SA Health disburses amounts it collects on behalf of the specialist to the specialist via payroll (fortnightly) or accounts payable (monthly) depending on the rights of private practice scheme. Revenue from these services is recognised as its collected as per the Rights of Private Practice Agreement.

**8. Grants and contributions**

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020           | 2019           | 2020           | 2019           |
|   | \$'000         | \$'000         | \$'000         | \$'000         |
| Commonwealth grants and donations                   | 2,246          | 2,281          | 2,246          | 2,281          |
| Pharmaceutical Benefits Scheme Commonwealth subsidy | 206,333        | 186,800        | 206,333        | 186,800        |
| Other SA Government grants and contributions        | 834            | 1,268          | 927            | 1,293          |
| Private sector grants and contributions             | 22,543         | 23,905         | 22,592         | 23,985         |
| <b>Total grants and contributions</b>               | <b>231,956</b> | <b>214,254</b> | <b>232,098</b> | <b>214,359</b> |

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Of the \$231.956 million (\$214.254 million) received in 2019-20, \$15.006 million (\$15.301 million) was provided for specific purposes, including State and Commonwealth Health initiatives- Health reforms, research and other associated activities.

**9. Interest**

|                                   | Consolidated |              | Parent     |              |
|-----------------------------------|--------------|--------------|------------|--------------|
|                                   | 2020         | 2019         | 2020       | 2019         |
|                                   | \$'000       | \$'000       | \$'000     | \$'000       |
| Interest on operating accounts    | 80           | 128          | -          | -            |
| Interest on Special Purpose Funds | 697          | 1,436        | 697        | 1,436        |
| <b>Total interest</b>             | <b>777</b>   | <b>1,564</b> | <b>697</b> | <b>1,436</b> |

**10. Resources received free of charge**

|  | Consolidated  |              | Parent        |              |
|--|---------------|--------------|---------------|--------------|
|  | 2020          | 2019         | 2020          | 2019         |
|  | \$'000        | \$'000       | \$'000        | \$'000       |
| Plant and equipment                            | 137           | 107          | 137           | 107          |
| Services                                       | 10,364        | 9,118        | 10,364        | 9,118        |
| <b>Total resources received free of charge</b> | <b>10,501</b> | <b>9,225</b> | <b>10,501</b> | <b>9,225</b> |

Resources received free of charge include plant and equipment and are recorded at their fair value.

Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. CALHN receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging.

In addition although not recognised the Hospital received volunteer services from the Royal Adelaide Hospital Lavender Lads and Ladies, Friends of the Queen Elizabeth Hospital and country based SA Pathology couriers. There are 563 volunteers whom provide patient and staff support services to individuals using the Hospital's services. The services include but not limited to: childcare, respite care, transport, therapeutic activities, patient liaison gift shop support, kiosk support and café support.

**11. Net gain/(loss) from disposal of non-current and other assets**

|  | Consolidated |              | Parent   |              |
|--|--------------|--------------|----------|--------------|
|  | 2020         | 2019         | 2020     | 2019         |
|  | \$'000       | \$'000       | \$'000   | \$'000       |
| <b>Land and buildings:</b>                                 |              |              |          |              |
| Proceeds from disposal                                     | -            | -            | -        | -            |
| Less carrying amount of assets disposed                    | -            | (740)        | -        | (740)        |
| Less other costs of disposal                               | -            | -            | -        | -            |
| <b>Net gain/(loss) from disposal of land and buildings</b> | <b>-</b>     | <b>(740)</b> | <b>-</b> | <b>(740)</b> |

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|   | Consolidated |              | Parent       |              |
|---|--------------|--------------|--------------|--------------|
|   | 2020         | 2019         | 2020         | 2019         |
|   | \$'000       | \$'000       | \$'000       | \$'000       |
| <b>Plant and equipment:</b>                                 |              |              |              |              |
| Proceeds from disposal                                      | 183          | 160          | 170          | 160          |
| Less carrying amount of assets disposed                     | (326)        | (405)        | (326)        | (405)        |
| Less other costs of disposal                                | (2)          | -            | (2)          | -            |
| <b>Net gain/(loss) from disposal of plant and equipment</b> | <b>(145)</b> | <b>(245)</b> | <b>(158)</b> | <b>(245)</b> |

**Total assets:**

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Total proceeds from disposal                         | 183          | 160          | 170          | 160          |
| Less total carrying amount of assets disposed        | (326)        | (1,145)      | (326)        | (1,145)      |
| Less other costs of disposal                         | (2)          | -            | (2)          | -            |
| <b>Total net gain/(loss) from disposal of assets</b> | <b>(145)</b> | <b>(985)</b> | <b>(158)</b> | <b>(985)</b> |

Gains or losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

**12. Other revenues/income**

|  | Consolidated  |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2020          | 2019          | 2020          | 2019          |
|  | \$'000        | \$'000        | \$'000        | \$'000        |
| Dividend revenue                           | 179           | 174           | -             | -             |
| Donations                                  | 6,535         | 7,663         | 6,535         | 7,663         |
| Gain on revaluation of investment property | 880           | -             | -             | -             |
| Other                                      | 27,077        | 17,722        | 26,601        | 17,005        |
| <b>Total other revenues/income</b>         | <b>34,671</b> | <b>25,559</b> | <b>33,136</b> | <b>24,668</b> |

**13. Revenues from SA Government**

|  | Consolidated     |                  | Parent           |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2020             | 2019             | 2020             | 2019             |
|  | \$'000           | \$'000           | \$'000           | \$'000           |
| Capital funding                          | 30,847           | 45,998           | 30,847           | 45,998           |
| Recurrent funding                        | 1,948,051        | 1,853,329        | 1,948,051        | 1,853,329        |
| <b>Total revenues from SA Government</b> | <b>1,978,898</b> | <b>1,899,327</b> | <b>1,978,898</b> | <b>1,899,327</b> |

The Department provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services. Contributions from the Department are recognised when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

The 2019 comparative information has been amended to better reflect the nature of the transactions, with Capital funding decreased by \$0.357 million, and Recurrent funding increased by \$0.357 million. The amendments have no impact on reported equity or total revenues from SA Government.

**14. Cash and cash equivalents**

|  | Consolidated   |                | Parent         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020           | 2019           | 2020           | 2019           |
|  | \$'000         | \$'000         | \$'000         | \$'000         |
| Cash at bank or on hand                        | 6,660          | 5,215          | 2,405          | 2,423          |
| Deposits with Treasurer: general operating     | 46,513         | 6,398          | 46,513         | 6,398          |
| Deposits with Treasurer: special purpose funds | 117,521        | 113,470        | 117,521        | 113,470        |
| <b>Total cash and cash equivalents</b>         | <b>170,694</b> | <b>125,083</b> | <b>166,439</b> | <b>122,291</b> |

Cash is measured at nominal amounts.

The Hospital earns interest on the special purpose deposit account and the operating accounts held by AusHealth.

The Hospital receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Hospital, and are used to help achieve the Hospital's objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, the amounts are treated as revenue at the time they are earned or at the time control passes to the Hospital.

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**15. Receivables**

| Current  | Note | Consolidated   |                | Parent         |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| Patient/client fees: compensable                   |      | 6,846          | 8,462          | 6,846          | 8,462          |
| Patient/client fees: other                         |      | 28,715         | 41,145         | 28,715         | 41,145         |
| Debtors  |      | 11,972         | 11,468         | 11,526         | 9,514          |
| Less: allowance for impairment loss on receivables | 15.1 | (5,158)        | (6,697)        | (5,023)        | (6,601)        |
| Prepayments  |      | 1,739          | 918            | 1,554          | 699            |
| Interest   |      | 3              | 16             | -              | -              |
| Grants   |      | 4              | 45             | 4              | 45             |
| Workers compensation provision recoverable         |      | 2,699          | 2,559          | 2,699          | 2,559          |
| Sundry receivables and accrued revenue             |      | 44,523         | 49,765         | 44,396         | 49,604         |
| GST input tax recoverable                          |      | 967            | 1,836          | 1,004          | 1,924          |
| <b>Total current receivables</b>                   |      | <b>92,310</b>  | <b>109,517</b> | <b>91,721</b>  | <b>107,351</b> |
| <b>Non-current</b>                                 |      |                |                |                |                |
| Debtors  |      | 174            | 155            | 174            | 155            |
| Workers compensation provision recoverable         |      | 4,535          | 4,667          | 4,535          | 4,667          |
| GST input tax recoverable                          |      | -              | 788            | -              | 788            |
| <b>Total non-current receivables</b>               |      | <b>4,709</b>   | <b>5,610</b>   | <b>4,709</b>   | <b>5,610</b>   |
| <b>Total receivables</b>                           |      | <b>97,019</b>  | <b>115,127</b> | <b>96,430</b>  | <b>112,961</b> |

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

**15.1 Impairment of receivables**

The Hospital has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using a provision matrix as a practical expedient to measure the impairment provision.

Movement in the allowance for impairment loss on receivables:

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| <b>Carrying amount at the beginning of the period</b>         | <b>6,697</b>   | <b>5,736</b>   | <b>6,601</b>   | <b>5,640</b>   |
| Increase/(Decrease) in allowance recognised in profit or loss | (1,539)        | 961            | (1,578)        | 961            |
| <b>Carrying amount at the end of the period</b>               | <b>5,158</b>   | <b>6,697</b>   | <b>5,023</b>   | <b>6,601</b>   |

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 34 for details relating to credit risk and the methodology for determining impairment.

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**16. Other financial assets**

|                                      | Consolidated  |               | Parent       |              |
|--------------------------------------|---------------|---------------|--------------|--------------|
|                                      | 2020          | 2019          | 2020         | 2019         |
| Current                              | \$'000        | \$'000        | \$'000       | \$'000       |
| Term deposits                        | 2,281         | 2,403         | 742          | 824          |
| Other investments FVPL               | 10,266        | 6,766         | 6,347        | 2,880        |
| <b>Total current investments</b>     | <b>12,547</b> | <b>9,169</b>  | <b>7,089</b> | <b>3,704</b> |
| <b>Non-current</b>                   |               |               |              |              |
| Term deposits                        | 80            | 1,618         | -            | -            |
| Interest in wholly owned subsidiary  | -             | -             | 1,150        | 1,150        |
| Other investments FVPL               | 448           | 451           | -            | -            |
| <b>Total non-current investments</b> | <b>528</b>    | <b>2,069</b>  | <b>1,150</b> | <b>1,150</b> |
| <b>Total investments</b>             | <b>13,075</b> | <b>11,238</b> | <b>8,239</b> | <b>4,854</b> |

The Hospital measures term deposits at amortised cost, listed equities and other investments are measured as fair value represented by market value. Other investments include shares in other corporations, floating rate notes, listed securities and managed funds.

There is no impairment on other financial assets. Refer to note 34 for further information on risk management.

**17. Inventories**

|  | Consolidated  |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2020          | 2019          | 2020          | 2019          |
|  | \$'000        | \$'000        | \$'000        | \$'000        |
| Drug supplies  | 16,680        | 12,461        | 16,680        | 12,461        |
| Inventory imprest stock                                  | 7,285         | 7,873         | 7,285         | 7,873         |
| Other  | 662           | 237           | 129           | 124           |
| <b>Total current inventories - held for distribution</b> | <b>24,627</b> | <b>20,571</b> | <b>24,094</b> | <b>20,458</b> |

Inventories are held for distribution at no or nominal consideration and are measured at the lower of average weighted cost and replacement cost.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

**18. Contract assets**

|                              | Consolidated |              | Parent       |              |
|------------------------------|--------------|--------------|--------------|--------------|
|                              | 2020         | 2019         | 2020         | 2019         |
|                              | \$'000       | \$'000       | \$'000       | \$'000       |
| Contract assets              | 6,564        | 9,801        | 6,564        | 9,801        |
| <b>Total contract assets</b> | <b>6,564</b> | <b>9,801</b> | <b>6,564</b> | <b>9,801</b> |

Contract assets primarily relate to the Hospital's rights to consideration for work completed but not yet billable at the reporting date. The Hospital has recognised revenue for pathology services provided but not yet processed through the billing system. Payments for pathology services are not due from the customer until the pathology services are correctly coded and therefore a contract asset is recognised over the period in which pathology services are performed to represent the Hospital's right to consideration for the services transferred to date. Any amounts previously recognised as a contract asset are transferred to receivables when the rights become unconditional (i.e. at the point at which it is invoiced to the customer).

There were no impairment losses recognised on contract assets in the reporting period.

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## **19. Property, plant and equipment, investment property and intangible assets**

### **19.1 Acquisition and recognition**

Property, plant and equipment owned by the Hospital are initially recorded on a cost basis, and are subsequently measured at fair value. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises all owned property, plant and equipment valued at or greater than \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

### **19.2 Depreciation and amortisation**

The residual values, useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reviewed and adjusted if appropriate on an annual basis. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Depreciation and amortisation is calculated on a straight line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

| <u>Class of asset</u>  | <u>Useful life (years)</u> |
|--|----------------------------|
| Buildings and improvements   | 30 - 200                   |
| Right of use buildings   | Lease term                 |
| Accommodation and Leasehold improvements                           | Lease term                 |
| Plant and equipment:   |                            |
| • Medical, surgical, dental and biomedical equipment and furniture | 5 - 15                     |
| • Computing equipment  | 3 - 5                      |
| • Vehicles   | 2 - 25                     |
| • Other plant and equipment  | 3 - 25                     |
| Right of use plant and equipment                                   | Lease term                 |
| Intangible assets  | 5 - 10                     |

### **19.3 Revaluation**

All non-current tangible assets are subsequently measured at fair value after allowing for accumulated depreciation (written down current cost).

Revaluation of non-current assets or a group of assets owned by the Hospital is only performed when the asset's fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years. If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair-value.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings.

### **19.4 Impairment**

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. For revalued assets, fair value is assessed each year.

There were no indications of impairment of property, plant and equipment as at 30 June 2020.

### **19.5 Intangible assets**

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed on an annual basis. The Hospital has intangibles with indefinite useful lives, amortisation is not recognised against these intangible assets

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic

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benefits and cost can be reliably measured), and when the amount of expenditure is greater than or equal to \$10,000. Capitalised software is amortised over the useful life of the asset.

**19.6 Land and building**

Leased land and buildings previously classified as operating leases have been included in the Statement of Financial Position for the first time in 2019-20.

An independent valuation of owned land and buildings, including site improvements, was performed in March 2018 by a Certified Practising Valuer from Jones Lang Lasalle (SA) Pty Ltd, as at 1 June 2018. This valuation excludes the new Royal Adelaide Hospital buildings, which have been held at cost deemed as fair value since 13 June 2017 and has not been revalued. The new Royal Adelaide Hospital buildings are now recognised as a Right-of-use asset.

Fair value of unrestricted land was determined using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

For land classified as restricted in use, fair value was determined using an adjustment to factors to reflect the restriction.

Fair value of specific land and building was determined using depreciated replacement cost, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; their size, condition and location. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

**19.7 Plant and equipment**

Leased plant and equipment previously classified as operating leases have been included on the Statement of Financial Position for the first time in 2019-20

The Hospital's plant and equipment assets with a fair value greater than \$1 million or had an estimated useful life of greater than 3 years were revalued using the fair value methodology, as at 1 June 2018, based on independent valuations performed by a Certified Practising Valuer from Jones Lang Lasalle (SA) Pty Ltd. The value of other plant and equipment is deemed to approximate fair value. These assets are classified in Level 3 as there have been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

**19.8 Investment property**

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated and are not tested for impairment.

The valuation of the investment property located at Dalglish Street, Thebarton was performed by a Certified Practising Valuer as at March 2020. The Valuer arrived at a fair value based on recent market transactions for similar properties in the area taking in to account zoning and restricted use.

Where there are recent market transactions for similar properties, the valuations are based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in the active market for similar properties. These investment properties have been categorised as Level 2.

Amounts recognised in profit or loss

The Hospital recognised rental income from investment property during the period of \$0.442 million (\$0.437 million).

**19.9 Right-of-use assets**

Right-of-use assets (including concessional arrangements) are recorded at costs, and there were no indications for impairment. Additions to right of use assets during 2019-20 were \$5.637 million.

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**20. Reconciliation of property, plant and equipment and investment property**

The following table shows the movement:

| Consolidated<br>2019-20  | Land and buildings: |                     |   |  | Plant and equipment:   |  |   |  |   |              |                  | Investment<br>property<br>\$'000 | Total<br>\$'000 |
|--|---------------------|---------------------|---|--|--|--|---|--|---|--------------|------------------|----------------------------------|-----------------|
|  | Land<br>\$'000      | Buildings<br>\$'000 | Right-of-<br>use<br>buildings<br>\$'000 | Capital<br>works in<br>progress<br>land and<br>buildings<br>\$'000 | Accommo-<br>dation and<br>Leasehold<br>improve-<br>ments<br>\$'000 | Medical/<br>surgical/<br>dental/<br>biomedical<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Right-of-<br>use plant<br>and<br>equipment<br>\$'000 | Capital<br>works in<br>progress<br>plant and<br>equipment<br>\$'000 |              |                  |                                  |                 |
| Carrying amount at the beginning of the period                 | 113,935             | 275,280             | 2,580,010                               | 21,264   | 16,970   | 136,991  | 9,047                                     | 243,147  | 6,117   | 4,670        | 3,407,431        |                                  |                 |
| Additions  | -                   | -                   | 4,896                                   | 11,217   | -  | 7,189  | 16  | 741  | 14,680  | -            | 38,739           |                                  |                 |
| Assets received free of charge                                 | -                   | -                   | -                                       | -  | -  | 137  | -   | -  | -   | -            | 137              |                                  |                 |
| Disposals  | -                   | -                   | (119)                                   | -  | -  | (282)  | (33)                                      | (11)   | (11)  | -            | (456)            |                                  |                 |
| Donated assets disposal  | -                   | -                   | -                                       | -  | -  | (1,182)  | -   | -  | -   | -            | (1,182)          |                                  |                 |
| Acquisition / (disposal) through administrative restructuring  | -                   | -                   | -                                       | -  | -  | 41   | -   | -  | -   | -            | 41               |                                  |                 |
| Transfers between asset classes                                | -                   | 21,719              | -                                       | (21,718)   | -  | 14,853   | 390                                       | -  | (15,269)  | -            | (25)             |                                  |                 |
| Other movements  | -                   | -                   | (537)                                   | -  | -  | -  | -   | -  | -   | -            | (537)            |                                  |                 |
| <b>Subtotal:</b>   | <b>113,935</b>      | <b>296,999</b>      | <b>2,584,250</b>                        | <b>10,763</b>  | <b>16,970</b>  | <b>157,747</b>   | <b>9,420</b>                              | <b>243,877</b>                                       | <b>5,517</b>  | <b>4,670</b> | <b>3,444,148</b> |                                  |                 |
| <b>Gains/(losses) for the period recognised in net result:</b> |                     |                     |   |  |  |  |   |  |   |              |                  |                                  |                 |
| Depreciation and amortisation                                  | -                   | (22,495)            | (53,880)                                | -  | (1,348)  | (37,822)   | (4,913)                                   | (9,744)  | -   | -            | (130,202)        |                                  |                 |
| Revaluation increment / (decrement)                            | -                   | -                   | -                                       | -  | -  | -  | -   | -  | -   | 880          | 880              |                                  |                 |
| <b>Subtotal:</b>   | <b>-</b>            | <b>(22,495)</b>     | <b>(53,880)</b>                         | <b>-</b>   | <b>(1,348)</b>   | <b>(37,822)</b>  | <b>(4,913)</b>                            | <b>(9,744)</b>                                       | <b>-</b>  | <b>880</b>   | <b>(129,322)</b> |                                  |                 |
| <b>Carrying amount at the end of the period*</b>               | <b>113,935</b>      | <b>274,504</b>      | <b>2,530,370</b>                        | <b>10,763</b>  | <b>15,622</b>  | <b>119,925</b>   | <b>4,507</b>                              | <b>234,133</b>                                       | <b>5,517</b>  | <b>5,550</b> | <b>3,314,826</b> |                                  |                 |
| <b>Gross carrying amount</b>                                   |                     |                     |   |  |  |  |   |  |   |              |                  |                                  |                 |
| Gross carrying amount  | 113,935             | 320,182             | 2,668,269                               | 10,763   | 26,989   | 290,265  | 25,413                                    | 260,033  | 5,517   | 5,550        | 3,726,916        |                                  |                 |
| Accumulated depreciation / amortisation                        | -                   | (45,678)            | (137,899)                               | -  | (11,367)   | (170,340)  | (20,906)                                  | (25,900)   | -   | -            | (412,090)        |                                  |                 |
| <b>Carrying amount at the end of the period</b>                | <b>113,935</b>      | <b>274,504</b>      | <b>2,530,370</b>                        | <b>10,763</b>  | <b>15,622</b>  | <b>119,925</b>   | <b>4,507</b>                              | <b>234,133</b>                                       | <b>5,517</b>  | <b>5,550</b> | <b>3,314,826</b> |                                  |                 |

\*All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment properties valued at \$5.550 million (\$4.670 million) (classified as level 2) and capital works in progress (not classified). Refer to note 1.8 for details about the right-of-use assets, and note 24 for details about the lease liability for right of use assets.

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| 2018-19   | Land and buildings: |                     |                                     | Plant and equipment:   |  |  |   |  |   |              | Investment property<br>\$'000 | Total<br>\$'000 |
|---|---------------------|---------------------|-------------------------------------|--|--|--|---|--|---|--------------|-------------------------------|-----------------|
|   | Land<br>\$'000      | Buildings<br>\$'000 | Buildings<br>under<br>PPP<br>\$'000 | Capital<br>works in<br>progress<br>land and<br>buildings<br>\$'000 | Accommo<br>dation and<br>Leasehold<br>improve<br>ments<br>\$'000 | Medical/<br>surgical/<br>dental/<br>biomedical<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Plant and<br>equipment<br>under<br>PPP<br>\$'000 | Capital<br>works in<br>progress<br>plant and<br>equipment<br>\$'000 |              |                               |                 |
| Carrying amount at the beginning of the period          | 113,935             | 287,734             | 2,572,138                           | 12,150   | 19,024   | 146,899  | 23,934                                    | 250,849  | 6,980   | 4,670        | 3,438,313                     |                 |
| Additions   | -                   | -                   | -                                   | 20,831   | -  | 5,745  | 64  | -  | 8,064   | -            | 34,704                        |                 |
| Assets received free of charge                          | -                   | -                   | -                                   | -  | -  | 107  | -   | -  | -   | -            | 107                           |                 |
| Disposals   | -                   | -                   | -                                   | -  | (740)  | (285)  | (79)                                      | -  | (41)  | -            | (1,145)                       |                 |
| Transfers between asset classes                         | -                   | 8,562               | 2,126                               | (11,717)   | 135  | 19,461   | (10,081)                                  | -  | (8,886)   | -            | (400)                         |                 |
| Other movements   | -                   | -                   | (1,821)                             | -  | -  | -  | -   | (188)  | -   | -            | (2,009)                       |                 |
| <b>Subtotal:</b>  | <b>113,935</b>      | <b>296,296</b>      | <b>2,572,443</b>                    | <b>21,264</b>  | <b>18,419</b>  | <b>171,927</b>   | <b>13,838</b>                             | <b>250,661</b>                                   | <b>6,117</b>  | <b>4,670</b> | <b>3,469,570</b>              |                 |
| Gains/(losses) for the period recognised in net result: |                     |                     |                                     |  |  |  |   |  |   |              |                               |                 |
| Depreciation and amortisation                           | -                   | (21,016)            | (45,863)                            | -  | (1,449)  | (34,936)   | (4,791)                                   | (8,868)  | -   | -            | (116,923)                     |                 |
| <b>Subtotal:</b>  | <b>-</b>            | <b>(21,016)</b>     | <b>(45,863)</b>                     | <b>-</b>   | <b>(1,449)</b>   | <b>(34,936)</b>  | <b>(4,791)</b>                            | <b>(8,868)</b>                                   | <b>-</b>  | <b>-</b>     | <b>(116,923)</b>              |                 |
| <b>Carrying amount at the end of the period*</b>        | <b>113,935</b>      | <b>275,280</b>      | <b>2,526,580</b>                    | <b>21,264</b>  | <b>16,970</b>  | <b>136,991</b>   | <b>9,047</b>                              | <b>241,793</b>                                   | <b>6,117</b>  | <b>4,670</b> | <b>3,352,647</b>              |                 |
| Gross carrying amount                                   |                     |                     |                                     |  |  |  |   |  |   |              |                               |                 |
| Gross carrying amount                                   | 113,935             | 298,463             | 2,610,603                           | 21,264   | 26,989   | 279,050  | 25,123                                    | 258,061  | 6,117   | 4,670        | 3,644,275                     |                 |
| Accumulated depreciation / amortisation                 | -                   | (23,183)            | (84,023)                            | -  | (10,019)   | (142,059)  | (16,076)                                  | (16,268)   | -   | -            | (291,628)                     |                 |
| <b>Carrying amount at the end of the period</b>         | <b>113,935</b>      | <b>275,280</b>      | <b>2,526,580</b>                    | <b>21,264</b>  | <b>16,970</b>  | <b>136,991</b>   | <b>9,047</b>                              | <b>241,793</b>                                   | <b>6,117</b>  | <b>4,670</b> | <b>3,352,647</b>              |                 |

\*All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment properties valued at \$5.550 million (\$4.670 million) (classified as level 2) and capital works in progress (not classified).

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| Parent<br>2019-20  | Land and buildings: |                     |   | Plant and equipment:   |  |  |   |  |   |          | Investment<br>property<br>\$'000 | Total<br>\$'000 |
|--|---------------------|---------------------|---|--|--|--|---|--|---|----------|----------------------------------|-----------------|
|  | Land<br>\$'000      | Buildings<br>\$'000 | Right-of-<br>use<br>buildings<br>\$'000 | Capital<br>works in<br>progress<br>land and<br>buildings<br>\$'000 | Accommo-<br>dation and<br>Leasehold<br>improve-<br>ments<br>\$'000 | Medical/<br>surgical/<br>dental/<br>biomedical<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Right-of-<br>use plant<br>and<br>equipment<br>\$'000 | Capital<br>works in<br>progress<br>plant and<br>equipment<br>\$'000 |          |                                  |                 |
| Carrying amount at the beginning of the period                 | 113,935             | 275,280             | 2,579,070                               | 21,264   | 16,970   | 136,991  | 8,293                                     | 243,147  | 6,005   | -        | 3,400,955                        |                 |
| Additions  | -                   | -                   | 4,896                                   | 11,217   | -  | 7,189  | 16  | 741  | 14,222  | -        | 38,281                           |                 |
| Assets received free of charge                                 | -                   | -                   | -                                       | -  | -  | 137  | -   | -  | -   | -        | 137                              |                 |
| Disposals  | -                   | -                   | (119)                                   | -  | -  | (282)  | (33)                                      | (11)   | (11)  | -        | (456)                            |                 |
| Donated assets disposal  | -                   | -                   | -                                       | -  | -  | (1,182)  | -   | -  | -   | -        | (1,182)                          |                 |
| Acquisition / (disposal) through administrative restructuring  | -                   | -                   | -                                       | -  | -  | 41   | -   | -  | -   | -        | 41                               |                 |
| Transfers between asset classes                                | -                   | 21,718              | -                                       | (21,718)   | -  | 14,853   | 181                                       | -  | (15,059)  | -        | (25)                             |                 |
| Other movements  | -                   | -                   | 37                                      | -  | -  | -  | -   | -  | -   | -        | 37                               |                 |
| <b>Subtotal:</b>   | <b>113,935</b>      | <b>296,998</b>      | <b>2,583,884</b>                        | <b>10,763</b>  | <b>16,970</b>  | <b>157,747</b>   | <b>8,457</b>                              | <b>243,877</b>                                       | <b>5,157</b>  | <b>-</b> | <b>3,437,788</b>                 |                 |
| <b>Gains/(losses) for the period recognised in net result:</b> |                     |                     |   |  |  |  |   |  |   |          |                                  |                 |
| Depreciation and amortisation                                  | -                   | (22,495)            | (53,732)                                | -  | (1,348)  | (37,822)   | (4,462)                                   | (9,744)  | -   | -        | (129,603)                        |                 |
| <b>Subtotal:</b>   | <b>-</b>            | <b>(22,495)</b>     | <b>(53,732)</b>                         | <b>-</b>   | <b>(1,348)</b>   | <b>(37,822)</b>  | <b>(4,462)</b>                            | <b>(9,744)</b>                                       | <b>-</b>  | <b>-</b> | <b>(129,603)</b>                 |                 |
| <b>Carrying amount at the end of the period*</b>               | <b>113,935</b>      | <b>274,503</b>      | <b>2,530,152</b>                        | <b>10,763</b>  | <b>15,622</b>  | <b>119,925</b>   | <b>3,995</b>                              | <b>234,133</b>                                       | <b>5,157</b>  | <b>-</b> | <b>3,308,185</b>                 |                 |
| <b>Gross carrying amount</b>                                   |                     |                     |   |  |  |  |   |  |   |          |                                  |                 |
| Gross carrying amount  | 113,935             | 320,181             | 2,667,903                               | 10,763   | 26,989   | 290,265  | 23,802                                    | 260,033  | 5,157   | -        | 3,719,028                        |                 |
| Accumulated depreciation / amortisation                        | -                   | (45,678)            | (137,751)                               | -  | (11,367)   | (170,340)  | (19,807)                                  | (25,900)   | -   | -        | (410,843)                        |                 |
| <b>Carrying amount at the end of the period</b>                | <b>113,935</b>      | <b>274,503</b>      | <b>2,530,152</b>                        | <b>10,763</b>  | <b>15,622</b>  | <b>119,925</b>   | <b>3,995</b>                              | <b>234,133</b>                                       | <b>5,157</b>  | <b>-</b> | <b>3,308,185</b>                 |                 |

\*All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 1.8 for details about the right-of-use assets, and note 24 for details about the lease liability for right of use assets.

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| Parent<br>2018-19  | Land and buildings: |                     |                                     | Plant and equipment:   |  |  |   |  |   |                                  |                  |
|--|---------------------|---------------------|-------------------------------------|--|--|--|---|--|---|----------------------------------|------------------|
|  | Land<br>\$'000      | Buildings<br>\$'000 | Buildings<br>under<br>PPP<br>\$'000 | Capital<br>works in<br>progress<br>land and<br>buildings<br>\$'000 | Accommo-<br>dation and<br>Leasehold<br>improve-<br>ments<br>\$'000 | Medical/<br>surgical/<br>dental/<br>biomedical<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Plant and<br>equipment<br>under<br>PPP<br>\$'000 | Capital<br>works in<br>progress<br>plant and<br>equipment<br>\$'000 | Investment<br>property<br>\$'000 | Total<br>\$'000  |
| Carrying amount at the beginning of the period                 | 113,935             | 287,734             | 2,572,138                           | 12,150   | 19,024   | 146,899  | 23,468                                    | 250,849  | 6,847   | -                                | 3,433,044        |
| Additions  | -                   | -                   | -                                   | 20,831   | -  | 5,745  | 54  | -  | 7,481   | -                                | 34,111           |
| Assets received free of charge                                 | -                   | -                   | -                                   | -  | -  | 107  | -   | -  | -   | -                                | 107              |
| Disposals  | -                   | -                   | -                                   | -  | (740)  | (285)  | (79)                                      | -  | (41)  | -                                | (1,145)          |
| Transfers between asset classes                                | -                   | 8,562               | 2,126                               | (11,717)   | 135  | 19,461   | (10,685)                                  | -  | (8,282)   | -                                | (400)            |
| Other movements  | -                   | -                   | (1,821)                             | -  | -  | -  | -   | (188)  | -   | -                                | (2,009)          |
| <b>Subtotal:</b>   | <b>113,935</b>      | <b>296,296</b>      | <b>2,572,443</b>                    | <b>21,264</b>  | <b>18,419</b>  | <b>171,927</b>   | <b>12,758</b>                             | <b>250,661</b>                                   | <b>6,005</b>  | <b>-</b>                         | <b>3,463,708</b> |
| <b>Gains/(losses) for the period recognised in net result:</b> |                     |                     |                                     |  |  |  |   |  |   |                                  |                  |
| Depreciation and amortisation                                  | -                   | (21,016)            | (45,863)                            | -  | (1,449)  | (34,936)   | (4,465)                                   | (8,868)  | -   | -                                | (116,597)        |
| <b>Subtotal:</b>   | <b>-</b>            | <b>(21,016)</b>     | <b>(45,863)</b>                     | <b>-</b>   | <b>(1,449)</b>   | <b>(34,936)</b>  | <b>(4,465)</b>                            | <b>(8,868)</b>                                   | <b>-</b>  | <b>-</b>                         | <b>(116,597)</b> |
| <b>Carrying amount at the end of the period*</b>               | <b>113,935</b>      | <b>275,280</b>      | <b>2,526,580</b>                    | <b>21,264</b>  | <b>16,970</b>  | <b>136,991</b>   | <b>8,293</b>                              | <b>241,793</b>                                   | <b>6,005</b>  | <b>-</b>                         | <b>3,347,111</b> |
| <b>Gross carrying amount</b>                                   |                     |                     |                                     |  |  |  |   |  |   |                                  |                  |
| Gross carrying amount  | 113,935             | 298,463             | 2,610,603                           | 21,264   | 26,989   | 279,050  | 23,721                                    | 258,061  | 6,005   | -                                | 3,638,091        |
| Accumulated depreciation / amortisation                        | -                   | (23,183)            | (84,023)                            | -  | (10,019)   | (142,059)  | (15,428)                                  | (16,268)   | -   | -                                | (290,980)        |
| <b>Carrying amount at the end of the period</b>                | <b>113,935</b>      | <b>275,280</b>      | <b>2,526,580</b>                    | <b>21,264</b>  | <b>16,970</b>  | <b>136,991</b>   | <b>8,293</b>                              | <b>241,793</b>                                   | <b>6,005</b>  | <b>-</b>                         | <b>3,347,111</b> |

\* All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified).

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**21. Reconciliation of intangible assets**

The following table shows the movement:

Consolidated

|   | 2019-20                        |  |                 | 2018-19                        |  |                 |
|---|--------------------------------|--|-----------------|--------------------------------|--|-----------------|
|   | Computer<br>software<br>\$'000 | Capital<br>works in<br>progress<br>intangibles<br>\$'000 | Total<br>\$'000 | Computer<br>software<br>\$'000 | Capital<br>works in<br>progress<br>intangibles<br>\$'000 | Total<br>\$'000 |
| <b>Carrying amount at the beginning of the period</b> | 45,472                         | 759  | 46,231          | 51,956                         | 3,887  | 55,843          |
| Additions   | 15                             | 931  | 946             | 15                             | 750  | 765             |
| Amortisation  | (9,400)                        | -  | (9,400)         | (10,777)                       | -  | (10,777)        |
| Transfers between asset classes                       | 25                             | -  | 25              | 4,278                          | (3,878)  | 400             |
| <b>Carrying amount at the end of the period</b>       | <b>36,112</b>                  | <b>1,690</b>   | <b>37,802</b>   | <b>45,472</b>                  | <b>759</b>   | <b>46,231</b>   |
| <b>Gross carrying amount</b>                          |                                |  |                 |                                |  |                 |
| Gross carrying amount                                 | 74,326                         | 1,690  | 76,016          | 74,346                         | 759  | 75,105          |
| Accumulated amortisation                              | (38,214)                       | -  | (38,214)        | (28,874)                       | -  | (28,874)        |
| <b>Carrying amount at the end of the period</b>       | <b>36,112</b>                  | <b>1,690</b>   | <b>37,802</b>   | <b>45,472</b>                  | <b>759</b>   | <b>46,231</b>   |
| <b>Parent</b>   |                                |  |                 |                                |  |                 |
| <b>Carrying amount at the beginning of the period</b> | 45,472                         | 759  | 46,231          | 51,956                         | 3,887  | 55,843          |
| Additions   | 15                             | 931  | 946             | 15                             | 750  | 765             |
| Amortisation  | (9,400)                        | -  | (9,400)         | (10,777)                       | -  | (10,777)        |
| Transfers between asset classes                       | 25                             | -  | 25              | 4,278                          | (3,878)  | 400             |
| <b>Carrying amount at the end of the period</b>       | <b>36,112</b>                  | <b>1,690</b>   | <b>37,802</b>   | <b>45,472</b>                  | <b>759</b>   | <b>46,231</b>   |
| <b>Gross carrying amount</b>                          |                                |  |                 |                                |  |                 |
| Gross carrying amount                                 | 74,326                         | 1,690  | 76,016          | 74,346                         | 759  | 75,105          |
| Accumulated amortisation                              | (38,214)                       | -  | (38,214)        | (28,874)                       | -  | (28,874)        |
| <b>Carrying amount at the end of the period</b>       | <b>36,112</b>                  | <b>1,690</b>   | <b>37,802</b>   | <b>45,472</b>                  | <b>759</b>   | <b>46,231</b>   |

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**22. Fair value measurement**

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

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

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets owned by the Hospital with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 20 and 22.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**22.1 Fair value hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

**Fair value measurements at 30 June 2020**

|  | Consolidated |                |                | Parent   |                |                |
|--|--------------|----------------|----------------|----------|----------------|----------------|
|  | Level 2      | Level 3        | Total          | Level 2  | Level 3        | Total          |
|  | \$'000       | \$'000         | \$'000         | \$'000   | \$'000         | \$'000         |
| <b>Recurring fair value measurements (Note 20)</b> |              |                |                |          |                |                |
| Land   | -            | 113,935        | 113,935        | -        | 113,935        | 113,935        |
| Buildings and improvements                         | -            | 274,504        | 274,504        | -        | 274,503        | 274,503        |
| Leasehold improvements                             | -            | 15,622         | 15,622         | -        | 15,622         | 15,622         |
| Plant and equipment                                | -            | 124,432        | 124,432        | -        | 123,920        | 123,920        |
| Investment property                                | 5,550        | -              | 5,550          | -        | -              | -              |
| <b>Total recurring fair value measurements</b>     | <b>5,550</b> | <b>528,493</b> | <b>534,043</b> | <b>-</b> | <b>527,980</b> | <b>527,980</b> |

**Fair value measurements at 30 June 2019**

|  | Consolidated |                |                | Parent   |                |                |
|--|--------------|----------------|----------------|----------|----------------|----------------|
|  | Level 2      | Level 3        | Total          | Level 2  | Level 3        | Total          |
|  | \$'000       | \$'000         | \$'000         | \$'000   | \$'000         | \$'000         |
| <b>Recurring fair value measurements (Note 20)</b> |              |                |                |          |                |                |
| Land   | -            | 113,935        | 113,935        | -        | 113,935        | 113,935        |
| Buildings and improvements                         | -            | 275,280        | 275,280        | -        | 275,280        | 275,280        |
| Leasehold improvements                             | -            | 16,970         | 16,970         | -        | 16,970         | 16,970         |
| Plant and equipment                                | -            | 146,038        | 146,038        | -        | 145,284        | 145,284        |
| Investment property                                | 4,670        | -              | 4,670          | -        | -              | -              |
| <b>Total recurring fair value measurements</b>     | <b>4,670</b> | <b>552,223</b> | <b>556,893</b> | <b>-</b> | <b>551,469</b> | <b>551,469</b> |

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2020 and 2019, the Hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1 and 2 fair value hierarchy levels in 2019-20.

**22.2 Valuation techniques and inputs**

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use, and then adjusted with a discount factor. For this reason they are deemed to have been valued using Level 3 valuation inputs.

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

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Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there was some land valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all land has been classified as Level 3. Investment property has been valued using the income approach, based on capitalised net income at an appropriate yield, and is classified as Level 2.

### 23. Payables

|                                   | Consolidated   |                | Parent         |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2020           | 2019           | 2020           | 2019           |
|                                   | \$'000         | \$'000         | \$'000         | \$'000         |
| <b>Current</b>                    |                |                |                |                |
| Creditors and accrued expenses    | 75,600         | 116,717        | 74,888         | 115,435        |
| Paid Parental Leave Scheme        | 379            | 128            | 379            | 128            |
| Staff on-costs*                   | 20,313         | 18,209         | 20,261         | 18,153         |
| Other payables                    | 3,719          | 3,931          | 3,719          | 3,931          |
| <b>Total current payables</b>     | <b>100,011</b> | <b>138,985</b> | <b>99,247</b>  | <b>137,647</b> |
| <b>Non-current</b>                |                |                |                |                |
| Creditors and accrued expenses    | -              | 624            | -              | 624            |
| Staff on-costs*                   | 11,770         | 8,958          | 11,770         | 8,958          |
| <b>Total non-current payables</b> | <b>11,770</b>  | <b>9,582</b>   | <b>11,770</b>  | <b>9,582</b>   |
| <b>Total payables</b>             | <b>111,781</b> | <b>148,567</b> | <b>111,017</b> | <b>147,229</b> |

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed and unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to their short term nature.

\*Staff on-costs include Return to Work SA levies and superannuation contributions. The Hospital makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken has increased from the 2019 rate (29%) to 38% and the average factor for the calculation of employer superannuation on-costs has remained at 9.80%. These rates are used in the employment on-cost calculation. The net financial effect of the above changes in the current financial year is an increase in the staff on-cost and staff benefits expense of \$3.345 million. The estimated impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

Refer to note 34 for information on risk management.

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**24. Financial liabilities**

|  | Consolidated     |                  | Parent           |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2020             | 2019             | 2020             | 2019             |
|  | \$'000           | \$'000           | \$'000           | \$'000           |
| <b>Current</b>                                 |                  |                  |                  |                  |
| Lease liabilities                              | 68,702           | 61,234           | 68,541           | 61,234           |
| <b>Total current financial liabilities</b>     | <b>68,702</b>    | <b>61,234</b>    | <b>68,541</b>    | <b>61,234</b>    |
| <b>Non-current</b>                             |                  |                  |                  |                  |
| Lease liabilities                              | 2,636,100        | 2,650,031        | 2,636,043        | 2,650,031        |
| <b>Total non-current financial liabilities</b> | <b>2,636,100</b> | <b>2,650,031</b> | <b>2,636,043</b> | <b>2,650,031</b> |
| <b>Total financial liabilities</b>             | <b>2,704,802</b> | <b>2,711,265</b> | <b>2,704,584</b> | <b>2,711,265</b> |

Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or Treasury's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year. For 2019-20 the lease liabilities reflect only finance leases recognised in accordance with AASB 117

Refer to note 34 for information on risk management.

*24.1 Leasing activities*

The Hospital has a number of lease agreements including concessional. Lease terms vary in length from 2 to 27 years. Major lease activities include the use of:

- Properties – SA Pathology collection centres, primary health, dental clinics and non-DPTI provided office accommodation are generally leased from the private sector. Generally property leases are non-cancellable with many having the right of renewal. Rent is payable in arrears, with increases generally linked to CPI increases. Prior to renewal, most lease arrangements undergo a formal rent review linked to market appraisals or independent valuers.
- Health Facilities – lease include the Royal Adelaide Hospital.  
 Royal Adelaide Hospital (RAH) lease commenced in June 2011, achieved commercial acceptance in June 2017, and is for 35 years. The SA Health Partnership Consortium trading as Celsus entered into an arrangement to finance, design, build, operate and maintain the new RAH. Under the arrangement, Celsus will maintain and provide non-medical support services including facilities management by Spotless and information and communication technology (ICT) support and maintenance by DXC Technology for the duration of the contract. The arrangement is referred to as a Public Private Partnership (PPP). At the conclusion of the contract in 2046, the Hospital will take full ownership of the RAH. Celsus have an obligation to deliver the RAH in a condition fit for its intended purpose and fully maintained in accordance with the agreed asset management plan.
- Motor vehicles – leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specified time period (usually 3 years) or a specified number of kilometres, whichever occurs first.

The Hospital has not committed to any lease arrangements that have not commenced. The Hospital has not entered into any sub-lease arrangements outside of SA Health.

Refer note 20 for details about the right of use assets (including depreciation) and note 5 for financing costs associated with these leasing activities.

*24.2 Concessional lease arrangements*

The Hospital has 41 concessional lease arrangements as lessee, 16 within the SA Health economic entity, 19 with SA government entities, 2 with other government entities (e.g. local councils, universities and the Commonwealth government), and 4 with not-for-profit entities.

| Right of use asset         | Nature of arrangements  | Details   |
|----------------------------|---|---|
| Buildings and improvements | Terms are up to 37 years<br>Payments range from \$1 to \$1,312 pa | Concessional building arrangements include the use of premises for dental services, pathology collection, Breastscreen services, community health services and vacant land. |

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**24.3 Maturity analysis**

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

|   | Consolidated     |                  | Parent           |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2020             | 2019             | 2020             | 2019             |
|   | \$'000           | \$'000           | \$'000           | \$'000           |
| <b>Lease Liabilities</b>                      |                  |                  |                  |                  |
| 1 to 3 years                                  | 923,341          | 913,047          | 922,187          | 913,047          |
| 3 to 5 years                                  | 597,453          | 596,208          | 597,453          | 596,208          |
| 5 to 10 years                                 | 1,437,715        | 1,438,070        | 1,437,715        | 1,438,070        |
| More than 10 years                            | 3,895,864        | 4,167,765        | 3,895,864        | 4,167,765        |
| <b>Total lease liabilities (undiscounted)</b> | <b>6,854,373</b> | <b>7,115,090</b> | <b>6,853,219</b> | <b>7,115,090</b> |

**25. Staff benefits**

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020           | 2019           | 2020           | 2019           |
|   | \$'000         | \$'000         | \$'000         | \$'000         |
| <b>Current</b>                          |                |                |                |                |
| Accrued salaries and wages              | 57,762         | 38,113         | 57,463         | 37,750         |
| Annual leave                            | 138,118        | 132,145        | 137,818        | 131,825        |
| Long service leave                      | 28,020         | 28,053         | 27,680         | 27,689         |
| Skills and experience retention leave   | 10,024         | 9,582          | 10,024         | 9,582          |
| Other                                   | 73             | 66             | 52             | 50             |
| <b>Total current staff benefits</b>     | <b>233,997</b> | <b>207,959</b> | <b>233,037</b> | <b>206,896</b> |
| <b>Non-current</b>                      |                |                |                |                |
| Long service leave                      | 305,824        | 299,997        | 305,812        | 299,980        |
| <b>Total non-current staff benefits</b> | <b>305,824</b> | <b>299,997</b> | <b>305,812</b> | <b>299,980</b> |
| <b>Total staff benefits</b>             | <b>539,821</b> | <b>507,956</b> | <b>538,849</b> | <b>506,876</b> |

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

Refer to note 1.6 for details of staff transferred to the Hospital during the year.

**25.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave**

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

The actuarial assessment performed by DTF decreased the salary inflation rate from 2019 (2.20%) to 2.00% for annual leave and skills, experience and retention leave liability. The net financial effect of the change in the salary inflation rate in the current financial year is a decrease in annual leave liability of \$0.318 million.

No provision has been made for sick leave, as all sick leave is non-vesting, and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

**25.2 Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities and the health sector across government.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from the 2019 rate (1.25%) to 0.75%. This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The actuarial assessment performed by DTF decreased the salary inflation rate from 2019 (4.00%) to 2.50% for long service leave liability, resulting in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions is a decrease in the long service leave liability of \$3.671 million, payables (staff on-costs) of \$0.141 million and staff benefits expense of \$3.812 million. The impact on future periods is

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impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption being the long-term discount rate.

**26. Provisions**

Provisions represent workers compensation.

| <i>Reconciliation of workers compensation (statutory and non-statutory)</i>   | <b>Consolidated</b> |               | <b>Parent</b> |               |
|---|---------------------|---------------|---------------|---------------|
|   | <b>2020</b>         | <b>2019</b>   | <b>2020</b>   | <b>2019</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| Carrying amount at the beginning of the period                                | 18,708              | 26,209        | 18,708        | 26,209        |
| Increase in provisions recognised   | 3,265               | -             | 3,265         | -             |
| Reductions arising from payments/other sacrifices of future economic benefits | (1,435)             | (1,170)       | (1,435)       | (1,170)       |
| Reductions resulting from re-measurement or settlement without cost           | -                   | (6,331)       | -             | (6,331)       |
| <b>Carrying amount at the end of the period</b>                               | <b>20,538</b>       | <b>18,708</b> | <b>20,538</b> | <b>18,708</b> |

***Workers compensation statutory provision***

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. There is a high level of uncertainty as to the valuation of the liability (including future claim costs). The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

***Workers compensation non-statutory provision***

Additional insurance/compensation arrangements for certain work related injuries have been introduced for most public sector employees through various enterprise bargaining agreements and industrial awards. This insurance/compensation is intended to provide continuing benefits to non-seriously injured workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme.

The workers compensation non-statutory provision is an actuarial assessment of the outstanding claims liability, provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. There is a high level of uncertainty as to the valuation of the liability (including future claim costs), this is largely due to the enterprise bargaining agreements and industrial awards being in place for a short period of time and the emerging experience is unstable. The average claim size has been estimated based on applications to date and this may change as more applications are made. As at 30 June 2020 the Hospital recognised a workers compensation non-statutory provision of \$1.267 million (\$2.376 million).

**27. Contract liabilities and other liabilities**

|   | <b>Consolidated</b> |               | <b>Parent</b> |               |
|---|---------------------|---------------|---------------|---------------|
|   | <b>2020</b>         | <b>2019</b>   | <b>2020</b>   | <b>2019</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>  |                     |               |               |               |
| Unearned revenue  | 640                 | 931           | 499           | 931           |
| Accommodation and lease incentive*                              | -                   | 160           | -             | 160           |
| Other   | 3,701               | 788           | 3,701         | 788           |
| <b>Total current contract liabilities and other liabilities</b> | <b>4,341</b>        | <b>1,879</b>  | <b>4,200</b>  | <b>1,879</b>  |
| <b>Non-current</b>  |                     |               |               |               |
| Unearned revenue  | -                   | 607           | -             | 607           |
| Accommodation and lease incentive*                              | -                   | 1,062         | -             | 1,062         |
| Other   | 743                 | 825           | 743           | 825           |
| <b>Total non-current other liabilities</b>                      | <b>743</b>          | <b>2,494</b>  | <b>743</b>    | <b>2,494</b>  |
| <b>Total other contract liabilities and other liabilities</b>   | <b>5,084</b>        | <b>4,373</b>  | <b>4,943</b>  | <b>4,373</b>  |

\* Lease incentive liabilities on transition to AASB 16 were written off against retained earnings.

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**28. Cash flow reconciliation**

| Reconciliation of cash and cash equivalents at the end of the reporting period    | Consolidated   |                  | Parent         |                  |
|---|----------------|------------------|----------------|------------------|
|   | 2020<br>\$'000 | 2019<br>\$'000   | 2020<br>\$'000 | 2019<br>\$'000   |
| Cash and cash equivalents disclosed in the Statement of Financial Position        | 170,694        | 125,083          | 166,439        | 122,291          |
| <b>Cash as per Statement of Financial Position</b>                                | <b>170,694</b> | <b>125,083</b>   | <b>166,439</b> | <b>122,291</b>   |
| <b>Balance as per Statement of Cash Flows</b>                                     | <b>170,694</b> | <b>125,083</b>   | <b>166,439</b> | <b>122,291</b>   |
| <b>Reconciliation of net cash provided by operating activities to net result:</b> |                |                  |                |                  |
| Net cash provided by (used in) operating activities                               | 140,847        | 47,963           | 140,148        | 46,768           |
| <b>Add/less non-cash items</b>  |                |                  |                |                  |
| Asset donated free of charge  | (1,182)        | -                | (1,182)        | -                |
| Capital revenues  | 7,613          | 12,549           | 7,613          | 12,549           |
| Capitalised interest expense on finance lease                                     | (12,040)       | (11,962)         | (12,040)       | (11,962)         |
| Depreciation and amortisation expense of non-current assets                       | (139,602)      | (127,700)        | (139,003)      | (127,374)        |
| Gain/(loss) on sale or disposal of non-current assets                             | (145)          | (985)            | (158)          | (985)            |
| Increments/(decrements) on revaluation of non-current assets                      | 880            | -                | -              | -                |
| Interest credited directly to investments   | -              | 28               | -              | -                |
| Net effect of the adoption of new Accounting Standard                             | (1,846)        | 651              | (1,846)        | 651              |
| Resources received free of charge   | 137            | 107              | 137            | 107              |
| Revaluation of investments  | 3,256          | 224              | 3,467          | (10)             |
| Transfer of Lot14 Carpark Lease to Renewal SA                                     | 7,123          | -                | 7,123          | -                |
| <b>Movement in assets/liabilities</b>   |                |                  |                |                  |
| Increase/(decrease) in contract assets  | (3,237)        | 9,801            | (3,237)        | 9,801            |
| Increase/(decrease) in inventories  | 4,056          | (549)            | 3,636          | (385)            |
| Increase/(decrease) in receivables  | (17,394)       | 35,135           | (15,817)       | 34,902           |
| (Increase)/decrease in other liabilities  | (691)          | 291              | (570)          | 291              |
| (Increase)/decrease in payables and provisions                                    | 35,128         | (37,004)         | 34,554         | (36,728)         |
| (Increase)/decrease in staff benefits   | (28,809)       | (73,439)         | (28,917)       | (73,263)         |
| <b>Net result</b>   | <b>(5,906)</b> | <b>(144,890)</b> | <b>(6,092)</b> | <b>(145,638)</b> |

Total cash outflows for leases is \$206.199 million (\$215.142 million) for the consolidated entity, and \$206.034 million (215.142 million) for the parent entity

**29. Unrecognised contractual commitments**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value.

**29.1 Capital and Expenditure commitments**

**29.1.1 Capital commitments**

|                                  | Consolidated   |                | Parent         |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2020<br>\$'000 | 2019<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 |
| Within one year                  | 1,437          | 1,579          | 1,220          | 1,504          |
| <b>Total capital commitments</b> | <b>1,437</b>   | <b>1,579</b>   | <b>1,220</b>   | <b>1,504</b>   |

The Hospital's capital commitments are for plant and equipment ordered but not received and capital works.

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**29.1.2 Expenditure commitments**

|  | Consolidated     |                  | Parent           |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2020             | 2019             | 2020             | 2019             |
|  | \$'000           | \$'000           | \$'000           | \$'000           |
| Within one year                                    | 132,553          | 121,822          | 132,553          | 121,822          |
| Later than one year but not longer than five years | 342,332          | 355,257          | 342,332          | 355,257          |
| Later than five years                              | 2,359,943        | 2,449,493        | 2,359,943        | 2,449,493        |
| <b>Total other expenditure commitments</b>         | <b>2,834,828</b> | <b>2,926,572</b> | <b>2,834,828</b> | <b>2,926,572</b> |
| Less contingent rentals                            | (1,164,994)      | (1,178,834)      | (1,164,994)      | (1,178,834)      |
| <b>Total finance lease commitments</b>             | <b>1,669,834</b> | <b>1,747,738</b> | <b>1,669,834</b> | <b>1,747,738</b> |

The Hospital's expenditure commitments are for agreements for goods and services ordered but not received; and administrative arrangements with DPTI for accommodation.

Included in other expenditure commitments above is \$2,783.444 million (\$2,879.821 million), including contingent rentals, which relates directly to the PPP operations and maintenance commitments.

The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2020 have not been quantified.

**29.2 Operating lease revenue commitments**

|  | Consolidated |              | Parent   |          |
|--|--------------|--------------|----------|----------|
|  | 2020         | 2019         | 2020     | 2019     |
|  | \$'000       | \$'000       | \$'000   | \$'000   |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows: |              |              |          |          |
| Within one year  | 488          | 482          | -        | -        |
| Later than one year but not longer than five years   | 81           | 562          | -        | -        |
| <b>Total operating lease revenue commitments</b>   | <b>569</b>   | <b>1,044</b> | <b>-</b> | <b>-</b> |

The operating lease revenue commitments relates to property owned by the Hospital and leased to external parties

**29.3 Operating lease expenditure commitments**

|  | Consolidated |               | Parent   |               |
|--|--------------|---------------|----------|---------------|
|  | 2020         | 2019          | 2020     | 2019          |
|  | \$'000       | \$'000        | \$'000   | \$'000        |
| Within one year                                    | -            | 9,084         | -        | 8,920         |
| Later than one year but not longer than five years | -            | 27,305        | -        | 26,644        |
| Later than five years                              | -            | 24,519        | -        | 24,262        |
| <b>Total operating lease commitments</b>           | <b>-</b>     | <b>60,908</b> | <b>-</b> | <b>59,826</b> |
| Representing:                                      |              |               |          |               |
| Non-cancellable operating leases                   | -            | 60,908        | -        | 59,826        |
| <b>Total operating lease commitments</b>           | <b>-</b>     | <b>60,908</b> | <b>-</b> | <b>59,826</b> |

Operating lease expenditure commitments are provided for comparative purposes only as AASB 16 does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for administrative arrangements with DPTI for accommodation. This has been reclassified and included under expenditure commitments.

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**29.4 Finance lease liabilities commitments**

**29.4.1 Finance lease liability commitments - RAH car park**

Future minimum lease payments for the Hospital under finance lease and hire purchase contracts together with the present value of net minimum lease payments for the RAH car park are as follows:

|  | 2020                   |                                 | 2019                   |                                 |
|--|------------------------|---------------------------------|------------------------|---------------------------------|
|  | Minimum lease payments | Present value of lease payments | Minimum lease payments | Present value of lease payments |
|  | \$'000                 | \$'000                          | \$'000                 | \$'000                          |
| Within one year  | -                      | -                               | 2,215                  | 850                             |
| Later than one year but not longer than five years       | -                      | -                               | 8,860                  | 3,918                           |
| Later than five years                                    | -                      | -                               | 7,199                  | 3,898                           |
| <b>Total minimum lease payments</b>                      | -                      | -                               | <b>18,274</b>          | <b>8,666</b>                    |
| Less future finance lease charges and contingent rentals | -                      | -                               | (9,608)                |                                 |
| <b>Total finance lease commitments</b>                   | -                      | -                               | <b>8,666</b>           | <b>8,666</b>                    |

Finance lease liability commitments – RAH Carpark are provided for comparative purposes only. On 23 June 2020, a Tripartite agreement was executed to novate CALHN's finance lease liability commitment to the Urban Renewal Authority.

Included in finance lease commitments above is nil (\$0.788 million) which is the GST component of the finance lease commitments.

**29.4.2 Finance lease liability commitments - new RAH building and plant and equipment**

Future minimum lease payments for the Hospital under the PPP arrangement together with the present value of net minimum lease payments for the buildings and plant and equipment at the new RAH are as follows:

|  | 2020                   |                                 | 2019                   |                                 |
|--|------------------------|---------------------------------|------------------------|---------------------------------|
|  | Minimum lease payments | Present value of lease payments | Minimum lease payments | Present value of lease payments |
|  | \$'000                 | \$'000                          | \$'000                 | \$'000                          |
| Within one year  | 308,125                | 285,759                         | 309,683                | 288,706                         |
| Later than one year but not longer than five years       | 1,217,706              | 885,867                         | 1,228,111              | 896,358                         |
| Later than five years                                    | 5,975,657              | 1,482,630                       | 6,273,375              | 1,517,535                       |
| <b>Total minimum lease payments</b>                      | <b>7,501,488</b>       | <b>2,654,256</b>                | <b>7,811,169</b>       | <b>2,702,599</b>                |
| Less future finance lease charges and contingent rentals | (4,847,232)            |                                 | (5,108,570)            |                                 |
| <b>Total finance lease commitments</b>                   | <b>2,654,256</b>       | <b>2,654,256</b>                | <b>2,702,599</b>       | <b>2,702,599</b>                |

There is nil GST in the finance lease commitments above.

A 35 year contract was entered into in June 2011 with SA Health Partnership Consortium now trading as Celsus to finance, design, build, operate and maintain the new Royal Adelaide Hospital (RAH). Under the arrangement, Celsus will maintain and provide non-medical support services including facilities management by Spotless and information communication technology (ICT) support and maintenance by DXC Technology for the duration of the contract. This arrangement is referred to as a Public Private Partnership (PPP). Commercial acceptance was achieved on 13 June 2017.

Under the PPP agreement, the Hospital pays the operator over the period of the arrangement, subject to specified performance criteria being met.

The PPP costs are disclosed as:

- a component accounted for as finance lease payment for the buildings and furniture, fitting and equipment provided under the agreement; and
- a component related to the ongoing operation and maintenance of the facilities accounted for as PPP Operating Costs, which are expensed in the Statement of Comprehensive Income.

At the conclusion of the contract in 2046, the Hospital will take ownership of the RAH. Celsus have an obligation to deliver the RAH in a condition fit for its intended purpose and fully maintained in accordance with the agreed asset management plan.

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**30. Trust funds**

The Hospital holds money in trust on behalf of consumers that reside in CALHN facilities whilst the consumer is receiving residential mental health services, residential drug and alcohol rehabilitation services, or residential aged care services. As the Hospital only performs a custodial role in respect of trust monies, they are excluded from the financial statements as the Hospital cannot use these funds to achieve its objectives.

|   | Consolidated |           | Parent    |           |
|---|--------------|-----------|-----------|-----------|
|   | 2020         | 2019      | 2020      | 2019      |
|   | \$'000       | \$'000    | \$'000    | \$'000    |
| Carrying amount at the beginning of period      | 46           | 33        | 46        | 33        |
| Client trust receipts                           | 69           | 41        | 69        | 41        |
| Client trust payments                           | 84           | 28        | 84        | 28        |
| <b>Carrying amount at the end of the period</b> | <b>31</b>    | <b>46</b> | <b>31</b> | <b>46</b> |

**31. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value.

**31.1 Contingent Assets**

The new RAH project is being delivered under a public-private partnership agreement with Celsus. The new RAH PPP agreement contains a number of indexation elements which relate to adjustments to certain service payments i.e. interest rate and refinancing service payment adjustments. Where the indexation element is closely related to a lease contract, such as the interest rate payment adjustment, it is not required to be separately accounted for as a derivative. The change in interest rate is accounted for as a contingent rental and expensed in the period incurred.

Like the interest rate service payment adjustment, the refinancing element is an embedded derivative. However the economic characteristics and risks of this embedded derivative are not closely related to the lease contract and are required to be accounted for separately in the financial statements. The refinancing element could be considered akin to a purchase option in that the Hospital benefits from a portion of gains without exposure to any of the losses. The valuation of this derivative would be derived via the present-value of the estimated future cash flows over the life of the project based on observable interest yield curves, basis spread, credit spreads and option pricing models, as appropriate, adjusted for Celsus's credit risk, (i.e. forward curve of credit risk margin).

The estimated value of the contingent asset is unable to be fully determined because of the following uncertain future events that will have an impact on Celsus's credit margin:

- Celsus's credit risk profiling and the number of times Celsus will refinance during the term of the PPP arrangement.
- The type of finance Celsus sources e.g. short term debt from the banking market vs longer term debt potentially sourced via a private placement.
- Uncertainty around the margin negotiated and whether it will be higher or lower than those assumed margins in the financial modelling.
- Whether the State Government will make a Capital Contribution during the first or any refinancing points.
- The lodgment and resolution of any claims under the PPP Agreement.

**31.2 Contingent Liabilities**

On 1 August 2017, Hansen Yuncken Pty Ltd and CBP Contractors Pty Ltd (formerly known as Leighton Contractors Pty Ltd) filed legal proceedings in the Federal Court of Australia against Celsus Pty Ltd (formerly known as SA Health Partnership Nominees Pty Ltd), independent certifier Donald Cant Watts Corke Pty Ltd and the Crown in right of the State of South Australia for alleged breaches of contract in relation to the construction of the new Royal Adelaide Hospital. In December 2017 the respondents to the builder's Federal Court proceedings successfully obtained a stay of the proceedings pending the outcome of an arbitration process. At the time of this Report, the arbitration process was still in progress. It is not possible to estimate the dollar effect of this claim or whether it will be successful.

**31.3 Guarantees**

The Hospital has made no guarantees.

**32. Events after balance date**

Prior to 30 June, members of the Australian Nurses and Midwifery Federation supported a new public sector Nursing and Midwifery (SA Public Sector) Enterprise Agreement (EA), and accordingly an application for a new EA was submitted to the South Australian Employment Tribunal (SAET) (also prior to 30 June). The SAET approved the application on 16 July 2020. Amongst other matters, the new EA provides for a 2% increase in salary and wages (and certain allowances) from 1 January 2020. The financial statements have been adjusted for this event as the condition that triggered the liability existed at or before 30 June.

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### **33. Impact of Standards not yet implemented**

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet in effect.

- *AASB 1059 Service Concession Arrangements*: Grantors applies from 1 July 2020 - The Hospital has assessed the Royal Adelaide Hospital, public private partnership arrangements under the new standard and formed the view that these arrangements are not service concession arrangements as the Hospital (the Grantor) provides the public service and not the operator. Accordingly this standard will not have an impact on the Hospital's financial statements.
- Amending Standards AASB 2018-6 and AASB 2018-7 will apply from 1 July 2020 and AASB 2014-10, AASB 2015-10, AASB 2017-5 will apply from 1 July 2022. Although applicable to the Hospital, these amending standards are not expected to have an impact on the Hospital's financial statements. SA Health will update its policies, procedures and work instructions, where required, to reflect changes to the definition of a business, definition of materiality, and the additional clarification of requirements for a sale or contribution of assets between an investor and its associate or joint venture.

### **34. Financial instruments/financial risk management**

#### **34.1 Financial risk management**

Risk management is managed by the Hospital's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

#### *Liquidity Risk*

The Hospital is funded principally by the South Australian Government via the Department. The Department works with DTF to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. Refer to notes 1.4, 23 and 24 for further information.

#### *Credit risk*

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to notes 14, 15 and 16 for further information.

#### *Market risk*

The Hospital does not engage in high risk hedging for its financial assets. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Hospital's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

#### **34.2 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: financial assets measured at amortised cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income; and financial liabilities measured at amortised cost are detailed below. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

A financial asset is measured at amortised cost if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

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| Category of financial asset and financial liability | Notes  | Consolidated  |   | Parent  |   |
|---|--------|---|---|---|---|
|   |        | 2020<br>Carrying<br>amount/<br>Fair value<br>\$'000 | 2019<br>Carrying<br>amount/<br>Fair value<br>\$'000 | 2020<br>Carrying<br>amount/<br>Fair value<br>\$'000 | 2019<br>Carrying<br>amount/<br>Fair value<br>\$'000 |
| <b>Financial assets</b>                             |        |   |   |   |   |
| Cash and equivalent                                 |        |   |   |   |   |
| Cash and cash equivalents                           | 14, 28 | 170,694   | 125,083   | 166,439   | 122,291   |
| Loans and receivables                               |        |   |   |   |   |
| Receivables <sup>(ix)</sup>                         | 15     | 86,868  | 104,156   | 86,427  | 102,121   |
| Available for sale financial assets                 |        |   |   |   |   |
| Other financial assets                              | 16     | 13,075  | 11,238  | 8,239   | 4,854   |
| <b>Total financial assets</b>                       |        | <b>270,637</b>                                      | <b>240,477</b>                                      | <b>261,105</b>                                      | <b>229,266</b>                                      |
| <b>Financial liabilities</b>                        |        |   |   |   |   |
| Financial liabilities at amortised cost             |        |   |   |   |   |
| Payables <sup>(i)</sup>                             | 23     | 78,921  | 120,902   | 78,209  | 119,151   |
| Lease liabilities                                   | 24, 29 | 2,704,802   | 2,711,265   | 2,704,584   | 2,711,265   |
| Other financial liabilities                         | 27     | 4,444   | 2,835   | 4,444   | 2,835   |
| <b>Total financial liabilities</b>                  |        | <b>2,788,167</b>                                    | <b>2,835,002</b>                                    | <b>2,787,237</b>                                    | <b>2,833,251</b>                                    |

For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

<sup>(i)</sup> Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes, Auditor-General's Department audit fees, etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

<sup>(ix)</sup> Receivable amount disclosed excludes prepayments.

### 34.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. From 1 July 2020, loss allowances for contract assets are measured at an amount equal to an ECL method using a 12 month method.

A provision matrix is used to measure the ECL of receivables from non-government debtors. The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties. Impairment losses are presented as net impairment losses within net result.

The carrying amount of receivables approximates net fair value due to being receivable on demand. Receivables are written off when there is no reasonable expectation of recovery and not subject to enforcement activity. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Hospital.

To measure the ECL, receivables are grouped based on days past due and debtor types that have similar risk characteristics and loss patterns (i.e. by patient, compensable and sundry). The provision matrix is initially based on the Hospital's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort; about past events, current conditions and forecasts of future economic conditions.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Hospital's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor. The following table provides information about the credit risk exposure and ECL for non-government debtors:

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|                      | 30 June 2020                   |                              |                               | 30 June 2019                   |                              |                               |
|----------------------|--------------------------------|------------------------------|-------------------------------|--------------------------------|------------------------------|-------------------------------|
|                      | Expected credit loss rate(s) % | Gross carrying amount \$'000 | Expected credit losses \$'000 | Expected credit loss rate(s) % | Gross carrying amount \$'000 | Expected credit losses \$'000 |
| <b>Days past due</b> |                                |                              |                               |                                |                              |                               |
| Current              | 0.4 – 2.7%                     | 13,735                       | 181                           | 1.0 – 3.6%                     | 18,130                       | 265                           |
| <30 days             | 1.4 – 3.2%                     | 6,262                        | 174                           | 2.6 – 4.2%                     | 6,924                        | 189                           |
| 31-60 days           | 3.1 – 5.1%                     | 2,309                        | 101                           | 3.6 – 6.3%                     | 4,096                        | 151                           |
| 61-90 days           | 4.5 – 7.5%                     | 2,349                        | 121                           | 4.9 – 8.2%                     | 3,086                        | 188                           |
| 91-120 days          | 6.4 – 10.0%                    | 1,548                        | 131                           | 6.6 – 10.2%                    | 2,491                        | 174                           |
| 121-180 days         | 8.7 – 15.7%                    | 1,763                        | 181                           | 9.0 – 14.8%                    | 4,248                        | 404                           |
| 181-360 days         | 11.4 – 31.4%                   | 3,713                        | 863                           | 18.7 – 31.7 %                  | 7,937                        | 1,621                         |
| 361-540 days         | 32.2 – 54.7%                   | 2,491                        | 1,339                         | 47.2 – 51.4%                   | 2,603                        | 1,241                         |
| >540 days            | 38.1 – 62.7%                   | 3,431                        | 2,067                         | 54.5 – 62.2%                   | 4,093                        | 2,464                         |
| <b>Total</b>         |                                | <b>37,601</b>                | <b>5,158</b>                  |                                | <b>53,608</b>                | <b>6,697</b>                  |

### 35. Significant transactions with government related entities

The Hospital is controlled by the SA Government.

Related parties of the Hospital include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with the SA Government are identifiable throughout this financial report.

The Hospital received funding from the SA Government via the Department (note 13), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, inter-health staff recharging, insurance and computing (note 3). The Department transferred capital works in progress of \$7.613 million (\$15.248 million) to the Hospital. The Hospital incurred expenditure with the Department of Planning, Transport and Infrastructure (DPTI) of \$3.439 million (\$3.531 million) which largely reflects occupancy rent and rates (note 3). As at 30 June the value of unrecognised contractual expenditure commitments with DPTI was \$19.452 million (\$24.192 million).

In addition, the Hospital has lease arrangements as lessee with other SA Government controlled entities. The premises are received at nil or nominal rental with outgoings such as utilities being paid by the lessee.

### 36. Interests in other entities

#### Controlled Entities

Central Adelaide Local Health Network Incorporated has a 100% interest (1,150,000 shares) in AusHealth. AusHealth is a national provider of on-site health and safety services delivered by qualified and experienced professional staff to businesses throughout Australia. AusHealth also manages patient payment solutions for Australian hospitals and commercialises hospital research into leading edge medical technologies and treatments.

#### Joint arrangements

The Hospital participates in the following joint operations:

| Name of arrangement                | Nature of the arrangement  | Principal activity  | Location    | Interest |
|------------------------------------|--|---|-------------|----------|
| Centre for Cancer Biology Alliance | Agreement between the University of South Australia and Central Adelaide Local Health Network Incorporated | Undertake health and medical research in South Australia as an integrated clinical, educational and research activity, with a focus on cancer research. | Adelaide SA | 50%      |

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**Structured entities**

The Hospital participates in the unconsolidated structured entity, CTM@CRC Ltd - the CRC for Cell Therapy Manufacturing (CTM). CTM is a cooperative research centre designed to implement research to provide new treatments and develop new materials-based manufacturing technologies to increase the accessibility, affordability and efficacy of cell therapies for previously incurable, or difficult to treat diseases.

CTM is funded by cash and in-kind resources from a number of partners in the health and research sectors throughout Australia in addition to a \$20.000 million grant from the Australian Government. CTM's headquarters are at the University of South Australia's Mawson Lakes campus.

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**37. Board and committee members**

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B were:

| Board/Committee name:  | Government<br>employee<br>members | Other members  |
|--|-----------------------------------|--|
| Acute Medicine and Mental Health Partnership Working Group (ceased 10/2019)            | 25                                | Sutton P   |
| AusHealth Corporate Pty Ltd  | 1                                 | Baccanti M, Flynn P, Gruevski Z (resigned 23/06/2020), Hinton A and Johansen G   |
| Best Practice Spotlight Organisation Steering Committee                                | 26                                | Chester M, Williams N  |
| Central Adelaide Local Health Network Clinical Ethics Committee (commenced 20/05/2020) | 10                                | Brown A Prof (Chair), Digance A, Lambert A and Merlin T Prof   |
| Central Health Local Health Network Complex Behaviour Committee                        | 39                                | Chester M  |
| Central Adelaide Local Health Network Consumer Carer Advisory Group                    | 5                                 | Barbara A, Bickley B (appointed 14/01/2020), Burns T, Eckermann C (appointed 09/07/2019), Horgan J (appointed 09/07/2019), Law D, Lucas G, Meegan J (appointed 09/07/2019), Reid L (appointed 09/07/2019), Smith J (appointed 09/07/2019) and Verrall A (Chair)  |
| Central Adelaide Local Health Network Executive Quality Governance Committee           | 60                                | Fyfe D   |
| Central Adelaide Local Health Network Governing Board (commenced 01/07/2019)           | -                                 | Beilby J Prof, Cockram A Dr, Dwyer J Prof, James N (resigned 03/04/2020), Morey K, Reid M, Spencer R (Chair) and Yuile J (appointed 29/05/2020)  |
| Central Adelaide Local Health Network Governing Council (ceased 30/09/2019)            | 1                                 | Deegan V, Eckert M, Ellery B, Fyfe D, Hubczenko N, Ielasi J, and Kellie A  |
| Central Adelaide Local Health Network Human Research Ethics Committee                  | 11                                | Air T, Bonython J, Crabb A, Crockett J (appointed 04/12/2019), Cullen J, Dale L, Digance A, Fisher A, Greenberg Z, Hackett J, Iankov I (appointed 25/07/2019), Lee J Dr, L Lu (appointed 21/08/2019), Mattner J (resigned 05/07/2019), Need A Prof, Newsham, P (appointed 29/12/2019), Parry C, Partridge G, Phillips C (appointed 03/12/2019), Raschella F, Ruediger C and Slater H |
| Central Adelaide Local Health Network Pelvic Mesh Specialists Group                    | 11                                | Blieschke K, Millhouse A (resigned 01/02/2020), Overton J, Short K   |
| Community Mental Health Redesign Project Management Committee                          | 24                                | Bickley B, Corena M, Meegan J and Vega L   |

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| <b>Board/Committee name:</b>   | <b>Government<br/>employee<br/>members</b> | <b>Other members</b>   |
|--|--|--|
| Comprehensive Care Priority Care Committee                                       | 44   | Bickley B and Marshall J   |
| Hampstead Rehabilitation Centre Hydrotherapy Committee                           | 5  | Heydrich S (resigned 31/12/2019)   |
| Inpatient Rehabilitation Services Model of Care Workgroup (Commenced 16/07/2019) | 23   | Bickley B  |
| Priority Care Committee: Managing Deterioration                                  | 30   | Price J and Raschella F  |
| Priority Care Committee: Medication Safety                                       | 22   | Raschella F  |
| SA Brain Injury Rehabilitation Service Consumer Advisory Group                   | 3  | Canavan D (Chair) (resigned 12/12/2019), Dunn K (appointed 12/12/2019), Miller L, Francese L, Morgan T (Chair) and Regan-Coe F   |
| SA Dental Services Consumer Advisory Panel                                       | -  | Ali H, Beddall P (resigned 01/08/2019), Brown M, Costa D, Ireland K (appointed 29/01/2020), Kerekes E, Matiasz S Dr, McMahon J, Millier P, Sutherland R (appointed 10/02/2020) Whiteway L (appointed 29/01/2020) and Zerna J   |
| SA Pathology Clinical Safety Working Group                                       | 16   | Christenson C  |
| Statewide Clinical Support Services Risk Management & Audit Committee            | 3  | Christley S Dr and Davies T (Chair)  |
| The Queen Elizabeth Hospital Meal Management                                     | 18   | Chester M and Heydrich S   |
| Youth Cancer Advisory Group  | 2  | Armstrong N, Binns T, Edwards S (appointed 16/10/2019), Fowler N, Hammerling S (appointed 16/10/2019), Ieremia T (appointed 16/10/2019), Merton T (appointed 16/10/2019), Mitra D, Pexon T (appointed 16/10/2019), Smith O (appointed 04/12/2019) and Spangenberg C (appointed 16/10/2019) |

Where a Board/Committee commenced during the financial year, unless otherwise specified all members were appointed on the commencement date. Similarly when a Board/Committee ceased during the current financial year, unless otherwise specified all members ceased on the same day as the committee.

Refer to note 2.2 for remuneration of board and committee members

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The Hospital administers the following:

- Private practice arrangements, representing funds billed on behalf of salaried medical officers and subsequently distributed to the Hospital and salaried medical officers according to Rights of Private Practice Deeds of Agreement; and
- Other, which largely represents Research funds

|                               | Private Practice |              | Other      |             | Total          |              |
|-------------------------------|------------------|--------------|------------|-------------|----------------|--------------|
|                               | 2020             | 2019         | 2020       | 2019        | 2020           | 2019         |
|                               | \$'000           | \$'000       | \$'000     | \$'000      | \$'000         | \$'000       |
| Revenue from fees and charges | 61,369           | 75,394       | 350        | 370         | 61,719         | 75,764       |
| Interest revenue              | -                | -            | 3          | 3           | 3              | 3            |
| Staff benefits expense        | -                | -            | (116)      | (269)       | (116)          | (269)        |
| Supplies and services         | (50)             | (942)        | (3)        | (1)         | (53)           | (943)        |
| Other expenses                | (64,421)         | (73,628)     | (137)      | -           | (64,727)       | (73,628)     |
| <b>Net result</b>             | <b>(3,102)</b>   | <b>824</b>   | <b>97</b>  | <b>103</b>  | <b>(3,005)</b> | <b>927</b>   |
| Cash and cash equivalents     | 5,326            | 7,729        | 113        | 54          | 5,439          | 7,783        |
| Receivables                   | 3,098            | 4,265        | 65         | -           | 3,163          | 4,265        |
| Payables                      | (4,802)          | (5,250)      | (70)       | (54)        | (4,872)        | (5,303)      |
| Staff benefits                | -                | -            | (25)       | (54)        | (25)           | (54)         |
| Other provisions/liabilities  | 43               | 23           | (59)       | (20)        | (16)           | 3            |
| <b>Net assets</b>             | <b>3,665</b>     | <b>6,767</b> | <b>24</b>  | <b>(74)</b> | <b>3,689</b>   | <b>6,693</b> |
| Cash at 1 July                | 7,729            | 5,920        | 54         | (137)       | 7,783          | 5,783        |
| Cash inflows                  | 62,536           | 76,855       | 289        | 455         | 62,825         | 77,310       |
| Cash outflow                  | (64,939)         | (75,046)     | (230)      | (264)       | (65,169)       | (75,310)     |
| <b>Cash at 30 June</b>        | <b>5,326</b>     | <b>7,729</b> | <b>113</b> | <b>54</b>   | <b>5,439</b>   | <b>7,783</b> |