

Central Adelaide
Local Health Network Incorporated

Financial report
for the year ended
30 June 2019



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Officer Central Adelaide Local Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36 of the *Health Care Act 2008*, I have audited the financial report of the Central Adelaide Local Health Network Incorporated for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Central Adelaide Local Health Network Incorporated as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Acting 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 the Central Adelaide Local Health Network Incorporated. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Chief Executive Officer 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 the Treasurer's Instructions issues under the provisions of the *Public Finance and Audit Act 1987* and the 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

I communicate with the Chief Executive Officer 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 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

20 September 2019

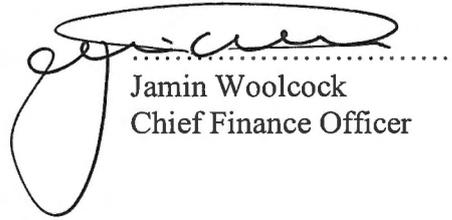
Certification of the financial statements

We certify that the:

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



~~Lesley Dwyer~~ *Matthew McInnes*
Acting Chief Executive Officer



Jamin Woolcock
Chief Finance Officer

Date *16.09.2019*

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Expenses					
Staff benefits expenses	3	1,525,205	1,415,185	1,516,405	1,407,437
Supplies and services	4	869,196	849,015	866,083	845,315
Depreciation and amortisation expense	21,22	127,700	124,412	127,374	124,211
Grants and subsidies	5	4,892	4,935	4,486	4,647
Borrowing costs	6	167,997	261,302	167,997	261,302
Net loss from disposal of non-current and other assets	12	985	2,151	985	2,151
Impairment loss on receivables	17	961	(5,370)	961	(5,370)
Other expenses	7	20,923	65,290	20,733	65,107
Total expenses		2,717,859	2,716,920	2,705,024	2,704,800
Income					
Revenues from fees and charges	8	395,022	353,026	382,353	342,037
Grants and contributions	9	214,254	182,582	214,359	183,763
Interest revenues	10	1,564	1,452	1,436	1,346
Resources received free of charge	11	9,225	11,314	9,225	11,314
Other revenues/income	13	53,577	40,634	52,686	39,739
Total income		673,642	589,008	660,059	578,199
Net cost of providing services		2,044,217	2,127,912	2,044,965	2,126,601
Revenues from SA Government					
Revenues from SA Government	14	1,899,327	2,133,036	1,899,327	2,133,036
Total revenues from SA Government		1,899,327	2,133,036	1,899,327	2,133,036
Net result		(144,890)	5,124	(145,638)	6,435
Other Comprehensive Income					
Items that will not be reclassified to net result					
Changes in property, plant and equipment asset revaluation surplus		-	47,125	-	47,125
Items that will be reclassified subsequently to net result when specific conditions are met					
Gains or losses recognised directly in equity		-	40	-	-
Total other comprehensive income		-	47,165	-	47,125
Total comprehensive result		(144,890)	52,289	(145,638)	53,560

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

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2019

	Note	Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current assets					
Cash and cash equivalents	16	125,083	159,428	122,291	157,104
Receivables	17	119,318	73,097	117,152	71,164
Other financial assets	18	9,169	8,808	3,704	3,711
Inventories	19	20,571	21,121	20,458	20,843
Total current assets		274,141	262,454	263,605	252,822
Non-current assets					
Receivables	17	5,610	6,895	5,610	6,895
Other financial assets	18	2,069	2,041	1,150	1,150
Property, plant and equipment	21	3,347,977	3,433,643	3,347,111	3,433,044
Investment property	21	4,670	4,670	-	-
Intangible assets	22	46,231	55,843	46,231	55,843
Total non-current assets		3,406,557	3,503,092	3,400,102	3,496,932
Total assets		3,680,698	3,765,546	3,663,707	3,749,754
Current liabilities					
Payables	24	138,985	95,602	137,647	94,539
Borrowings	25	61,234	61,553	61,234	61,553
Staff benefits	26	207,959	192,217	206,896	191,332
Provisions	27	7,355	7,686	7,355	7,686
Other liabilities	28	1,879	1,990	1,879	1,990
Total current liabilities		417,412	359,048	415,011	357,100
Non-current liabilities					
Payables	24	9,582	8,765	9,582	8,765
Borrowings	25	2,650,031	2,698,866	2,650,031	2,698,866
Staff benefits	26	299,997	242,300	299,980	242,281
Provisions	27	11,353	18,523	11,353	18,523
Other liabilities	28	2,494	2,674	2,494	2,674
Total non-current liabilities		2,973,457	2,971,128	2,973,440	2,971,109
Total liabilities		3,390,869	3,330,176	3,388,451	3,328,209
Net assets		289,829	435,370	275,256	421,545
Equity					
Asset revaluation surplus		43,344	43,344	43,344	43,344
Other reserves		-	80	-	-
Retained earnings		246,485	391,946	231,912	378,201
Total equity		289,829	435,370	275,256	421,545

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

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

CONSOLIDATED

	Asset revaluation surplus \$ '000	Other reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2017	7,156	40	373,585	380,781
Net result for 2017-18	-	-	5,124	5,124
Gain/(loss) on revaluation of land and buildings	44,829	-	-	44,829
Gain/(loss) on revaluation of plant and equipment	2,296	-	-	2,296
Gain/(loss) on revaluation of other financial assets	-	40	-	40
Total comprehensive result for 2017-18	47,125	40	5,124	52,289
Transfer between equity components	(10,937)	-	10,937	-
Transactions with SA Government as owner				
Net assets transferred out as a result of an administrative restructure	-	-	2,300	2,300
Balance at 30 June 2018	43,344	80	391,946	435,370
Adjustments on initial adoption of Accounting Standards	-	(80)	(571)	(651)
Adjusted balance at 1 July 2018	43,344	-	391,375	434,719
Net result for 2018-19	-	-	(144,890)	(144,890)
Total comprehensive result for 2018-19	-	-	(144,890)	(144,890)
Balance at 30 June 2019	43,344	-	246,485	289,829

PARENT

	Asset revaluation surplus \$ '000	Other reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2017	7,156	-	358,529	365,685
Net result for 2017-18	-	-	6,435	6,435
Gain/(loss) on revaluation of land and buildings	44,829	-	-	44,829
Gain/(loss) on revaluation of plant and equipment	2,296	-	-	2,296
Total comprehensive result for 2017-18	47,125	-	6,435	53,560
Transfer between equity components	(10,937)	-	10,937	-
Transactions with SA Government as owner				
Net assets transferred out as a result of an administrative restructure	-	-	2,300	2,300
Balance at 30 June 2018	43,344	-	378,201	421,545
Adjustments on initial adoption of Accounting Standards	-	-	(651)	(651)
Adjusted balance at 1 July 2018	43,344	-	377,550	420,894
Net result for 2018-19	-	-	(145,638)	(145,638)
Total comprehensive result for 2018-19	-	-	(145,638)	(145,638)
Balance at 30 June 2019	43,344	-	231,912	275,256

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

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	Consolidated		Parent	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash outflows					
Staff benefits payments		(1,456,958)	(1,371,030)	(1,448,339)	(1,363,418)
Payments for supplies and services		(752,237)	(863,653)	(749,538)	(786,758)
Payments of grants and subsidies		(5,438)	(6,145)	(5,032)	(5,252)
Interest paid		(156,035)	(250,401)	(156,035)	(250,401)
Other payments		(40,702)	(59,080)	(40,512)	(36,920)
Cash used in operations		(2,411,370)	(2,550,309)	(2,399,456)	(2,442,749)
Cash inflows					
Fees and charges		226,506	248,552	214,053	227,111
Grants and contributions		224,193	207,454	224,298	196,043
Interest received		1,540	1,464	1,436	1,346
GST recovered from ATO		58,364	145,164	58,364	72,582
Other receipts		52,637	40,302	51,980	39,555
Cash generated from operations		563,240	642,936	550,131	536,637
Cash flows from SA Government					
Receipts from SA Government		1,908,642	2,127,314	1,908,642	2,127,314
Cash generated from SA Government		1,908,642	2,127,314	1,908,642	2,127,314
Net cash provided by operating activities		60,512	219,941	59,317	221,202
Cash flows from investing activities					
Cash outflows					
Purchase of property, plant and equipment		(35,009)	(115,009)	(34,415)	(114,572)
Purchase of intangibles		(765)	(2,890)	(765)	(2,890)
Purchase of investments		(2,935)	(2,175)	(3)	(18)
Cash used in investing activities		(38,709)	(120,074)	(35,183)	(117,480)
Cash inflows					
Proceeds from sale of property, plant and equipment		160	(73)	160	(73)
Proceeds from sale/maturities of investments		2,799	4,568	-	-
Cash generated from investing activities		2,959	4,495	160	(73)
Net cash provided by/(used in) investing activities		(35,750)	(115,579)	(35,023)	(117,553)
Cash flows from financing activities					
Cash outflows					
Repayment of finance leases		(59,107)	(31,974)	(59,107)	(31,974)
Cash transferred as a result of restructuring activities		-	(1,085)	-	(1,085)
Cash used in financing activities		(59,107)	(33,059)	(59,107)	(33,059)
Net cash provided by/(used in) financing activities		(59,107)	(33,059)	(59,107)	(33,059)
Net increase/(decrease) in cash and cash equivalents		(34,345)	71,303	(34,813)	70,590
Cash and cash equivalents at the beginning of the period		159,428	88,125	157,104	86,514
Cash and cash equivalents at the end of the period	16	125,083	159,428	122,291	157,104
Non-cash transactions	29				

The accompanying notes form part of these financial statements.

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. Basis of financial statements

1.1 Reporting Entity

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

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

Administered Items

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

1.2 Statement of compliance

These financial statements are general purpose financial statements prepared in compliance 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.

1.3 Basis of preparation

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 on a different basis.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date 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 throughout the notes.

1.4 Taxation

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

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

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

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

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

1.5 Continuity of Operations

As at 30 June 2019, the Hospital had working capital deficiency of \$143.271 million (\$96.594 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.

1.6 Equity

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

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

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1.7 Change in accounting policy

On 22 March 2019, pursuant to the *Public Finance and Audit Act 1987*, the Treasurer issued *Treasurer's Instructions (Accounting Policy Statements)* and revoked all previously issued Accounting Policy Statements. The new Accounting Policy Statements have largely been prepared on a no-policy change basis. The changes below do not impact the amounts reported in the financial statements:

- removal of the requirement to report transactions with the SA Government
- removal of the requirement to report a statement of equity for administered items
- increase in bands from \$10,000 to \$20,000 for employee, board and committee members reporting.

AASB 9 Financial Instruments

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 9 replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to recognition, classification, impairment and measurement of the Hospital's financial assets.

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). The classification is based on two criteria; the Hospital's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

As part of the adoption of AASB 9, the Hospital adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior years, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosure* requires amended disclosures due to changes arising from the AASB 9, these disclosures have been included in the financial statements.
- APS requires adoption of the AASB 9 without restating comparative information for classification and measurement requirements (i.e. continues to be reported under AASB 139). All adjustments are recognised in retained earnings at 1 July 2018.

The total impact on the Hospital's retained earnings as at 1 July 2018 is as follows:

	Consolidated \$'000	Parent \$'000
Closing retained earnings 30 June 2018 – AASB 139	391,946	378,201
Increase in provision for trade receivables (increase in impairment allowance for receivables) *	(651)	(651)
Adjustment to retained earnings from adoption of AASB 9 for reclassifying:		
• investments from FVOCI to amortised cost (from other reserves)	80	-
• investments from FVPL to FVOCI (to other reserves)	-	-
Opening retained earnings 1 July 2018 – AASB 9	391,375	377,550

*this relates to applying the new expected credit loss (ECL) model rather than incurred loss model.

The assessment of the Hospital's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on the financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

In summary, upon the adoption of AASB 9, the Hospital had the following required and elected reclassifications of financial assets as at 1 July 2018:

AASB 139 category	Carrying amount 30 June 2018 \$'000	AASB 9 measurement		
		Amortised cost \$'000	Fair value OCI \$'000	Fair value PL \$'000
Consolidated				
Loans and receivables				
Receivables*	46,141	45,498	-	-
Held-to-maturity				
Term deposits	3,974	3,974	-	-
Fair value through profit or loss				
Other financial assets	6,875	-	-	6,875
Available-for-sale				
Other financial assets	-	-	-	-
Net carrying amount	56,990	49,472		6,875
Parent				
Loans and receivables				
Receivables*	44,493	43,843	-	-
Held-to-maturity				
Term deposits	821	821	-	-
Fair value through profit or loss				
Other financial assets	4,040	-	-	4,040
Available-for-sale				
Other financial assets	-	-	-	-
Net carrying amount	49,354	44,664		4,040

* The change in carrying amount is a result of decreased impairment allowance. Refer to note 17 for information on impairment of receivables.

The following are the changes in the classification and measurement of financial assets:

- Reclassification of investments held at FVOCI to amortised cost – a Term Deposit (with Westpac) held by AusHealth (subsidiary) that was previously classified as available for sale is now classified as a debt instrument as it meets the appropriate criteria under AASB 9. As a result of the change in classification, the available for sale reserve (other reserves) related to those investments was reclassified to retained earnings at 1 July 2018.
- Trade receivables and loans, being debt instruments, remain measured at amortised costs, similar to the previous classification of loans and receivables under AASB 139.
- Term deposits are now classified as SPPI and remain measured at amortised cost, similar to the previous classification of 'held to maturity'.
- Other investments, largely quoted equity instruments held for trading, will continue to be measured at FVPL, although these were previously classified as available for sale and are now classified as held for trading as they meet the appropriate criteria under AASB 9.

Adoption of AASB 9 has not had an impact on the recognition, measurement and classification on the Hospital's financial liabilities.

2. Objectives and activities

2.1 Objectives

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

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

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

The Chief Executive Officer administers and manages the Hospital under delegation from the Chief Executive of the Department for Health and Wellbeing (the Department) and is accountable to the Chief Executive of the Department.

The Central Adelaide Local Health Network Health Advisory Council Incorporated was established pursuant to the Act. The Council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and the Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

From 1 July 2019, the Hospital will be governed by a Board. The Board 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 or Chief Executive of the Department for Health and Wellbeing.

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

The Hospital is comprised of:

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

2.2 Change to the reporting entity

Net assets transferred by the Hospital as a result of the administrative restructures were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

2017-18

- On December 2017, the Chief Executives of CALHN, NALHN, SALHN and WCHN agreed that clinical services associated with an LHN be transferred from SA Pathology (a part of CALHN) to that respective LHN. This included the transfer of a total of 54 employees from CALHN to NALHN, SALHN and WCHN and budget funding of \$40.371 million over five years. The activities and functions transferred include the governance and control of clinical services by SA Pathology staff. Laboratory services will continue to be managed via an SLA between SA Pathology and the respective LHN. This resulted in net assets of \$2.300 million transferred out of the Parent, consisting of \$1.085 million cash and \$3.385 million leave entitlements. The effective date of transfer was 1 February 2018.

2018-19

- There were no transfers out during this period.

CENTRAL ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

3. Staff benefits expenses

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Salaries and wages	1,183,085	1,142,146	1,175,855	1,135,841
Targeted Voluntary Separation Packages (refer below)	1,360	7,420	1,360	7,420
Long Service Leave	90,627	23,406	90,541	23,299
Annual leave	116,178	105,195	115,870	104,904
Skills and Experience Retention Leave	5,425	5,001	5,425	5,001
Staff on-costs - superannuation*	120,064	114,185	119,400	113,593
Staff on-costs - other	386	339	13	5
Workers compensation	75	10,605	29	10,568
Board and committee fees	378	154	324	101
Other staff related expenses	7,627	6,734	7,588	6,705
Total staff benefits expenses	1,525,205	1,415,185	1,516,405	1,407,437

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

3.1 Key Management Personnel

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

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

- The Minister for Health and Wellbeing. 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 the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department (the Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses).

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

Compensation	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Salaries and other short term employee benefits	3,770	2,922	3,014	2,450
Post-employment benefits	298	251	298	251
Other long-term employment benefits	-	14	-	14
Termination Benefits	-	239	-	239
Total	4,068	3,426	3,312	2,954

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

3.2 Remuneration of boards and committee members

	2019	2018
	No. of Members	No. of Members
\$0	328	171
\$1 - \$20,000	70	65
\$20,001 - \$40,000	5	4
\$40,001 - \$60,000	1	-
\$60,001 - \$80,000	1	-
Total	405	240

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. The total remuneration received or receivable by members was \$0.334 million (\$0.153 million).

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.

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

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

3.3 Remuneration of staff

Remuneration of employees The number of staff whose remuneration received or receivable falls within the following bands:	Consolidated		Parent	
	2019 Total Number	2018 Total Number	2019 Total Number	2018 Total Number
\$149,000 - \$151,000*	n/a	27	n/a	27
\$151,001 - \$171,000	291	268	291	267
\$171,001 - \$191,000	154	167	154	167
\$191,001 - \$211,000	103	79	102	77
\$211,001 - \$231,000	71	73	70	73
\$231,001 - \$251,000	69	50	69	50
\$251,001 - \$271,000	39	50	39	50
\$271,001 - \$291,000	43	37	43	37
\$291,001 - \$311,000	23	29	23	29
\$311,001 - \$331,000	40	34	40	33
\$331,001 - \$351,000	43	40	42	40
\$351,001 - \$371,000	33	27	33	27
\$371,001 - \$391,000	27	34	27	34
\$391,001 - \$411,000	40	29	40	29
\$411,001 - \$431,000	23	36	23	36
\$431,001 - \$451,000	33	24	33	24
\$451,001 - \$471,000	26	22	26	22
\$471,001 - \$491,000	17	25	17	25
\$491,001 - \$511,000	29	21	29	21
\$511,001 - \$531,000	15	16	15	16
\$531,001 - \$551,000	11	15	11	15
\$551,001 - \$571,000	12	11	12	11
\$571,001 - \$591,000	17	13	17	13
\$591,001 - \$611,000	15	17	15	17
\$611,001 - \$631,000	19	12	19	12
\$631,001 - \$651,000	11	10	11	10
\$651,001 - \$671,000	4	5	4	5
\$671,001 - \$691,000	6	2	6	2
\$691,001 - \$711,000	1	5	1	5
\$711,001 - \$731,000	-	2	-	2
\$731,001 - \$751,000	1	1	1	1
\$751,001 - \$771,000	2	1	2	1
\$771,001 - \$791,000	1	1	1	1
\$831,001 - \$851,000	1	1	1	1
\$871,001 - \$891,000	1	-	1	-
\$891,001 - \$911,000	-	1	-	1
\$911,001 - \$931,000	1	-	1	-
\$931,001 - \$951,000	1	-	1	-
\$1,031,001 - \$1,051,000	1	-	1	-
\$1,211,001 - \$1,231,000	1	-	1	-
\$1,611,001 - \$1,631,000	1	-	1	-
Total number of staff	1,226	1,185	1,223	1,181

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

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.

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3.4 Remuneration of staff by classification

The total remuneration received by staff, included above:

	Consolidated				Parent			
	2019		2018		2019		2018	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	1,047	325,063	1,013	307,710	1,047	325,063	1,013	307,710
Executive	24	5,702	23	5,425	21	4,945	21	4,953
Nursing	79	13,248	64	10,242	79	13,248	64	10,242
Non-medical (i.e. administration)	76	13,224	85	14,906	76	13,224	83	14,495
Total	1,226	357,237	1,185	338,283	1,223	356,480	1,181	337,400

3.5 Targeted voluntary separation packages (TVSP)

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amount paid/payable to separated staff:				
Targeted Voluntary Separation Packages	1,360	7,420	1,360	7,420
Leave paid/payable to those employees	1,295	1,977	1,295	1,977
Net cost to the Hospital	2,655	9,397	2,655	9,397

The number of staff who received a TVSP during the reporting period	27	101	27	101
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2019 TVSPs include separations resulting from the Registered Nurse/Midwife Workforce Renewal Program.

4. Supplies and services

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Administration	5,713	7,810	7,270	9,155
Advertising	745	826	496	658
Communication	2,994	3,430	2,889	3,341
Computing	21,349	24,323	20,945	23,941
Consultants	4,395	1,383	4,344	1,339
Contract of services	6,324	5,437	6,324	5,437
Contractors	16,660	11,363	16,611	11,309
Contractors - agency staff	48,907	55,771	48,901	55,771
Cost of goods sold	2,069	2,323	-	17
Drug supplies	241,724	213,927	241,724	213,927
Electricity, gas and fuel	16,659	21,073	16,614	21,025
Fee for service	35,458	42,199	35,458	42,199
Finance lease contingent rentals	-	2	-	2
Food supplies	5,104	5,559	5,104	5,559
Housekeeping	24,353	28,271	24,270	28,184
Insurance	9,791	10,572	9,737	10,524
Internal SA Health SLA payments	20,744	17,605	20,744	17,605
Interstate patient transfers	33	12	33	12
Legal	1,623	2,456	1,416	2,253
Medical, surgical and laboratory supplies	165,002	162,243	165,002	162,285
Minor equipment	6,854	13,455	6,847	13,443
Motor vehicle expenses	1,905	1,793	1,905	1,763
Occupancy rent and rates	19,281	18,961	19,014	18,705
Patient transport	9,299	9,321	9,299	9,321
Services from Shared Services SA	9,201	8,667	9,201	8,667
Postage	7,986	10,205	7,950	10,187
Printing and stationery	4,862	7,238	4,826	7,207
PPP operating expenses	85,775	61,786	85,775	61,786
Rental expense on operating lease	1,442	1,928	1,442	1,928
Repairs and maintenance	22,906	27,239	22,859	27,210
Security	17,030	15,975	17,030	15,975
Staff training and development	20,366	16,708	20,146	16,477
Staff travel expenses	3,159	4,997	2,835	4,849
Other supplies and services	29,483	34,157	29,072	33,254
Total supplies and services	869,196	849,015	866,083	845,315

Operating Leases

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Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The aggregate benefit of lease incentives received by the Hospital in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Consultants

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

	Consolidated				Parent			
	2019		2018		2019		2018	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Below \$10,000	11	37	7	35	4	17	2	9
Above \$10,000	21	4,358	12	1,348	19	4,327	11	1,330
Total	32	4,395	19	1,383	23	4,344	13	1,339

5. Grants and subsidies

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Subsidies	406	288	-	-
Funding to non-government organisations	4,486	4,647	4,486	4,647
Total grants and subsidies	4,892	4,935	4,486	4,647

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

6. Borrowing costs

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Finance lease costs	167,997	261,302	167,997	261,302
Total borrowing cost	167,997	261,302	167,997	261,302

Included in borrowing costs is a reduction in contingent rental amounts of \$94.311 million (\$5.168 million).

The Consolidated Entity does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through the profit and loss was \$167.997 million (\$261.302 million).

Included in finance charges on finance leases is \$167.526 million (\$260.791 million) which relates to interest on the Public Private Partnership (PPP) agreement for the Royal Adelaide Hospital. Refer to note 30.3.2 for further information.

7. Other expenses

	Note	Consolidated		Parent	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Debts written off	17	2,316	2,932	2,309	2,931
Bank fees and charges		75	70	51	55
Donated assets expense		-	15,023	-	15,023
Impairment expense	21	-	13,837	-	13,837
Loss on revaluation of property, plant and equipment	21	-	17,617	-	17,617
Net loss on revaluation of investments		10	1,172	10	1,172
Net loss on sale of investments		15	-	-	-
Royalty payments		13,729	10,355	13,729	10,355
Other*		4,778	4,284	4,634	4,117
Total other expenses		20,923	65,290	20,733	65,107

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

* Includes audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$0.548 million (\$0.463 million) for the Consolidated Entity and \$0.548 million (\$0.403 million) for the Parent. Note that this also includes audit fees paid or payable to BDO Australia relating to the audit of the financial statements for AusHealth totaling \$0.035 million (nil). BDO Australia also provided other services for AusHealth in relation to risk assessment services of \$0.008 million employee award services of \$0.001 million, which are included in note 4 consultants.

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8. Revenues from fees and charges

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Ambulance transport	102	60	102	60
Fines, fees and penalties	103	102	103	102
Insurance recoveries	333	218	333	218
Patient and client fees	273,601	238,332	260,932	227,343
Private practice fees	45,615	35,863	45,615	35,863
Recoveries	53,075	55,536	53,075	55,536
Sale of goods - medical supplies	929	705	929	705
Other user charges and fees	21,264	22,210	21,264	22,210
Total revenues from fees and charges	395,022	353,026	382,353	342,037

9. Grants and contributions

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Commonwealth grants and donations	2,281	5,537	2,281	5,537
Pharmaceutical Benefits Scheme Commonwealth subsidy	186,800	157,918	186,800	157,918
Other SA Government grants and contributions	1,268	848	1,293	2,029
Private sector grants and contributions	23,905	18,279	23,985	18,279
Total grants and contributions	214,254	182,582	214,359	183,763

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

Of the \$214.254 million (\$182.582 million) received in 2018-19, \$15.301 million (\$11.118 million) was provided for specific purposes, including State and Commonwealth Health initiatives- Health reforms, research and other associated activities.

10. Interest revenues

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Bank interest	128	106	-	-
Interest on Special Purpose Funds	1,436	1,346	1,436	1,346
Total interest revenues	1,564	1,452	1,436	1,346

11. Resources received free of charge

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	2,326	-	2,326
Plant and equipment	107	452	107	452
Services	9,118	8,536	9,118	8,536
Total resources received free of charge	9,225	11,314	9,225	11,314

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

CALHN receives Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging. Contribution 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.

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

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Land and buildings:				
Proceeds from disposal	-	-	-	-
Less net book value of assets disposed	(740)	(116)	(740)	(116)
Net gain/(loss) from disposal of land and buildings	(740)	(116)	(740)	(116)
Plant and equipment:				
Proceeds from disposal	160	55	160	55
Less net book value of assets disposed	(405)	(1,901)	(405)	(1,901)
Less other costs of disposal	-	(128)	-	(128)
Net gain/(loss) from disposal of plant and equipment	(245)	(1,974)	(245)	(1,974)
Intangibles:				
Proceeds from disposal	-	-	-	-
Less net book value of assets disposed	-	(61)	-	(61)
Net gain/(loss) from disposal of intangibles	-	(61)	-	(61)
Total assets:				
Proceeds from disposal	160	55	160	55
Less net book value of assets disposed	(1,145)	(2,078)	(1,145)	(2,078)
Less other costs of disposal	-	(128)	-	(128)
Total net gain/(loss) from disposal of assets	(985)	(2,151)	(985)	(2,151)

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 net book value of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

13. Other revenues/income

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Commissions revenue	69	82	69	82
Dividend revenue	174	193	-	-
Royalty income	19,273	15,540	19,273	15,540
Training revenue	65	40	65	40
Donations	7,663	9,092	7,663	9,092
Car parking revenue	8,611	7,743	8,611	7,743
Other	17,722	7,944	17,005	7,242
Total other revenues/income	53,577	40,634	52,686	39,739

14. Revenues from SA Government

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Capital funding	46,355	188,562	46,355	188,562
Recurrent funding	1,852,972	1,944,474	1,852,972	1,944,474
Total revenues from SA Government	1,899,327	2,133,036	1,899,327	2,133,036

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 upon receipt.

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15. Unexpended funding commitments

The Hospital is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Hospital on the premise that these funds are expended in a manner consistent with the terms of the program. The Hospital had outstanding funding commitments to the following programs:

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Organ Tissue Authority Grant	229	306	229	306
Total unexpended funding commitments	229	306	229	306

16. Cash and cash equivalents

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at bank or on hand	5,215	4,762	2,423	2,438
Deposits with Treasurer	119,868	154,666	119,868	154,666
Total cash	125,083	159,428	122,291	157,104

Cash is measured at nominal amounts.

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

Deposits with the Treasurer

The Hospital operates through the Department's two deposit accounts held with the Treasurer, one general operating account and one special purpose deposit account. The Hospital earns interest on the special purpose deposit account.

17. Receivables

	Note	Consolidated		Parent	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Current					
Patient/client fees: compensable		8,462	4,000	8,462	4,000
Patient/client fees: other		41,145	35,172	41,145	35,172
Debtors		11,468	12,054	9,514	10,310
Less: allowance for impairment of receivables	17.1	(6,697)	(5,085)	(6,601)	(4,989)
Prepayments		918	993	699	808
Interest		16	20	-	-
Grants		45	124	45	124
Workers compensation provision recoverable		2,559	2,929	2,559	2,929
Sundry receivables and accrued revenue		59,566	21,152	59,405	20,997
GST input tax recoverable		1,836	1,738	1,924	1,813
Total current receivables		119,318	73,097	117,152	71,164
Non-current					
Debtors		155	379	155	379
Workers compensation provision recoverable		4,667	5,728	4,667	5,728
GST input tax recoverable		788	788	788	788
Total non-current receivables		5,610	6,895	5,610	6,895
Total receivables		124,928	79,992	122,762	78,059

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.

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17.1 Impairment of receivables

AASB 9 replaces the incurred loss model in AASB 139 with an expected credit loss model. The new impairment requirements result in a provision being applied to all receivables (expected loss) rather than only on those receivables that are credit impaired (incurred loss). 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. This results in a decrease of the loss allowance on 1 July 2018 for trade receivables external to State, Territory or Commonwealth Government (due to the Governments' high quality credit rating).

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Movement in the allowance for impairment of receivables:

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June under AASB 139	5,085	10,455	4,989	10,359
Adjustments on initial adoption of AASB 9	651	-	651	-
Carrying amount at the beginning of the period	5,736	10,455	5,640	10,359
Increase/(Decrease) in allowance recognised in profit or loss	961	(5,370)	961	(5,370)
Carrying amount at the end of the period	6,697	5,085	6,601	4,989

18. Other financial assets

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current				
Term deposits	2,403	2,356	824	821
Other investments FVPL	6,766	6,452	2,880	2,890
Total current investments	9,169	8,808	3,704	3,711
Non-current				
Term deposits	2,069	1,618	-	-
Interest in wholly owned subsidiary	-	-	1,150	1,150
Other investments FVOCI	-	423	-	-
Total non-current investments	2,069	2,041	1,150	1,150
Total investments	11,238	10,849	4,854	4,861

The Hospital measures term deposits at amortised cost, listed equities and other investments are measured as fair value represented by market value. As at 30 June 2003 after the completion of construction of the RAH Car park the remaining unexpended funds received from the private financier were invested to satisfy the Capital Reserve Fund and Insurance Fund requirements as specified in the car park agreement and are reflected in the term deposits. Other investments include shares in other corporations, floating rate notes, listed securities and managed funds.

Term deposits currently includes \$0.423 million reclassified from current investments at FVOCI at adoption of AASB 9 on 1 July 2018. Fair value gain for the year ended 30 June 2019 was \$0.028 million.

Refer to note 34 for further information on risk management.

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19. Inventories

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Drug supplies	12,461	12,484	12,461	12,484
Inventory imprest stock	7,873	8,248	7,873	8,248
Other	237	389	124	111
Total current inventories - held for distribution	20,571	21,121	20,458	20,843

Inventories 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.

20. Property, plant and equipment, investment property and intangible assets

20.1 Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

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

20.2 Depreciation and amortisation

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

The useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Land and non current assets held for sale are not depreciated.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Depreciation/amortisation is calculated on a straight line basis over the estimated or revised remaining useful life of the following classes of assets as follows:

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements including finance lease	30 - 200
Leasehold improvements	Life of lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	5 - 15
• Computing equipment	3 - 5
• Vehicles	2 - 25
• Under finance lease	Life of lease
• Other plant and equipment	3 - 25
Intangible assets	5 - 10

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20.3 Revaluation

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

The Hospital revalues all land, buildings and site improvements on a regular cycle via a Certified Practising Valuer. The revaluation of non-current assets by a Certified Practising Valuer is only performed when the asset's fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years.

If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings.

20.4 Impairment

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. 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, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

There were no indications of impairment of property, plant and equipment as at 30 June 2019.

20.5 Intangible assets

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

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

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

20.6 Valuation of land and building

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

The valuer arrived at the fair value of unrestricted land 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.

The valuer used depreciated replacement cost for specialised land and buildings, 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; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

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20.7 Valuation of plant and equipment

All items of plant and equipment that had a fair value at the time of acquisition less than \$1 million have not been revalued in accordance with Accounting Policy Statements. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Hospital's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2018, based on independent valuations performed by a Certified Practicing Valuer from Jones Lang Lasalle (SA) Pty Ltd.

20.8 Valuation of investment property

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

The valuation of the investment property located at Dalglish Street, Thebarton was performed by a Certified Practicing Valuer from Knight Frank Valuations as at June 2017. The valuer arrived at a fair value based on recent market transactions for similar properties in the area taking in to account zoning and restricted use.

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

Amounts recognised in profit or loss

The Hospital recognised rental income from investment property during the period of \$0.437 million (\$0.432 million).

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21. Reconciliation of property, plant and equipment and investment property

The following table shows the movement:

Consolidated

2018-19

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

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

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Consolidated
2017-18

	Land and buildings:				Plant and equipment:							Total \$'000
	Land \$'000	Buildings \$'000	Buildings under PPP \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under PPP \$'000	Capital works in progress plant and equipment \$'000	Investment property \$'000		
Carrying amount at the beginning of the period	134,602	288,405	2,550,956	9,277	17,500	53,760	5,592	258,249	102,116	4,670	3,425,127	
Additions	-	-	-	63,254	-	4,161	368	-	55,823	-	123,606	
Assets received free of charge	-	2,326	-	-	-	452	-	-	-	-	2,778	
Disposals	-	-	-	-	(116)	(1,572)	(305)	-	(23)	-	(2,016)	
Donated assets disposal	(3,050)	(11,973)	-	-	-	-	-	-	-	-	(15,023)	
Transfers between asset classes	-	2,953	59,342	(60,381)	2,987	122,603	26,538	-	(150,936)	-	3,106	
Subtotal:	131,552	281,711	2,610,298	12,150	20,371	179,404	32,193	258,249	6,980	4,670	3,537,578	
Gains/(losses) for the period recognised in net result:												
Depreciation and amortisation	-	(24,969)	(38,160)	-	(1,347)	(34,801)	(8,259)	(7,400)	-	-	(114,936)	
Revaluation increment / (decrement)	(17,617)	-	-	-	-	-	-	-	-	-	(17,617)	
Impairment (losses) / reversals	-	(13,837)	-	-	-	-	-	-	-	-	(13,837)	
Subtotal:	(17,617)	(38,806)	(38,160)	-	(1,347)	(34,801)	(8,259)	(7,400)	-	-	(146,390)	
Gains/(losses) for the period recognised in other comprehensive income:												
Revaluation increment / (decrement)	-	44,829	-	-	-	2,296	-	-	-	-	47,125	
Subtotal:	-	44,829	-	-	-	2,296	-	-	-	-	47,125	
Carrying amount at the end of the period*	113,935	287,734	2,572,138	12,150	19,024	146,899	23,934	250,849	6,980	4,670	3,438,313	
Gross carrying amount												
Gross carrying amount	113,935	289,901	2,610,298	12,150	28,056	259,229	40,918	258,249	6,980	4,670	3,624,386	
Accumulated depreciation / amortisation	-	(2,167)	(38,160)	-	(9,032)	(112,330)	(16,984)	(7,400)	-	-	(186,073)	
Carrying amount at the end of the period	113,935	287,734	2,572,138	12,150	19,024	146,899	23,934	250,849	6,980	4,670	3,438,313	

* Included in carrying amount at the end of the period is buildings under finance lease of nil (\$18.377 million). All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment properties and land valued at \$4.670 million (\$4.670 million) (classified as level 2) capital works in progress (not classified).

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

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

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Parent 2017-18	Land and buildings:				Plant and equipment:							Total \$'000
	Land \$'000	Buildings \$'000	Buildings under PPP \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under PPP \$'000	Capital works in progress plant and equipment \$'000	Investment property \$'000		
Carrying amount at the beginning of the period	134,602	288,405	2,550,956	9,277	17,500	53,761	5,266	258,249	102,078	-	3,420,094	
Additions	-	-	-	63,254	-	4,160	27	-	55,728	-	123,169	
Assets received free of charge	-	2,326	-	-	-	452	-	-	-	-	2,778	
Disposals	-	-	-	-	(116)	(1,572)	(305)	-	(23)	-	(2,016)	
Donated assets disposal	(3,050)	(11,973)	-	-	-	-	-	-	-	-	(15,023)	
Transfers between asset classes	-	2,953	59,342	(60,381)	2,987	122,603	26,538	-	(150,936)	-	3,106	
Subtotal:	131,552	281,711	2,610,298	12,150	20,371	179,404	31,526	258,249	6,847	-	3,532,108	
Gains/(losses) for the period recognised in net result:												
Depreciation and amortisation	-	(24,969)	(38,160)	-	(1,347)	(34,801)	(8,058)	(7,400)	-	-	(114,735)	
Revaluation increment / (decrement)	(17,617)	-	-	-	-	-	-	-	-	-	(17,617)	
Impairment (losses) / reversals	-	(13,837)	-	-	-	-	-	-	-	-	(13,837)	
Subtotal:	(17,617)	(38,806)	(38,160)	-	(1,347)	(34,801)	(8,058)	(7,400)	-	-	(146,189)	
Gains/(losses) for the period recognised in other comprehensive income:												
Revaluation increment / (decrement)	-	44,829	-	-	-	2,296	-	-	-	-	47,125	
Subtotal:	-	44,829	-	-	-	2,296	-	-	-	-	47,125	
Carrying amount at the end of the period*	113,935	287,734	2,572,138	12,150	19,024	146,899	23,468	250,849	6,847	-	3,433,044	
Gross carrying amount												
Gross carrying amount	113,935	289,901	2,610,298	12,150	28,056	259,229	39,226	258,249	6,847	-	3,617,891	
Accumulated depreciation / amortisation	-	(2,167)	(38,160)	-	(9,032)	(112,330)	(15,758)	(7,400)	-	-	(184,847)	
Carrying amount at the end of the period	113,935	287,734	2,572,138	12,150	19,024	146,899	23,468	250,849	6,847	-	3,433,044	

* Included in carrying amount at the end of the period is buildings under finance lease of nil (\$18.377 million). All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified).

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22. Reconciliation of intangible assets

The following table shows the movement:

Consolidated

	2018-19			2017-18		
	Computer software \$'000	Capital works in progress intangibles \$'000	Total \$'000	Computer software \$'000	Capital works in progress intangibles \$'000	Total \$'000
Carrying amount at the beginning of the period	51,956	3,887	55,843	26,856	38,740	65,596
Additions	15	750	765	-	2,890	2,890
Disposals	-	-	-	(61)	-	(61)
Amortisation	(10,777)	-	(10,777)	(9,476)	-	(9,476)
Transfers between asset classes	4,278	(3,878)	400	34,637	(37,743)	(3,106)
Carrying amount at the end of the period	45,472	759	46,231	51,956	3,887	55,843
Gross carrying amount						
Gross carrying amount	74,346	759	75,105	70,071	3,887	73,958
Accumulated amortisation	(28,874)	-	(28,874)	(18,115)	-	(18,115)
Carrying amount at the end of the period	45,472	759	46,231	51,956	3,887	55,843
Parent						
Carrying amount at the beginning of the period	51,956	3,887	55,843	26,856	38,740	65,596
Additions	15	750	765	-	2,890	2,890
Disposals	-	-	-	(61)	-	(61)
Amortisation	(10,777)	-	(10,777)	(9,476)	-	(9,476)
Transfers between asset classes	4,278	(3,878)	400	34,637	(37,743)	(3,106)
Carrying amount at the end of the period	45,472	759	46,231	51,956	3,887	55,843
Gross carrying amount						
Gross carrying amount	74,346	759	75,105	70,071	3,887	73,958
Accumulated amortisation	(28,874)	-	(28,874)	(18,115)	-	(18,115)
Carrying amount at the end of the period	45,472	759	46,231	51,956	3,887	55,843

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23. Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

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.

In determining fair value, the Hospital has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

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 21 and 23.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

23.1 Fair value hierarchy

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

Fair value measurements at 30 June 2019

	Consolidated			Parent		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements (Note 21)						
Land	-	113,935	113,935	-	113,935	113,935
Buildings and improvements	-	2,801,860	2,801,860	-	2,801,860	2,801,860
Leasehold improvements	-	16,970	16,970	-	16,970	16,970
Plant and equipment	-	387,831	387,831	-	387,077	387,077
Investment property	4,670	-	4,670	-	-	-
Total recurring fair value measurements	4,670	3,320,596	3,325,266	-	3,319,842	3,319,842

Fair value measurements at 30 June 2018

	Consolidated			Parent		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements (Note 21)						
Land	-	113,935	113,935	-	113,935	113,935
Buildings and improvements	-	2,859,872	2,859,872	-	2,859,872	2,859,872
Leasehold improvements	-	19,024	19,024	-	19,024	19,024
Plant and equipment	-	421,682	421,682	-	421,216	421,216
Investment property	4,670	-	4,670	-	-	-
Total recurring fair value measurements	4,670	3,414,513	3,419,183	-	3,414,047	3,414,047

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

During 2019 and 2018, the Hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1 and 2 fair value hierarchy levels in 2018-19.

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23.2 Valuation techniques and inputs

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

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

Unobservable inputs used to arrive at final valuation figures included:

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

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

24. Payables

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current				
Creditors and accrued expenses	116,717	71,388	115,435	70,375
Paid Parental Leave Scheme	128	27	128	27
Staff on-costs*	18,209	20,263	18,153	20,213
Other payables	3,931	3,924	3,931	3,924
Total current payables	138,985	95,602	137,647	94,539
Non-current				
Creditors and accrued expenses	624	529	624	529
Staff on-costs*	8,958	8,236	8,958	8,236
Total non-current payables	9,582	8,765	9,582	8,765
Total payables	148,567	104,367	147,229	103,304

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. Employee on-costs are settled when the respective employee 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 Department of Treasury and Finance, the percentage of the portion of long service leave taken as leave has decreased from the 2018 rate of 35% to 29%. The average factors for the calculation of employer superannuation on-costs have changed from 2018 (9.88%) to 2019 (9.80%); these rates are used in the employment on-cost calculation. The net financial effect of the above changes in the current financial year is a decrease in employee benefits expenses and the employment on-cost liability of \$2.021 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

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

Refer to note 34 for information on risk management.

25. Borrowings

	Note	Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current					
Finance lease	30.3	61,234	61,553	61,234	61,553
Total current borrowings		61,234	61,553	61,234	61,553
Non-current					
Finance lease	30.3	2,650,031	2,698,866	2,650,031	2,698,866
Total non-current borrowings		2,650,031	2,698,866	2,650,031	2,698,866
Total borrowings		2,711,265	2,760,419	2,711,265	2,760,419

The decrease in the finance lease liability of \$49.154 million arises from a decrease in financing cash flows of \$59.107 million less interest expense of \$11.962 million and a non cash reduction in the liability of \$2.009 million.

Refer to note 34 for information on risk management.

Defaults and breaches

There were no defaults or breaches on any of the above liabilities throughout the year.

26. Staff benefits

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current				
Annual leave	132,145	127,603	131,825	127,321
Long service leave	28,053	19,490	27,689	19,164
Accrued salaries and wages	38,113	34,769	37,750	34,501
Fringe benefits tax	16	9	-	-
Skills and experience retention leave	9,582	10,308	9,582	10,308
Other	50	38	50	38
Total current staff benefits	207,959	192,217	206,896	191,332
Non-current				
Long service leave	299,997	242,300	299,980	242,281
Total non-current staff benefits	299,997	242,300	299,980	242,281
Total staff benefits	507,956	434,517	506,876	433,613

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.

26.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

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

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.

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26.2 Long service leave

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

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

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.57%) to 2019 (1.25%). 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 net financial effect of the changes to actuarial assumptions is an increase in the long service leave liability of \$43.192 million, payables (employee on-costs) of \$1.290 million and staff benefits expense of \$44.482 million. The impact on 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.

The actuarial assessment performed by the DTF left the salary inflation rate at 4.00% for long service leave and decreased the salary inflation rate from 3.00% to 2.20% 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 \$1.0321 million, skills experience retention leave liability of \$0.075 million and staff benefits expense of \$1.217 million.

27. Provisions

	Note	Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current					
Workers compensation	27.1	7,355	7,686	7,355	7,686
Total current provisions		7,355	7,686	7,355	7,686
Non-current					
Workers compensation	27.1	11,353	18,523	11,353	18,523
Total non-current provisions		11,353	18,523	11,353	18,523
Total provisions		18,708	26,209	18,708	26,209

27.1 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 2019 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.

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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 2019 the Hospital recognised a workers compensation non-statutory provision of \$2.376 million (\$2.737 million).

Reconciliation of workers compensation (statutory and non-statutory)

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	26,209	22,046	26,209	22,046
Increase in provisions recognised	-	4,895	-	4,895
Reductions arising from payments/other sacrifices of future economic benefits	(1,170)	(732)	(1,170)	(732)
Reductions resulting from re-measurement or settlement without cost	(6,331)	-	(6,331)	-
Carrying amount at the end of the period	18,708	26,209	18,708	26,209

28. Other liabilities

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current				
Unclaimed monies	11	1	11	1
Unearned revenue	931	1,361	931	1,361
Lease incentive	160	160	160	160
Other	777	468	777	468
Total current other liabilities	1,879	1,990	1,879	1,990
Non-current				
Unearned revenue	607	690	607	690
Lease incentive	1,062	1,149	1,062	1,149
Other	825	835	825	835
Total non-current other liabilities	2,494	2,674	2,494	2,674
Total other liabilities	4,373	4,664	4,373	4,664

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29. Cash flow reconciliation

Reconciliation of cash and cash equivalents at the end of the reporting period	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	125,083	159,428	122,291	157,104
Cash as per Statement of Financial Position	125,083	159,428	122,291	157,104
Balance as per Statement of Cash Flows	125,083	159,428	122,291	157,104
Reconciliation of net cash provided by operating activities to net cost of providing services:				
Net cash provided by (used in) operating activities	60,512	219,941	59,317	221,202
Revenues from SA Government	(1,899,327)	(2,133,036)	(1,899,327)	(2,133,036)
Add/less non-cash items				
Asset donated free of charge	-	(15,023)	-	(15,023)
Capital revenues	-	11,749	-	11,749
Capitalised interest expense on finance lease	(11,962)	(10,901)	(11,962)	(10,901)
Depreciation and amortisation expense of non-current assets	(127,700)	(124,412)	(127,374)	(124,211)
Gain/(loss) on sale or disposal of non-current assets	(985)	(2,151)	(985)	(2,151)
Impairment of non-current assets	-	(13,837)	-	(13,837)
Increments/(decrements) on revaluation of non-current assets	-	(17,616)	-	(17,616)
Interest credited directly to investments	28	-	-	-
Net effect of the adoption of new Accounting Standard	651	-	651	-
Resources received free of charge	107	2,778	107	2,778
Revaluation of investments	224	(926)	(10)	(1,172)
Movement in assets/liabilities				
Increase/(decrease) in inventories	(549)	1,369	(385)	1,306
Increase/(decrease) in other current assets	-	-	-	-
Increase/(decrease) in receivables	44,936	4,205	44,703	3,664
(Increase)/decrease in other liabilities	291	(127)	291	(127)
(Increase)/decrease in payables and provisions	(37,004)	(15,577)	(36,728)	(15,005)
(Increase)/decrease in staff benefits	(73,439)	(34,348)	(73,263)	(34,221)
Net cost of providing service	(2,044,217)	(2,127,912)	(2,044,965)	(2,126,601)

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as per the Statement of Financial Position.

30. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from or payable to the ATO. If GST is not recoverable or payable, the commitments are disclosed on a gross basis.

30.1 Operating lease revenue commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows:	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Within one year	438	469	-	-
Later than one year but not longer than five years	511	1,017	-	-
Total operating lease revenue commitments	949	1,486	-	-

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30.2 Operating lease expenditure commitments

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	11,361	11,933	11,151	11,738
Later than one year but not longer than five years	37,061	39,655	37,012	39,435
Later than five years	33,311	41,881	33,311	41,881
Total operating lease commitments	81,733	93,469	81,474	93,054
Representing:				
Non-cancellable operating leases	81,733	93,469	81,474	93,054
Total operating lease commitments	81,733	93,469	81,474	93,054

The Hospital has a number of lease agreements. Lease terms vary in length. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. The majority of the operating lease arrangements are for the use of properties. Motor vehicles are leased from 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 or a specified number of kilometres, whichever occurs first.

30.3 Finance lease liabilities commitments

30.3.1 Finance lease liability commitments - RAH car park

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

	2019		2018	
	Minimum lease payments \$'000	Present value of lease payments \$'000	Minimum lease payments \$'000	Present value of lease payments \$'000
Within one year	2,215	850	2,186	803
Later than one year but not longer than five years	8,860	3,918	8,743	3,704
Later than five years	7,199	3,898	9,290	4,962
Total minimum lease payments	18,274	8,666	20,219	9,469
Less future finance lease charges and contingent rentals	(9,608)		(10,750)	
Total finance lease commitments	8,666	8,666	9,469	9,469

Included in finance lease commitments above is \$0.788 million (\$0.861 million) which is the GST component of the finance lease commitments. The lease is non-cancellable. Rent is payable in arrears.

30.3.2 Finance lease liability commitments - new RAH building and plant and equipment

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

	2019		2018	
	Minimum lease payments \$'000	Present value of lease payments \$'000	Minimum lease payments \$'000	Present value of lease payments \$'000
Within one year	309,683	288,706	313,286	292,851
Later than one year but not longer than five years	1,228,111	896,358	1,228,958	902,875
Later than five years	6,273,375	1,517,535	6,595,741	1,555,224
Total minimum lease payments	7,811,169	2,702,599	8,137,985	2,750,950
Less future finance lease charges and contingent rentals	(5,108,570)		(5,387,035)	
Total finance lease commitments	2,702,599	2,702,599	2,750,950	2,750,950

There is nil GST in the finance lease commitments above.

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

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

The PPP costs are disclosed as:

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

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

	Consolidated		Parent	
	2019	2018	2019	2018
Included in the Statement of Financial Position as:	\$'000	\$'000	\$'000	\$'000
Current borrowings (Note 25)	61,234	61,553	61,234	61,553
Non-current borrowings (Note 25)	2,650,031	2,698,866	2,650,031	2,698,866
Total included in borrowings	2,711,265	2,760,419	2,711,265	2,760,419

30.4 Expenditure commitments

30.4.1 Capital commitments

	Consolidated		Parent	
	2019	2018	2019	2018
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:	\$'000	\$'000	\$'000	\$'000
Within one year	1,579	10,374	1,504	10,374
Total capital commitments	1,579	10,374	1,504	10,374

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

30.4.2 Other expenditure commitments

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Within one year	119,153	91,106	119,153	91,106
Later than one year but not longer than five years	343,895	315,411	343,895	315,411
Later than five years	2,439,548	2,523,411	2,439,548	2,523,411
Total other expenditure commitments	2,902,596	2,929,928	2,902,596	2,929,928
Less contingent rentals	(1,178,834)	(1,190,781)	(1,178,834)	(1,190,781)
Total finance lease commitments	1,723,762	1,739,147	1,723,762	1,739,147

The Hospital's expenditure commitments are for agreements for goods and services ordered but not received.

Included in other expenditure commitments above is \$2,879.821 million (\$2,912.588 million), including contingent rentals, which relates directly to the PPP operations and maintenance commitments.

The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2019 have not been quantified.

31. Contingent assets and liabilities

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

31.1 Contingent Assets

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

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

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

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

31.2 Contingent Liabilities

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

The South Australian Government has reached agreement with Spotless and Celsus in relation to the delivery of services by Spotless at the new Royal Adelaide Hospital.

The term sheet, which is subject to various approvals, includes:

- Settlement of historical abatement claims;
- A revised KPI and abatement regime designed to better reflect services provided by Spotless;
- An increase to Spotless' monthly service fee; and
- Commitments by the parties to work collaboratively on initiatives to further reduce costs and improve patient outcomes.

Where required, the financial impact of the term sheet has been included in these statements.

31.3 Guarantees

The Hospital has made no guarantees.

32. Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue, where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

As discussed in note 2.1, the Hospital's Governing Board commenced 1 July 2019. The Hospital is not aware of any other material events occurring between the end of the reporting period and when the financial statements were authorised.

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33. Impact of Standards not yet implemented

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. The material impacts on the Hospital are outlined below.

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

The Hospital will adopt these standards from 1 July 2019.

AASB 15 establishes a comprehensive framework for determining the nature, amount and timing of revenue arising from contracts with customers. The objective of AASB 15 is for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. This standard replaces AASB 111 *Construction Contracts* and AASB 118 *Revenue*.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not for profit entities, in conjunction with AASB 15. This standard replaces parts of AASB 1004 *Contributions*.

Adopting AASB 15 and AASB 1058 is expected to have an immaterial impact on the timing and recognition of revenue of the Hospital.

The Hospital has completed an extensive review of all revenue streams to ensure compliance with AASB 15 and AASB 1058, and assessed the impact on the nature, amount and timing of revenue recognition as:

- Revenues from SA Government (74.6%) will continue to be recognised as income when the Hospital obtains control of the funds (ie upon receipt).
- Interest income (0.1%) will continue to be recognised via AASB 9.
- Resources received free of charge (0.4%) relates to contributed services and contributed assets. Material contributed services will continue to be recognised where they would have been purchased if they were not donated via AASB 1058 (previously AASB 1004). Where contributed assets do not have sufficiently specific performance obligations these will continue to be accounted for as a donation via AASB 1058 (previously AASB 1004) e.g. donated inventory.
- All material Commonwealth revenues and other grants (8.4%) have been assessed, and will continue to be recognised as the service/performance obligations are satisfied, or alternatively where there are no service obligations, upon receipt. There are no material changes to the timing of grant income recognition.
- All material Fees and Charges (15.0%) have been assessed and revenue will continue to be recognised as the service/performance obligations are satisfied.
- Taxes, rates and fines will continue to be recognised as income when the taxable event occurs.
- Peppercorn lease arrangements will continue to be recognised at nominal amounts until the AASB develops valuation guidance.

Revenue earned in prior periods but not yet receivable will be recorded as a contract asset (currently recorded as an accrual) in the Statement of Financial Position. Revenue received in prior periods but not yet earned will be recorded as a contract liability (currently recorded as unearned revenue) in the Statement of Financial Position. It is expected that adoption of AASB 15 and AASB 1058 will have an immaterial impact on the Statement of Financial Position.

As per the Accounting Policy Statements, the Hospital will apply AASB 15 and AASB 1058 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives will not be restated); not apply the completed contract expedient; and not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 Leases

The Hospital will adopt this standard from 1 July 2019. This standard replaces AASB 117 *Leases* and Interpretations 4, 115 and 127.

AASB 16 largely retains the current lessor accounting model but introduces a single lessee accounting model. It requires a lessee to recognise assets (representing rights to use the underlying leased asset) and liabilities (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying asset value is low. In effect, the majority of leases presently classified as operating leases will be recognised in the Statement of Financial Position.

The right of use asset will initially be recognised at cost and will give rise to a depreciation expense. The lease liability will initially be recognised as the present value of the lease payments during the term of the lease. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. These payments will now reduce the recognised liability over time and the finance charge component recognised as an expense.

The Hospital has assessed the impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements outlined in the APS. As per the APS, the Hospital will apply AASB 16's transition approach only to those leases already identified as a lease under AASB 117; and apply incremental borrowing rates based on SAFA's rates for principal and interest loans to SA Government agencies.

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AASB 16 will have a material impact on the Statement of Financial Position. The impact of this change and the results as at 1 July 2019 are set out below:

Impact on Statement of Financial Position	Consolidated Entity \$'000	Parent \$'000
Assets		
Right of Use Assets	72,563	71,624
Liabilities		
Lease Liabilities	(72,563)	(71,624)
Other Liabilities (lease incentive liabilities)*	1,222	1,222
Net impact on Equity	1,222	1,222

*lease incentive liabilities remaining will be written off against retained earnings at transition date

AASB 16 will also impact the Statement of Comprehensive Income. The impact is largely a reclassification between supplies and services expenses and depreciation and interest expenses:

Impact on Statement of Comprehensive Income	Consolidated Entity \$'000	Parent \$'000
Depreciation and Amortisation	11,047	10,897
Supplies and Services	(11,150)	(11,150)
Borrowing Costs	1,896	1,857
Net impact on Net Cost of Providing Services	1,793	1,604

As per the Accounting Policy Statements, the Hospital will apply AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives will not be restated); not apply AASB 16 to contracts that were not previously identified as containing a lease under AASB 117; not transition operating leases for which the lease term ends before 30 June 2020.

In addition, the Hospital will not apply AASB 16 to intangible assets; will adopt a \$15,000 threshold for determining whether an underlying asset is a low value asset, will apply the short term lease recognition exemption; will adopt the revaluation model where permitted; will apply the relevant lessee's incremental borrowing rate published by DTF; and not record at fair value leases that have significantly below-market terms and conditions.

34. Financial instruments/financial risk management

34.1 Financial risk management

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

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

Liquidity Risk

The Hospital is funded principally by the Department for Health and Wellbeing. The Department for Health and Wellbeing works with the Department of Treasury and Finance 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 note 24 and 25 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 16, 17 and 18 for further information.

Market risk

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

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

34.2 Categorisation of financial instruments

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

Classification applicable until 30 June 2018 under AASB139

The carrying amounts of financial assets and liabilities were categorised as: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost.

The Hospital did not recognise any financial assets or financial liabilities at fair value, except as disclosed in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes , 17 and 24).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer notes 25).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer notes 18).

Classification applicable from 1 July 2018 under AASB 9

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	Consolidated		Parent	
		2019 Carrying amount/ Fair value \$'000	2018 Carrying amount/ Fair value \$'000	2019 Carrying amount/ Fair value \$'000	2018 Carrying amount/ Fair value \$'000
<i>Financial assets</i>					
Cash and equivalent					
Cash and cash equivalents	16, 29	125,083	159,428	122,291	157,104
Loans and receivables					
Receivables ^(*)	17	113,957	67,577	111,706	65,754
Available for sale financial assets					
Other financial assets	18	11,238	10,849	4,854	4,861
Total financial assets		250,278	237,854	238,851	227,719
<i>Financial liabilities</i>					
Financial liabilities at cost					
Payables ^(*)	24	120,902	75,459	119,151	74,443
Borrowings	25	-	-	-	-
Other financial liabilities	28	2,835	2,613	2,835	2,613
Finance lease liability	25, 29	2,711,265	2,760,419	2,711,265	2,760,419
Total financial liabilities		2,835,002	2,838,491	2,833,251	2,837,475

* Comparative amounts shown above reflect reclassification in accordance with AASB 9, refer to note 1.7 for categories under AASB 139.

^(*) Receivable and payable amounts disclosed here 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

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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 (not materially different from amortised cost).

- ^(c) Receivable amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

34.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss 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, compensable and sundry). The provision matrix is initially based on the Hospital's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort; about past events, current conditions and forecasts of future economic conditions.

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

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

CONSOLIDATED	30 June 2019			1 July 2018 (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
Days past due						
Current	1.0 – 3.6%	18,130	265	1.2 – 4.5%	13,311	175
<30 days	2.6 – 4.2%	6,924	189	3.1 – 5.3%	3,986	135
31-60 days	3.6 – 6.3%	4,096	151	4.3 – 7.7%	3,239	159
61-90 days	4.9 – 8.2%	3,086	188	5.9 – 9.7%	2,596	163
91-120 days	6.6 – 10.2%	2,491	174	7.6 – 11.7%	2,930	258
121-180 days	9.0 – 14.8%	4,248	404	9.6 – 15.8%	3,229	355
181-360 days	18.7 – 31.7 %	7,937	1,621	18.2 – 32%	4,450	880
361-540 days	47.2 – 51.4%	2,603	1,241	46.8 – 50.5%	1,753	852
>540 days	54.5 – 62.2%	4,093	2,464	54 – 61.3%	4,686	2,759
Total		53,608	6,697		40,180	5,736

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PARENT	30 June 2019			1 July 2018 (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
Days past due						
Current	1.0 – 3.6%	16,132	265	1.2 – 4.5%	13,311	175
<30 days	2.6 – 4.2%	6,863	189	3.1 – 5.3%	3,986	135
31-60 days	3.6 – 6.3%	3,989	151	4.3 – 7.7%	3,239	159
61-90 days	4.9 – 8.2%	3,027	188	5.9 – 9.7%	2,596	163
91-120 days	6.6 – 10.2%	2,386	174	7.6 – 11.7%	2,930	258
121-180 days	9.0 – 14.8%	4,248	404	9.6 – 15.8%	3,229	355
181-360 days	18.7 – 31.7 %	7,937	1,621	18.2 – 32%	4,450	880
361-540 days	47.2 – 51.4%	2,603	1,241	46.8 – 50.5%	1,753	852
>540 days	54.5 – 62.2%	4,093	2,368	54 – 61.3%	4,686	2,663
Total		51,278	6,601		40,180	5,640

35. Significant transactions with government related entities

The Consolidated Entity is controlled by the SA Government.

Related parties of the Consolidated Entity 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 Consolidated Entity received funding from the SA Government via the Department (note 14), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, inter-health staff recharging, insurance and computing (note 4). The Department transferred capital works in progress of \$15.248 million (\$11.749 million) to the Consolidated Entity. The Consolidated Entity incurred expenditure with the Department of Planning, Transport and Infrastructure (DPTI) of \$3.531 million (\$4.739 million) which largely reflects occupancy rent and rates (note 4). As at 30 June the value of unrecognised contractual expenditure commitments with DPTI was \$24.192 million (\$26.898 million).

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

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36. Interests in other entities

Controlled Entities

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

Joint arrangements

The Hospital participates in the following joint operations:

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

Structured entities

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

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

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37. Board and committee members

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

Board/Committee name:	Government employee members	Other members
Acute Medicine and Mental Health Partnership Working Group	25	Sutton P
AusHealth Corporate Pty Ltd	3	Johansen G, Flynn P, Hinton A
Breast Screen SA State Quality Committee	8	Hoffmann C (appointed 22/02/2019), Roder D, Bretag T, Rosser G, Zeitz K (Chair) (appointed 31/08/2018), Muller J (resigned 23/11/2018), Olver I (resigned 21/02/2019).
Central Adelaide Local Health Network Challenging Behaviours Committee	27	Chester M
Central Adelaide Local Health Network Consumer Advocates Council (Disbanded on 10/08/2018)	-	Verrall A, Priest C, Canavan D, Law D, Fyfe D (Chair), Neale D, Woodley E, Lucas G, Marshall J, Price J, McMahon J, Burns K, Stewart L, Francese L, Whiteway L, Nagel L, Chester M, Curry M, Lunawat N, Sutton P, Anderson R, Cardinali R, Heydrich S, Sutton S, O'Brien S, Blazewicz T, Morgan T
Central Adelaide Local Health Network Consumer Carer Advisory Group	6	Verrall A (Chair) (appointed 22/05/2019), Lucas G, Barbara A, Law D, Burns K, Sutton S (resigned 1/12/2018), Blazewicz T (resigned 22/05/2019), Sutton P (resigned 1/12/2018), Hunt D, Lloyd C, Langdon M, Tsogas C, Sexton N (resigned 19/07/2018)
Central Adelaide Local Health Network Consumer Engagement Workshop	2	Priest C (appointed 31/10/18), Canavan D (appointed 31/10/18), Fyfe D (appointed 31/10/18), Neale D (appointed 31/10/18), Woodley E (appointed 31/10/18), Marshall J (appointed 31/10/18), Price J (appointed 31/10/18), Whiteway L (appointed 31/10/18), Durand M (appointed 31/10/18), Chester M (appointed 31/10/18), Curry M (appointed 31/10/18), Lunawat N (appointed 31/10/18), Lello P (appointed 31/10/18), Cardinali R (appointed 31/10/18), Heydrich S (appointed 31/10/18), Little T (appointed 31/10/18)
Central Adelaide Local Health Network Executive Quality Governance Committee	41	Fyfe D
Central Adelaide Local Health Network Transition (Commencing 2 August 2018 and expiring 30 June 2019) (1)	-	Spencer R (Chair) (appointed 2/08/18), Reid M (Dep Chair) (appointed 2/08/18), Cockram A (appointed 22/11/18), Beilby J (appointed 22/11/18), Dwyer J (appointed 22/11/18), James N (appointed 22/11/18), Morey K (appointed 22/11/18)
Central Adelaide Local Health Network Governing Council	1	Kellie A, Ellery B, Fyfe D, Eckert M, Deegan V, Hubczenko N, Ielasi J
Central Adelaide Local Health Network Human Research Ethics Committee	11	Need A, Digance A, Fisher A, Crabb A, Ruediger C, Parry C, Lee J, Raschella F, Partridge G, Slater H, Bonython J, Cullen J, Hackett J, Dale L, Air T, Greenberg Z
Central Adelaide Local Health Network Making Care Better	11	Fyfe D, Whiteway L, Durand M, Agius P (Co-Chair), Cardinali R, Blazewicz
Central Adelaide Local Health Network Risk Management & Audit Committee	8	Deegan V (Chair), Ellery B, Davies T, May E
Community Mental Health Redesign Project Management Committee	24	Bickley B (appointed 28/12/2018), Meegan J (appointed 28/12/2018), Vega L (appointed 28/12/2018), Corena M (appointed 28/12/2018)
Comprehensive Care Priority Care Committee	25	Bickley B (appointed 17/01/2019), Marshall J (appointed 17/01/2019)
Fall Prevention Working Group	22	Curry M (appointed 22/01/2019)

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Board/Committee name:	Government employee members	Other members
Hampstead Rehabilitation Centre Consumer Advisory Group (Disbanded on 10/08/2018)	7	Canavan D, Whiteway L, Chester M, Heydrich S (Chair), James S
Nutrition, Hydration & Pressure Injury Comprehensive Care Committee	21	Raschella F (appointed 20/12/2018)
Priority Care Committee: Code Black Working Group	21	Chester M (appointed 3/07/2018)
Priority Care Committee: Managing Deterioration	19	Price J (appointed 1/11/2018), Raschella F (appointed 1/11/2018)
Royal Adelaide Hospital Consumer Advisory Group (Disbanded on 10/08/2018)	2	Chester M (Chair), Priest C, Canavan D, Fyfe D, Neale D, Price J, Cocking M, Millier P, Anderson R, Bah S, O'Brien S, Durand M, Agius P
SA BIRS Consumer Advisory Group	3	Canavan D (Chair), Stewart L (resigned 13/12/2018), Morgan T, Miller L, Francese L
SA Cancer Service - Strategic Committee	11	Frank O, Davis L, Olver P, Beecher I, Smith A, Sparrow A, Eckert M
SA Chemotherapy Standards Reference Group	26	Christensen C
SA Dental Services Consumer Advisory Panel	-	Costa D, Zerna J, McMahon J, Brown M, Millier P, Beddall P, Priest S, Matiasz S, Kerekes E, Ali H (appointed 12/12/2018)
SA Pathology Clinical Safety Working Group	11	Christenson C
Statewide Clinical Support Services Risk Management & Audit Committee	17	Davies T (Chair), Christley S
The Queen Elizabeth Hospital Consumer Advisory Group (Disbanded on 10/08/2018)	2	Curry M (Chair), Fyfe D, Raschella F, McMahon J, Byrne K, Chester M, Heydrich S, Garth S, Hickman C, Martine J, Whiteway L, Jenkins M, Duffy L, Dann R
The Queen Elizabeth Hospital Meal Management	17	Chester M, Heydrich S

Refer to note 3.2 for remuneration of board and committee members

- (a) The Governing Board in its transitional advisory capacity until formal commencement as a Board on 1/7/2019.

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38. Schedules of administered items

38.1 Basis of preparation

The basis of preparation for the Schedule of administered items is the same as the basis outlined in note 1.

38.2 Categories of categories of administered items

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.

38.3 Administered contingent assets and liabilities

The Hospital has no administered contingent assets and liabilities.

Schedule of Administered Expenses and Income

	Private Practice		Consumer Funds		Research Funds		Other		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Administered expenses</u>										
Staff benefit expenses	-	-	-	-	269	170	-	-	269	170
Supplies and services	942	(594)	-	-	-	-	1	3	943	(591)
Other expenses	73,628	65,319	436	90	-	-	-	-	74,064	65,409
Total Administered expenses	74,570	64,725	436	90	269	170	1	3	75,276	64,988
<u>Administered income</u>										
Grants and contributions	-	-	-	-	-	-	-	-	-	-
Revenue from fees and charges	75,394	64,264	-	-	370	125	-	-	75,764	64,389
Interest revenue	-	-	-	-	-	-	3	3	3	3
Other revenue	-	666	449	71	-	-	-	-	449	737
Total Administered income	75,394	64,930	449	71	370	125	3	3	76,216	65,129
Net result	824	205	13	(19)	101	(45)	2	-	940	141

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Schedule of Administered Assets and Liabilities

	Private Practice		Consumer Funds		Research Funds		Other		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Administered current assets</u>										
Cash and cash equivalents	7,729	5,920	48	34	(146)	(334)	200	197	7,831	5,817
Receivables	4,265	5,726	-	-	-	81	-	-	4,265	5,807
Total Administered current assets	11,994	11,646	48	34	(146)	(253)	200	197	12,096	11,624
Total administered assets	11,994	11,646	48	34	(146)	(253)	200	197	12,096	11,624
<u>Administered current liabilities</u>										
Payables	5,250	5,745	-	-	37	68	16	15	5,303	5,828
Staff benefits	-	-	-	-	17	(5)	-	-	17	(5)
Other current provisions/liabilities	(23)	(42)	-	-	22	47	(2)	(2)	(3)	3
Total Administered current liabilities	5,227	5,703	-	-	76	110	14	13	5,317	5,826
<u>Administered non-current liabilities</u>										
Payables	-	-	-	-	1	(1)	-	-	1	(1)
Staff benefits	-	-	-	-	37	(2)	-	-	37	(2)
Other non-current provisions/liabilities	-	-	-	-	-	-	-	-	-	-
Total Administered non-current liabilities	-	-	-	-	38	(3)	-	-	38	(3)
Total administered liabilities	5,227	5,703	-	-	114	107	14	13	5,355	5,823
Net administered assets / equity	6,767	5,943	48	34	(260)	(360)	186	184	6,741	5,801

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Schedule of Administered Cash Flows

	Total 2019 \$'000	Total 2018 \$'000
<u>Cash flows from operating activities</u>		
Cash inflows		
Grants and contributions	-	-
Fees and charges	77,307	63,967
Interest revenue	3	3
Other revenue	449	738
Total Cash inflows	77,759	64,708
Cash outflows		
Staff benefit payments	208	231
Supplies and services	997	(599)
Other payments	74,540	65,032
Total Cash outflows	75,745	64,664
Net cash inflows/cash outflows from operating activities	2,014	44
Net increase/(decrease) in cash held	2,014	44
Cash at the beginning of the reporting period	5,817	5,773
Cash at the end of the reporting period	7,831	5,817