

# Women's and Children's Health Network Incorporated

Financial report  
for the year ended  
30 June 2020



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## To the Board Chair Women's and Children's Health Network Incorporated

### Opinion

I have audited the financial report of Women's and Children's 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 Women's and Children's 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 Chief Finance Officer.

### 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 Women's and Children's 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* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of Women's and Children's 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 Women's and Children's 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 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 Women's and Children's 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 Women's and Children's Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....  
Jim Birch  
Board Chair



.....  
Lindsey Gough  
Chief Executive Officer



.....  
Yvonne Warncken  
Chief Finance Officer

Date 15.9.20 .....

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Revenues from SA Government	10	481,819	413,174
Fees and charges	5	37,688	36,593
Grants and contributions	6	9,048	9,336
Interest	11	105	238
Resources received free of charge	7	2,717	2,315
Gain on revaluation of investment property	16	608	430
Other revenues/income	9	2,163	1,231
<b>Total income</b>		<b>534,148</b>	<b>463,317</b>
<b>Expenses</b>			
Staff benefits expenses	2	363,756	364,090
Supplies and services	3	132,033	110,562
Depreciation and amortisation	16	20,425	16,619
Grants and subsidies		7	43
Borrowing costs	19	128	-
Net loss from disposal of non-current and other assets	8	-	196
Impairment loss on receivables	12.1	254	19
Other expenses	4	669	949
<b>Total expenses</b>		<b>517,272</b>	<b>492,478</b>
<b>Net result</b>		<b>16,876</b>	<b>(29,161)</b>
<b>Other Comprehensive Income</b>			
<b>Items that will be reclassified subsequently to net result when specific conditions are met</b>			
Gains or losses recognised directly in equity		(231)	130
<b>Total other comprehensive income</b>		<b>(231)</b>	<b>130</b>
<b>Total comprehensive result</b>		<b>16,645</b>	<b>(29,031)</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.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	11	28,695	23,454
Receivables	12	7,723	7,011
Inventories	14	761	813
<b>Total current assets</b>		<b>37,179</b>	<b>31,278</b>
<b>Non-current assets</b>			
Receivables	12	1,291	1,423
Other financial assets	13	1,106	1,337
Property, plant and equipment	15,16	364,642	345,589
Investment property	15,16	17,950	17,342
Intangible assets	15.5	18	30
<b>Total non-current assets</b>		<b>385,007</b>	<b>365,721</b>
<b>Total assets</b>		<b>422,186</b>	<b>396,999</b>
<b>Current liabilities</b>			
Payables	18	10,602	13,497
Financial liabilities	19	2,354	-
Staff benefits	20	52,145	46,122
Provisions	21	1,990	1,876
Contract liabilities and other liabilities	22	1,506	1,096
<b>Total current liabilities</b>		<b>68,597</b>	<b>62,591</b>
<b>Non-current liabilities</b>			
Payables	18	2,841	2,222
Financial liabilities	19	4,292	-
Staff benefits	20	73,909	74,423
Provisions	21	5,740	7,135
<b>Total non-current liabilities</b>		<b>86,782</b>	<b>83,780</b>
<b>Total liabilities</b>		<b>155,379</b>	<b>146,371</b>
<b>Net assets</b>		<b>266,807</b>	<b>250,628</b>
<b>Equity</b>			
Retained earnings		63,475	47,065
Asset revaluation surplus		202,933	202,933
Other reserves		399	630
<b>Total equity</b>		<b>266,807</b>	<b>250,628</b>

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

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2020**

	Asset revaluation surplus \$ '000	Other reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
<b>Balance at 30 June 2018</b>	<b>202,933</b>	<b>500</b>	<b>75,898</b>	<b>279,331</b>
Adjustments on initial adoption of Accounting Standards	-	-	328	328
<b>Adjusted balance at 1 July 2018</b>	<b>202,933</b>	<b>500</b>	<b>76,226</b>	<b>279,659</b>
<b>Net result for 2018-19</b>	-	-	<b>(29,161)</b>	<b>(29,161)</b>
Gain on revaluation of other financial assets	-	130	-	130
<b>Total comprehensive result for 2018-19</b>	-	<b>130</b>	<b>(29,161)</b>	<b>(29,031)</b>
<b>Balance at 30 June 2019</b>	<b>202,933</b>	<b>630</b>	<b>47,065</b>	<b>250,628</b>
<b>Net result for 2019-20</b>	-	-	<b>16,876</b>	<b>16,876</b>
Loss on revaluation of other financial assets	-	(231)	-	(231)
<b>Total comprehensive result for 2019-20</b>	-	<b>(231)</b>	<b>16,876</b>	<b>16,645</b>
<b>Transactions with SA Government as owner</b>				
Net assets received from an administrative restructure	-	-	(466)	(466)
<b>Balance at 30 June 2020</b>	<b>202,933</b>	<b>399</b>	<b>63,475</b>	<b>266,807</b>

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

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Fees and charges		36,571	27,249
Grants and contributions		10,269	10,568
Interest received		105	238
GST recovered from ATO		5,365	4,455
Other receipts		2,651	1,180
Receipts from SA Government		460,037	374,634
<b>Cash generated from operations</b>		<b>514,998</b>	<b>418,324</b>
<b>Cash outflows</b>			
Staff benefits payments		(358,693)	(350,146)
Payments for supplies and services		(139,359)	(67,461)
Payments of grants and subsidies		(11)	(47)
Interest paid		(128)	-
Other payments		(679)	(998)
<b>Cash used in operations</b>		<b>(498,870)</b>	<b>(418,652)</b>
<b>Net cash provided by/ (used in) operating activities</b>		<b>16,128</b>	<b>(328)</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Proceeds from sale/maturities of investments		-	98
<b>Cash generated from investing activities</b>		<b>-</b>	<b>98</b>
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(8,208)	(4,545)
<b>Cash used in investing activities</b>		<b>(8,208)</b>	<b>(4,545)</b>
<b>Net cash used in investing activities</b>		<b>(8,208)</b>	<b>(4,447)</b>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Repayment of lease liability		(2,679)	-
<b>Cash used in financing activities</b>		<b>(2,679)</b>	<b>-</b>
<b>Net cash used in financing activities</b>		<b>(2,679)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,241</b>	<b>(4,775)</b>
Cash and cash equivalents at the beginning of the period		23,454	28,229
<b>Cash and cash equivalents at the end of the period</b>	11	<b>28,695</b>	<b>23,454</b>
Non-cash transactions	23, 29		

The accompanying notes form part of these financial statements.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

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## **1. About Women's and Children's Health Network**

The Women's and Children's Health Network Incorporated (the Hospital) is a not-for-profit incorporated hospital established under section 29 of the *Health Care Act 2008*. The financial statements include all controlled activities of the Hospital. The Hospital does not control any other entity and has no interests in unconsolidated structured entities.

### *Administered items*

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and are disclosed in Administered Items (note 30). 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 women, youth and children across South Australia.

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital, mental and community health services for children, youth and women across the State.

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.

### **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 in the notes.

### **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.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

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**1.4 Continuity of Operations**

As at 30 June 2020, the Hospital had working capital deficiency of \$31.418 million (\$31.313 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 includes investment revaluation reserve to record unrealised gains or losses on available for sale investments.

**1.6 Changes to reporting entity**

**Administrative Restructure – Transferred in**

**2019-20**

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:

- Local Health Network based Biomedical Engineering
- Debt management

This resulted in the transfer in of net liabilities of \$0.466 million, consisting of staff benefits liabilities of \$0.470 million and Payables - staff on-costs of \$0.027 million, and \$0.31 million in property, plant and equipment. This included the transfer of 10 staff.

Net assets assumed by the Hospital as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

**2018-19**

There were no transfers during this period.

**1.7 Impact of COVID-19 pandemic**

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
- maximised community engagement
- 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 to assist 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.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

- Hospital staff accessing special leave with pay for up to 15 days for absences related to COVID-19 situations \$0.273 million.
- SA Health initiative to support frontline staff with car parking fees, \$0.277 million loss of revenue.
- Additional costs associated with public health activities (e.g. preparation of hospitals to respond and establishing testing clinics), purchases of personal protective equipment for staff, training and non-clinical costs (e.g. additional hospital cleaning costs, additional security costs) were \$2.303 million.
- The Hospital has purchased various plant and equipment e.g. new ventilators to assist with responding to SA Health COVID-19 matters was \$0.588 million.

Business continuity information is note 1.4, impairment information are at notes 12.1 and 15.4; and estimates and judgements are at notes 12.1, 18, 20.2 and 21.1.

**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 Interpretations.

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 117 required lessors to classify sub lease 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 retained earnings as at 1 July 2019 is as follows:

	<b>\$'000</b>
<b>Closing retained earnings 30 June 2019 – AASB 117</b>	<b>47,065</b>
<b>Assets</b>	
Right of use assets	8,424
<b>Liabilities</b>	
Lease liabilities	8,424
<b>Opening retained earnings 1 July 2019 – AASB 16</b>	<b>47,065</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. 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 1.47%.

The Hospital disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$7.943 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 at \$6.715 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 24.3 applies the correct classification for both the current and comparative years. Commitments related to accommodation services provided by DPTI are included in note 24.2.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

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:

	\$'000
<b>Total Operating Lease Commitments disclosed as of 30 June 2019 (AASB 117)</b>	6,715
Adjustments:	
<i>Add:</i> adjustments as a result of different treatment of extension options	3,166
<i>Less:</i> adjustments as a result of change in incremental borrowing rate (1.16% to 2.64%)	1,457
<b>Lease liability recognised in statement of financial position 1 July 2019 (AASB 16)</b>	8,424

*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 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 note 15 and 16.

**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 revenues, as detailed below:

- Revenues from SA Government (90%) largely reflects Appropriations and continues to be recognised as income when the Hospital obtains control of the funds (ie upon receipt);
- Commonwealth revenues and other grants (27%) continue to be recognised as service/performance obligations are satisfied, or alternatively where there are no service/performance obligations, upon receipt;
- Fees and Charges (7%) 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);
- Interest income continues to be recognised via AASB 9.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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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.

**1.9 Changes in presentation of financial statements**

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

**2. Staff benefits expenses**

	2020	2019
	\$'000	\$'000
Salaries and wages	292,297	282,788
Targeted voluntary separation packages (refer below)	2,709	609
Long service leave	6,423	22,984
Annual leave	28,530	27,903
Skills and experience retention leave	1,668	1,507
Staff on-costs - superannuation*	30,778	29,224
Staff on-costs - other	2	-
Workers compensation	375	(1,633)
Board and committee fees	327	173
Other staff related expenses	647	535
<b>Total employee benefits expenses</b>	<b>363,756</b>	<b>364,090</b>

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

**2.1 Key management personnel**

Key management personnel (KMP) of the Hospital includes the Minister, the eight members of the governing board, the Chief Executive of the Department, the Chief Executive Officer of the Hospital and the eight (seven) members of the Executive Management Group.

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.

Compensation	2020	2019
	\$'000	\$'000
Salaries and other short term employee benefits	2,469	1,699
Post-employment benefits	411	211
<b>Total</b>	<b>2,880</b>	<b>1,910</b>

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

**2.2 Remuneration of board and committee members**

	2020	2019
	No. of	No. of
	Members	Members
\$0	2	4
\$1 - \$20,000	8	12
\$20,001 - \$40,000	7	-
\$60,001 - \$80,000	1	1
<b>Total</b>	<b>18</b>	<b>17</b>

The total remuneration received or receivable by members was \$0.356 million (\$0.189 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.

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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 favorable 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 31 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**

	2020	2019
	No.	No.
The number of staff whose remuneration received or receivable falls within the following bands:		
\$151,000 - \$154,999*	na	13
\$155,000 - \$174,999	84	68
\$175,000 - \$194,999	23	23
\$195,000 - \$214,999	22	17
\$215,000 - \$234,999	14	13
\$235,000 - \$254,999	12	13
\$255,000 - \$274,999	12	9
\$275,000 - \$294,999	14	9
\$295,000 - \$314,999	7	11
\$315,000 - \$334,999	11	8
\$335,000 - \$354,999	9	9
\$355,000 - \$374,999	4	11
\$375,000 - \$394,999	11	12
\$395,000 - \$414,999	13	11
\$415,000 - \$434,999	10	4
\$435,000 - \$454,999	5	4
\$455,000 - \$474,999	6	11
\$475,000 - \$494,999	2	6
\$495,000 - \$514,999	4	3
\$515,000 - \$534,999	10	3
\$535,000 - \$554,999	2	10
\$555,000 - \$574,999	9	5
\$575,000 - \$594,999	2	1
\$595,000 - \$614,999	-	1
\$615,000 - \$634,999	1	-
\$635,000 - \$654,999	-	1
\$655,000 - \$674,999	2	1
\$675,000 - \$694,999	-	1
\$715,000 - \$734,999	1	-
<b>Total number of staff</b>	<b>290</b>	<b>278</b>

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

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 these staff included above:

	2020		2019	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	253	76,150	242	73,722
Executive	8	1,866	7	1,446
Nursing	21	3,420	22	3,667
Non-medical (i.e. administration)	8	1,444	7	1,183
<b>Total</b>	<b>290</b>	<b>82,880</b>	<b>278</b>	<b>80,018</b>

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**2.5 Targeted voluntary separation packages**

	2020	2019
	\$'000	\$'000
Amount paid to separated staff:		
Leave paid/payable to separated employees	1,392	441
Targeted voluntary separation packages	2,709	609
<b>Net cost to Hospital</b>	<b>4,101</b>	<b>1,050</b>

The number of staff who accepted a TVSP during the reporting period	41	16
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**3. Supplies and services**

	2020	2019
	\$'000	\$'000
Administration	411	545
Advertising	105	124
Communication	1,897	1,964
Computing	5,183	4,603
Consultants	1,472	100
Contract of services	-	30
Contractors	434	177
Contractors - agency staff	7,307	7,130
Drug supplies	10,899	8,516
Electricity, gas and fuel	3,865	4,151
Fee for service	3,385	3,445
Food supplies	2,131	2,188
Housekeeping	11,190	10,531
Insurance	5,731	5,641
Internal SA Health SLA payments	6,953	2,374
Legal	237	145
Medical, surgical and laboratory supplies	37,060	24,940
Minor equipment	1,736	1,676
Motor vehicle expenses	996	2,138
Occupancy rent and rates	3,222	5,032
Patient transport	2,079	2,253
Postage	890	876
Printing and stationery	1,747	2,042
Repairs and maintenance	8,465	6,084
Security	2,591	1,749
Services from Shared Services SA	2,775	2,350
Training and development	3,387	3,218
Travel expenses	2,006	2,683
Other supplies and services	3,879	3,857
<b>Total supplies and services</b>	<b>132,033</b>	<b>110,562</b>

Accommodation – part of the Hospital's accommodation is provided by DPTI under MoAA issued in accordance with Government-wide accommodation policies. These arrangements did 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 expense 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 were:

	2020		2019	
	No.	\$'000	No.	\$'000
Above \$10,000	4	1,472	1	100
<b>Total</b>	<b>4</b>	<b>1,472</b>	<b>1</b>	<b>100</b>

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**4. Other expenses**

	2020	2019
	\$'000	\$'000
Debts written off	54	329
Bank fees and charges	48	47
Other*	567	573
<b>Total other expenses</b>	<b>669</b>	<b>949</b>

\* 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 \$0.170 million (\$0.177 million). No other services were provided by the Auditor-General's Department.

**5. Fees and charges**

	2020	2019
	\$'000	\$'000
Car parking revenue	2,402	2,753
Commissions revenue	120	71
Insurance recoveries	174	4
Patient and client fees	12,275	11,135
Private practice fees	2,001	2,500
Recoveries	13,276	12,948
Royalty income	139	701
Sale of goods - medical supplies	298	285
Training revenue	358	270
Other user charges and fees	6,645	5,926
<b>Total fees and charges</b>	<b>37,688</b>	<b>36,593</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 recognized 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.

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
Car parking revenue	2,235	167	2,549	204
Commissions revenue	120	-	71	-
Patient and client fees	11,496	-	11,135	-
Private practice fees	2,001	-	2,500	-
Sale of goods - medical supplies	298	-	284	-
Training revenue	235	-	214	-
Other user charges and fees	6,492	-	5,738	-
<b>Total contracts with external customers</b>	<b>22,877</b>	<b>167</b>	<b>22,491</b>	<b>204</b>
Patient and client fees	779	-	-	-
Royalty income	139	-	701	-
Sale of goods - medical supplies	-	-	1	-
Training revenue	123	-	56	-
Other user charges and fees	153	-	188	-
<b>Total contracts with SA Government customers</b>	<b>1,194</b>	<b>-</b>	<b>946</b>	<b>-</b>
<b>Total contracts with customers</b>	<b>24,071</b>	<b>167</b>	<b>23,437</b>	<b>204</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 22). Similarly, if the Hospital satisfies a performance obligation before it receives the consideration, The Hospital recognises a receivable, depending on whether something other than the passage of time is required before the consideration is due (refer to note 12).

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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 recognized 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

*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 Consolidated Entity as an agent in the rendering and recovery of accounts of the specialists private practice. SA Health disburses amounts 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 recognized as its collected as per the Rights of Private Practice Agreement.

*Car Parking Revenue*

The Hospital provides access to car parks directly to staff, patients and visitors. Public car parking is available for the Hospital at the Medical Centre Car Park located in Kermode Street, North Adelaide (adjacent to the pedestrian crossing) and is payable by the hour based on the time consumed. Tickets are purchased via the paystation. A discounted weekly ticket is also available. Revenue is recognized when control of the goods has transferred to the customer, being when the ticket is purchased.

**6. Grants and contributions**

	2020	2019
	\$'000	\$'000
Other SA Government grants and contributions	5,334	5,751
Private sector capital contributions	117	137
Private sector grants and contributions	3,597	3,448
<b>Total grants and contributions</b>	<b>9,048</b>	<b>9,336</b>

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

Of the \$9.048 million (\$9.336 million) received during the reporting period for grants and contributions, \$0.777 million (\$0.980 million) was provided for specific purposes, such as research and associated activities.

**7. Resources received free of charge**

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. The Hospital receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge valued at \$2.717 million (\$2.315 million), following Cabinet's approval to cease intra-government charging.

In addition, although not recognised the Hospital received volunteer services for 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, gift shop support and café support.

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

	2020	2019
	\$'000	\$'000
<b>Land and buildings:</b>		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	-	(187)
<b>Net gain/(loss) from disposal of land and buildings</b>	<b>-</b>	<b>(187)</b>
<b>Plant and equipment:</b>		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	-	(9)
<b>Total net gain/(loss) from disposal of plant and equipment</b>	<b>-</b>	<b>(9)</b>
<b>Total assets:</b>		
Total proceeds from disposal	-	-
Less total carrying amount of assets disposed	-	(196)
<b>Total net gain/(loss) from disposal of non-current and other assets</b>	<b>-</b>	<b>(196)</b>

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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.

**9. Other revenues/income**

	2020	2019
	\$'000	\$'000
Dividend revenue	58	90
Donations	1,235	318
Other	870	823
<b>Total other revenues/income</b>	<b>2,163</b>	<b>1,231</b>

**10. Revenues from SA Government**

	2020	2019
	\$'000	\$'000
Recurrent funding	451,355	402,453
Capital funding	30,464	10,721
<b>Total revenues from Department for Health and Wellbeing</b>	<b>481,819</b>	<b>413,174</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 as revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

**11. Cash and cash equivalents**

	2020	2019
	\$'000	\$'000
Cash at bank or on hand	890	833
Deposits with Treasurer: general operating	11,550	4,721
Deposits with Treasurer: special purpose funds	16,255	17,900
<b>Total cash and cash equivalents</b>	<b>28,695</b>	<b>23,454</b>

Cash is measured at nominal amounts. Government policy ensures that the Hospital will have adequate cash to meet approved expenditure requirements e.g. staff benefit expenses, capital works etc.

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 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.

The Hospital only earns interest on the special deposit account and received \$0.105 million (\$0.238 million).

**12. Receivables**

		2020	2019
		\$'000	\$'000
<b>Current</b>	<b>Note</b>		
Patient/client fees: compensable		595	323
Patient/client fees: other		4,424	3,641
Debtors		2,157	2,239
Less: allowance for impairment loss on receivables	12.1	(1,198)	(944)
Prepayments		411	373
Dividends		19	19
Workers compensation provision recoverable		663	641
Sundry receivables and accrued revenue		586	393
GST input tax recoverable		66	326
<b>Total current receivables</b>		<b>7,723</b>	<b>7,011</b>
<b>Non-current</b>			
Workers compensation provision recoverable		1,152	1,233
Debtors		139	190
<b>Total non-current receivables</b>		<b>1,291</b>	<b>1,423</b>
<b>Total receivables</b>		<b>9,014</b>	<b>8,434</b>

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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 of 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.

**12.1 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:

	2020	2019
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>944</b>	<b>924</b>
<b>Increase in allowance recognised in profit or loss</b>	<b>254</b>	<b>19</b>
<b>Carrying amount at the end of the period</b>	<b>1,198</b>	<b>944</b>

Impairment losses relate to receivables arising from contracts with customers that are external to the SA Government. Refer to note 28 for details regarding credit risk and the methodology for determining impairment.

**13. Other financial assets**

	2020	2019
	\$'000	\$'000
<b>Non-current</b>		
Other investments FVOCI	1,106	1,337
<b>Total non-current investments</b>	<b>1,106</b>	<b>1,337</b>
<b>Total investments</b>	<b>1,106</b>	<b>1,337</b>

The Hospital measures other investments at fair value represented by market value. This includes shares in other corporations, floating rate notes, listed securities and managed funds. There is no impairment on other financial assets. Refer to note 28 for information on risk management.

**14. Inventories**

Inventories of \$0.761 million (\$0.813 million) 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.

**15. Property, plant and equipment, investment property and intangible assets**

**15.1 Acquisition and recognition**

Property, plant and equipment owned are initially recorded on a cost basis and 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 owned property, plant and equipment with a value equal to or in excess of \$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.

**15.2 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 the 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.

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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	40-80
Right of use buildings	Lease term
Accommodation and Leasehold improvements	Lease term
Plant and equipment	
• Medical, surgical, dental and biomedical equipment and furniture	2-25
• Computing equipment	3-5
• Vehicles	2-25
• Other plant and equipment	3-50
Right of use plant and equipment	Lease term
Intangibles	5-30

### 15.3 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 is only performed when the owned assets 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 valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when 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.

### 15.4 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.

### 15.5 Intangible assets

Intangible assets (software) 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 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 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.

Intangible assets consists of carrying amount at the beginning of the period \$0.030 million (\$0.048 million), less amortisation of \$0.012 million (\$0.018 million), resulting in a carrying amount at end of period of \$0.018 million (\$0.030 million)

### 15.6 Land and buildings

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 AssetVal (JLT) Pty Ltd, as at 1 June 2018.

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.

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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 buildings 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 acquisitions/transfer costs.

**15.7 Plant and equipment**

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

Hospital plant and equipment assets with a fair value greater than \$1 million or had an estimated useful life of greater than three 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.

**15.8 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.

An independent valuation was performed on the investment property at Unit 1, 27 Kermode Street North Adelaide, by AssetVal (JLT) Pty Ltd, as at 30 June 2020. Fair value has been determined by the income approach, where the net income is capitalised at an appropriate yield with recent experience in the local market and equivalent properties.

Where there is a recent market transaction 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.

**15.9 Right-of-use assets**

Right-of-use assets are recorded at cost, and there were no indications for impairment. Additions to right of use assets during 2019-20 were \$0.906 million.

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**16. Reconciliation of property, plant and equipment and investment properties**

The following table shows the movement :

2019-20	Land and buildings:				Plant and equipment:							Investment property \$'000	Total \$'000
	Land \$'000	Buildings \$'000	Right-of-use buildings \$'000	Capital works in progress land and buildings \$'000	Accommodation and Leasehold improvements \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of-use plant and equipment \$'000	Capital works in progress plant and equipment \$'000				
Carrying amount at the beginning of the period	45,802	280,852	6,665	8,569	266	6,230	1,698	1,759	2,172	17,342	371,355		
Additions	-	15	108	28,518	-	1,530	14	798	68	-	31,051		
Disposals	-	-	-	-	-	-	-	(4)	-	-	(4)		
Acquisition / (disposal) through administrative restructuring	-	-	-	-	-	31	-	-	-	-	31		
Transfers between asset classes	-	5,597	-	(5,218)	-	146	-	-	(525)	-	-		
Other movements	-	-	-	-	-	-	-	-	(36)	-	(36)		
<b>Subtotal:</b>	<b>45,802</b>	<b>286,464</b>	<b>6,773</b>	<b>31,869</b>	<b>266</b>	<b>7,937</b>	<b>1,712</b>	<b>2,553</b>	<b>1,679</b>	<b>17,342</b>	<b>402,397</b>		
<b>Gains/(losses) for the period recognised in net result:</b>													
Depreciation and amortisation	-	(15,292)	(1,768)	-	(20)	(2,050)	(228)	(1,055)	-	-	(20,413)		
Revaluation increment / (decrement)	-	-	-	-	-	-	-	-	-	608	608		
<b>Subtotal:</b>	<b>-</b>	<b>(15,292)</b>	<b>(1,768)</b>	<b>-</b>	<b>(20)</b>	<b>(2,050)</b>	<b>(228)</b>	<b>(1,055)</b>	<b>-</b>	<b>608</b>	<b>(19,805)</b>		
Carrying amount at the end of the period	45,802	271,172	5,005	31,869	246	5,887	1,484	1,498	1,679	17,950	382,592		
<b>Gross carrying amount</b>													
Gross carrying amount	45,802	301,230	6,773	31,869	2,602	22,205	4,178	2,460	1,679	17,950	436,748		
Accumulated depreciation / amortisation	-	(30,058)	(1,768)	-	(2,356)	(16,318)	(2,694)	(962)	-	-	(54,156)		
Carrying amount at the end of the period	45,802	271,172	5,005	31,869	246	5,887	1,484	1,498	1,679	17,950	382,592		

All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment property (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 19 for details about the lease liability for right-of-use assets.

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2018-19	Land and buildings:				Plant and equipment:							Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Accommod- ation and Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of- use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	Investment property \$'000		
Carrying amount at the beginning of the period	45,802	291,656	-	5,478	314	5,575	1,952	-	2,619	16,912	370,308	
Additions	-	-	-	6,619	-	1,107	29	-	1,235	-	8,990	
Disposals	-	-	-	(187)	-	-	(9)	-	-	-	(196)	
Transfers between asset classes	-	3,341	-	(3,341)	-	1,682	-	-	(1,682)	-	-	
<b>Subtotal:</b>	<b>45,802</b>	<b>294,997</b>	<b>-</b>	<b>8,569</b>	<b>314</b>	<b>8,364</b>	<b>1,972</b>	<b>-</b>	<b>2,172</b>	<b>16,912</b>	<b>379,102</b>	
<b>Gains/(losses) for the period recognised in net result:</b>												
Depreciation and amortisation	-	(14,145)	-	-	(48)	(2,134)	(274)	-	-	-	(16,601)	
Revaluation increment / (decrement)	-	-	-	-	-	-	-	-	-	430	430	
<b>Subtotal:</b>	<b>-</b>	<b>(14,145)</b>	<b>-</b>	<b>-</b>	<b>(48)</b>	<b>(2,134)</b>	<b>(274)</b>	<b>-</b>	<b>-</b>	<b>430</b>	<b>(16,171)</b>	
Carrying amount at the end of the period	45,802	280,852	-	8,569	266	6,230	1,698	-	2,172	17,342	362,931	
<b>Gross carrying amount</b>												
Accumulated depreciation / amortisation	-	(14,765)	-	-	(2,337)	(15,438)	(2,497)	-	-	-	(35,037)	
Gross carrying amount	45,802	295,617	-	8,569	2,603	21,668	4,195	-	2,172	17,342	397,968	
Carrying amount at the end of the period	45,802	280,852	-	8,569	266	6,230	1,698	-	2,172	17,342	362,931	

All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment property (classified as level 2) and capital works in progress (not classified).

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**17. 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 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 15 and 17.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**17.1 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 a hierarchy based on the level of inputs used in measurement as follows:

**Fair value measurements at 30 June 2020**

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>			
Land	-	45,802	45,802
Buildings and improvements	-	271,172	271,172
Leasehold improvements	-	246	246
Plant and equipment	-	7,371	7,371
Investment property	17,950	-	17,950
<b>Total recurring fair value measurements</b>	<b>17,950</b>	<b>324,591</b>	<b>342,541</b>

**Fair value measurements at 30 June 2019**

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>			
Land	-	45,802	45,802
Buildings and improvements	-	280,852	280,852
Leasehold improvements	-	266	266
Plant and equipment	-	7,928	7,928
Investment property	17,342	-	17,342
<b>Total recurring fair value measurements</b>	<b>17,342</b>	<b>334,848</b>	<b>352,190</b>

There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at note 15 and 17.2.

During 2020 and 2019, the hospital had no valuations categorised into Level 1 and there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels.

**17.2 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 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.

Investment property has been valued using the income approach, based on capitalised net income at an appropriate yield, and is classified as Level 2.

The Hospital buildings have been valued on the basis of existing/current use with no consideration given to any future alternate use.

**18. Payables**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors and accrued expenses	5,317	8,853
Paid Parental Leave Scheme	58	102
Staff on-costs*	4,628	3,942
Other payables	599	600
<b>Total current payables</b>	<b>10,602</b>	<b>13,497</b>
<b>Non-current</b>		
Staff on-costs*	2,841	2,222
<b>Total non-current payables</b>	<b>2,841</b>	<b>2,222</b>
<b>Total payables</b>	<b>13,443</b>	<b>15,719</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 the DTF, the portion of long service leave taken as leave has increased from the 2019 rate (29%) to 38% and the average factor for the calculation of employer superannuation cost on-costs has remained at 9.80%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the staff benefit expense of \$0.808 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 28 for information on risk management.

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**19. Financial liabilities**

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Lease liabilities	2,354	-
<b>Total current financial liabilities</b>	<b>2,354</b>	<b>-</b>
<b>Non-current</b>		
Lease liabilities	4,292	-
<b>Total non-current financial liabilities</b>	<b>4,292</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>6,646</b>	<b>-</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 DTF's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year. Borrowing cost associated with leasing activities was \$0.128 million.

Refer to Note 28 for information on risk management.

*19.1 Leasing activities*

The Hospital has a number of lease agreements. Lease terms vary in length from 2 to 20 years.

Major lease activities include the use of:

- Properties – buildings and health clinics 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.
- 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.
- Plant and equipment – these leases for material handling equipment are cancellable and renewable every 2 years.

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 the Hospital.

Refer note 16 for details about the right of use assets (including depreciation).

*19.2 Concessional lease arrangements*

The Hospital has no concessional lease arrangements.

*19.3 Maturity analysis*

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

	2020	2019
	\$'000	\$'000
<b>Lease Liabilities</b>		
1 to 3 years	4,753	-
3 to 5 years	1,147	-
5 to 10 years	952	-
More than 10 years	85	-
<b>Total lease liabilities (undiscounted)</b>	<b>6,937</b>	<b>-</b>

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**20. Staff benefits**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued salaries and wages	12,521	9,199
Annual leave	30,067	27,284
Long service leave	6,689	6,869
Skills and experience retention leave	2,857	2,748
Other	11	22
<b>Total current staff benefits</b>	<b>52,145</b>	<b>46,122</b>
<b>Non-current</b>		
Long service leave	73,909	74,423
<b>Total non-current staff benefits</b>	<b>73,909</b>	<b>74,423</b>
<b>Total staff benefits</b>	<b>126,054</b>	<b>120,545</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.

**20.1 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.

The actuarial assessment performed by the DTF decreased the salary inflation rate from 2019 (2.2%) 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 the annual leave liability of \$0.059 million, skills and experience retention leave liability of \$0.006 million, payables (staff on-costs) of \$0.006 million and staff benefits expense of \$0.071 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.

**20.2 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 DTF 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 staff 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 yields 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 (4.0%) to 2.5% for long services leave liability, resulting in a decrease in the reported long services leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.811 million, payables (staff on-costs) of \$0.067 million and staff benefits expense of \$1.744 million. The impact on the future periods is 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.

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## 21. Provisions

The Hospital's provision relates to workers compensation only.

*Reconciliation of workers compensation (statutory and non-statutory)*

	2020	2019
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>9,011</b>	<b>12,779</b>
Decrease in provisions recognised	(1,395)	(2,710)
Reductions arising from payments/other sacrifices of future economic benefits	(152)	(443)
Additions / Reductions resulting from re-measurement or settlement without cost	266	(615)
<b>Carrying amount at the end of the period</b>	<b>7,730</b>	<b>9,011</b>

### 21.1 Workers Compensation

*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 \$0.188 million (\$0.214 million),

## 22. Contract liabilities and other liabilities

	2020	2019
	\$'000	\$'000
<b>Current</b>		
Unearned revenue	1,362	1,001
Other	144	95
<b>Total current contract liabilities and other liabilities</b>	<b>1,506</b>	<b>1,096</b>
<b>Total contract liabilities and other liabilities</b>	<b>1,506</b>	<b>1,096</b>

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**23. Cash flow reconciliation**

**Reconciliation of cash and cash equivalents at the end of the reporting period**

	2020	2019
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	28,695	23,454
<b>Cash as per Statement of Financial Position</b>	<b>28,695</b>	<b>23,454</b>
<b>Balance as per Statement of Cash Flows</b>	<b>28,695</b>	<b>23,454</b>

**Reconciliation of net cash provided by operating activities to net result:**

Net cash provided by (used in) operating activities	16,128	(328)
<b>Add/less non-cash items</b>		
Capital revenues	21,841	4,324
Depreciation and amortisation expense of non-current assets	(20,425)	(16,619)
Gain/(loss) on sale or disposal of non-current assets	-	(196)
Increments/(decrements) on revaluation of non-current assets	608	430
Net effect of the adoption of new Accounting Standard	-	(328)
Revaluation of investments	-	(8)
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	579	(1,264)
Increase/(decrease) in inventories	(52)	26
(Increase)/decrease in staff benefits	(5,039)	(17,668)
(Increase)/decrease in payables and provisions	3,646	2,986
(Increase)/decrease in other liabilities	(410)	(516)
<b>Net result</b>	<b>16,876</b>	<b>(29,161)</b>

Total cash outflows for leases is \$2.807 million.

**24. Unrecognised contractual commitments**

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

**24.1 Capital commitments**

	2020	2019
	\$'000	\$'000
Within one year	1,329	1,267
<b>Total capital commitments</b>	<b>1,329</b>	<b>1,267</b>

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

**24.2 Expenditure commitments**

	2020	2019
	\$'000	\$'000
Within one year	16,091	2,391
Later than one year but not longer than five years	516	155
<b>Total other expenditure commitments</b>	<b>16,607</b>	<b>2,546</b>

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

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**24.3 Operating lease expenditure commitments**

	2020	2019
	\$'000	\$'000
Within one year	-	2,263
Later than one year but not longer than five years	-	3,460
Later than five years	-	991
<b>Total operating lease commitments</b>	<b>-</b>	<b>6,715</b>
Representing:		
Cancellable operating leases	-	4,915
Non-cancellable operating leases	-	1,800
<b>Total operating lease commitments</b>	<b>-</b>	<b>6,715</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.

**25. 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.

The Hospital is not aware of any contingent assets or contingent liabilities. In addition to this, the Hospital has made no guarantees.

**26. 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.

**27. 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.

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.

**28. Financial instruments/financial risk management**

**28.1 Financial risk management**

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 SA 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, 18, and 19 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 11, 12 and 13 for further information.

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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.

**28.2 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.

Category of financial asset and financial liability	Notes	2020 Carrying amount/ Fair value \$'000	2019 Carrying amount/ Fair value \$'000
<b>Financial assets</b>			
Cash and equivalent			
Cash and cash equivalents	11,23	28,695	23,454
Amortised Cost			
Receivables <sup>(1)(2)</sup>	12	6,730	5,861
Fair value through other comprehensive income			
Other financial assets	13	1,107	1,337
<b>Total financial assets</b>		<b>36,532</b>	<b>30,652</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
Payables <sup>(1)</sup>	18	6,028	9,288
Other liabilities	22	145	95
<b>Total financial liabilities</b>		<b>6,173</b>	<b>9,383</b>

<sup>(1)</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>(2)</sup> Receivables amount disclosed excludes prepayments as they are not financial assets.

**28.3 Credit risk exposure and impairment of financial assets**

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9.

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 and sundry and compensable). 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.

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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:

Days past due	30 June 2020			1 July 2019 (remeasurement)		
	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
Current	0.5%-3.6%	1,748	26	1.3%-4.7%	1,596	21
<30 days	1.4%-4.7%	1,071	20	2.0%- 6.3%	693	16
31-60 days	2.4%-8.5%	606	16	3.3%- 12.1%	568	20
61-90 days	5.0%-10.7%	519	28	6.5%- 15.0%	143	10
91-120 days	7.8%-12.6%	117	9	9.4%- 17.7%	108	10
121-180 days	11.0%-17.7%	190	24	15.0%- 23.7%	311	48
181-360 days	17.7%-37.6%	423	123	25.5%- 39.0%	363	94
361-540 days	38.2%-60.2%	193	112	52.0%- 57.9%	258	137
>540 days	43.6%-75.9%	1,236	840	62.1%- 77.3%	906	587
<b>Total</b>		<b>6,103</b>	<b>1,198</b>		<b>4,946</b>	<b>943</b>

**29. 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 10) and incurred expenditure via the Department for medical, surgical and laboratory supplies, insurance and computing (note 3). The Department transferred capital works in progress of \$21.841 million (\$4.324 million) to the Hospital. The Hospital incurred significant expenditure with the DPTI for capital works of \$3.735 million (\$1.454 million) and \$0.843 million (\$0.877 million) which largely reflects occupancy rent and rates (note 3). The value of unrecognised contractual expenditure commitments for accommodation with DPTI was \$0.895 million (\$0.416 million) (note 24.2).

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**30. Administered items**

The Hospital administers the following items:

- *Strata Corp* represents the financial operations of the Car Park located at Unit 1, 27 Kermode Street North Adelaide which services the Hospital and surrounds. Strata Corp administers and manages the Car Park on behalf of the Unit holders (the Hospital, Women's and Children's Hospital Foundation, and the Residential Unit holders).
- *Private Practice* represents funds billed on behalf of salaried medical officers and subsequently distributed to the Hospital and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

	Strata Corp		Private Practice		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from fees and charges	209	303	5,198	5,573	5,407	5,876
Employee benefit expenses	(56)	(55)	-	-	(56)	(55)
Supplies and services	(51)	(47)	-	-	(51)	(47)
Depreciation and amortisation expense	(3)	(3)	-	-	(3)	(3)
Other expenses	(158)	(164)	(5,199)	(5,562)	(5,357)	(5,726)
<b>Net result</b>	<b>(59)</b>	<b>34</b>	<b>(1)</b>	<b>11</b>	<b>(60)</b>	<b>45</b>

	Strata Corp		Private Practice		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	17	78	607	603	624	681
Receivables	18	1	(13)	(9)	5	(8)
Property, plant and equipment	51	49	-	-	51	49
Payables	(16)	(9)	-	-	(16)	(9)
Other current provisions/liabilities	-	-	1	3	1	(3)
<b>Net assets</b>	<b>70</b>	<b>119</b>	<b>593</b>	<b>591</b>	<b>663</b>	<b>710</b>

	2020	2019
	\$'000	\$'000
<b>Cash at 1 July</b>	<b>681</b>	<b>675</b>
Cash inflows	5,407	5,853
Cash outflows	(5,464)	(5,847)
<b>Cash at 30 June</b>	<b>624</b>	<b>681</b>

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**31. Board and committee members**

Members of boards/committees that served for all or part of the financial year, where at least one member was entitled to receive income from membership in accordance with the APS 124.B were:

<b>Board/Committee name:</b>	<b>Government employee members</b>	<b>Other members</b>
Audit and Risk Committee	-	Connor G (Chair), Daw S, Haslam R
Clinical Governance Committee	-	Cadzow M, Christley S, Daw S, Glover K, Griffin L
Consumer and Community Engagement Committee	-	Birch J (Chair) (appointed 28/08/2019), Gray R (appointed 28/08/2019), Griffin L (appointed 28/08/2019), Hurrell E (appointed 05/02/2020), Miller S (appointed 28/08/2019), Sands S (appointed 28/08/2019)
Women's and Children's Governing Board	-	Bastian J, Birch J (Chair), Christley S, Daw S, Glover K, Haslam R, Miller S, Wilson B (appointed 01/07/2019)
Women's and Children's Health Network Advisory Council Incorporated	2	Buckerfield M, Cadzow M, McDougall E Wallace M (Chair), Wigg N Dr, Marshall H, Saunders N (All resigned and board ceased 30/06/2019)

Refer to note 2.2 for remuneration of board and committee members. Note board members only received income from board membership.