

Health Services Charitable Gifts Board

Financial report
for the year ended
30 June 2019



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To the Chairman Health Services Charitable Gifts Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 29(2) of the *Health Service Charitable Gifts Act 2011*, I have audited the financial report of the Health Services Charitable Gifts Board for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report has been prepared in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987*, Division 60 of the *Australian Charities and Not-for-profits Commissions Act 2012*, and Australian Accounting Standards including:

- a) giving a fair and true view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2019, its financial performance and its cash flows for the year then ended
- b) complying with Division 60 of the Australian Charities and Not-for-profits Commission Regulations 2013.

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 Chairman and the Executive 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 Health Services Charitable Gifts Board. 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 Executive Officer and Commissioners for the financial report

The 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 issued 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.

The Commissioners are responsible for overseeing the entity's financial reporting process.

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 Health Services Charitable Gifts Board's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Executive Officer and Commissioners 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.



Andrew Richardson

Auditor-General

29 October 2019

HEALTH SERVICES CHARITABLE GIFTS BOARD
ABN 49 517 603 275

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Health Services Charitable Gifts Board (referred to in the attached as "HSCGB" or "the Board"):

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- comply with Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013;
- are in accordance with the accounts and records of the Board; and
- present a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2019 and the results of its operation and cash flows for the financial year.

We certify that:

- the internal controls employed by the Health Services Charitable Gifts Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period; and
- there are reasonable grounds to believe the Board will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board members.



.....
R Pak-Poy - Chairman

28 / 10 / 19



.....
C Peirce - Executive Officer

28 / 10 / 19

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Income			
Revenue from gifts to public health entities vesting in the Board	4.1	3,900	7,059
Revenue from charitable foundations and other trusts	4.2	674	449
Investment revenue	4.3	8,746	7,215
Rental revenue	4.4, 8.2	2,451	2,398
Other income		21	16
Total income		<u>15,792</u>	<u>17,137</u>
Expenses			
Employee and Commissioner benefits expenses	5.3	277	258
Supplies and services	6.1	102	107
Depreciation	6.2	4	6
Funds distributed to public health entities and prescribed research bodies	6.3	8,390	9,678
Investment property expenses	8.2	586	61
Total expenses		<u>9,359</u>	<u>10,110</u>
Profit for the year		<u>6,433</u>	<u>7,027</u>
Total comprehensive result		<u><u>6,433</u></u>	<u><u>7,027</u></u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	7.1	539	2,579
Receivables	7.2	849	390
Other financial assets	7.3	6,415	4,496
Total current assets		7,803	7,465
Non-current assets			
Other financial assets	7.3	105,251	101,004
Property, plant & equipment	8.1	13	17
Investment properties	8.2	30,500	28,650
Total non-current assets		135,764	129,671
Total assets		143,567	137,136
Current liabilities			
Payables	9.1	1,847	1,660
Employee benefits	5.4	13	12
Other liabilities	9.2	2	199
Total current liabilities		1,862	1,871
Non-current liabilities			
Employee benefits	5.4	32	25
Total non-current liabilities		32	25
Total liabilities		1,894	1,896
Net Assets		141,673	135,240
Funds held			
Funds held		141,673	135,240
Retained earnings		-	-
Total funds held	10.1	141,673	135,240
Unrecognised contractual commitments	12.1		
Contingent assets and liabilities	12.2		

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Note No.	Funds held \$'000	Retained earnings \$'000	Total Funds held \$'000
Balance at 30 June 2017		128,213	-	128,213
Profit for 2017-18		-	7,027	7,027
Total comprehensive result for 2017-18		-	7,027	7,027
Profit allocated to Funds held	10.1	7,027	(7,027)	-
Total change for the period		7,027	-	7,027
Balance at 30 June 2018		135,240	-	135,240
Profit for 2018-19		-	6,433	6,433
Total comprehensive result for 2018-19		-	6,433	6,433
Profit allocated to Funds held	10.1	6,433	(6,433)	-
Total change for the period		6,433	-	6,433
Balance at 30 June 2019		141,673	-	141,673

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash inflows			
Rent received		2,467	2,924
Imputation credits received		139	196
Interest received		350	400
Other income received		21	16
Receipts from charitable foundations and other trusts		674	449
Receipts from gifts to public health entities vesting in the Board		<u>3,518</u>	<u>7,153</u>
Cash generated from operations		<u>7,169</u>	<u>11,138</u>
Cash outflows			
Payments for supplies and services and investment property expenses		(148)	(186)
Employee benefits payments		(288)	(272)
Payments to public health entities and prescribed research bodies		(8,634)	(8,247)
GST paid to the ATO		(230)	(228)
Cash used in operations		<u>(9,300)</u>	<u>(8,933)</u>
Net cash (used in)/provided by operating activities	10.2	<u>(2,131)</u>	<u>2,205</u>
Cash flows from investing activities			
Cash inflows			
Proceeds from the sale of investment property		-	5,738
Proceeds from the sale of financial assets		500	1,006
Proceeds from SAHMRI loan repayments		591	-
Cash generated from investing activities		<u>1,091</u>	<u>6,744</u>
Cash Outflows			
Purchase of financial assets		(1,000)	(8,400)
Other payments		-	(5)
Cash used in investing activities		<u>(1,000)</u>	<u>(8,405)</u>
Net cash provided by/(used in) investing activities		<u>91</u>	<u>(1,661)</u>
Net increase/(decrease) in cash and cash equivalents		(2,040)	544
Cash and cash equivalents at 1 July		2,579	2,035
Cash and cash equivalents at 30 June	7.1	<u>539</u>	<u>2,579</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

1 About the Health Service Charitable Gifts Board

The *Health Services Charitable Gifts Act 2011* was proclaimed on 30 June 2011 and commenced on 1 July 2011 (the HSCGB Act).

This financial report covers the Health Services Charitable Gifts Board as an individual reporting entity.

The Board does not control any investees, has no joint arrangements and no interest in unconsolidated structured entities.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987* and the Australian *Charities and Not-for-profit Commission Act 2012*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*;
- relevant Australian Accounting Standards.

The Treasurer granted the Board the following variation:

- APS 101.D *Treasurer's Instructions (Accounting Policy Statements)*. The Board is permitted to present its Statement of Comprehensive Income on a profit and loss basis. This exemption was originally granted in 2015 for the five year period ending 30 June 2019.

For the 2018/19 financial statements the Board adopted AASB9 - *Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 11.

The financial statements have been prepared based on a 12 month period and presented in Australian currency. 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.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1.1 Basis of preparation (continued)

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000), unless otherwise specified.

The Board has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

The Health Services Charitable Gifts Board is exempt from income tax and has been issued with Deductible Gift Recipient (DGR) status by the Australian Taxation Office (ATO). As a result, a donation received by the Board may be an allowable deduction to the donor.

Notwithstanding the income tax exempt status, the Board is entitled to a refund of excess imputation credits. The Board recognises the entitlement to this refund as revenue at the time of receipt of a franked distribution.

The Board is liable for goods and services tax (GST), emergency services levy and local government rates.

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 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
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST payable to the ATO is included as part of payables in the Statement of Financial Position.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Board has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2 Objectives of the Health Services Charitable Gifts Board

The *Health Services Charitable Gifts Act 2011* was proclaimed on 30 June 2011 and commenced on 1 July 2011 (the HSCG Act). Previously the *Public Charities Funds Act 1935* applied.

Pursuant to the HSCG Act, prescribed gifts made to or received by public health entities (as defined in the HSCG Act and Regulations) vest in the Board. A prescribed gift means property given to a public health entity. Such gifts form part of the charitable asset, which the Board prudentially manages and applies for the benefit of public health entities.

These financial statements have been prepared in accordance with the requirements of the HSCG Act.

2.1 Vesting of Gifts

On the commencement of the HSCG Act all property previously vested in the Commissioners of Charitable Funds formed part of the charitable assets of the Board.

The HSCG Act enables the Board to act as trustee or co-trustee of a trust where the Board is named or otherwise asked to act in those roles.

The Board has been appointed as trustee of the following trusts:-

- Ray & Shirl Norman Cancer Research Trust (Norman Trust) refer to Note 2.3.
- Dorothy E Brown Charitable Trust (Brown Trust) refer Note 2.4.

As the assets have not vested in the Board the operations of each of the above trusts are reported separately from those of the Board.

2.2 Investment of Funds

Under the HSCG Act the Board has all the powers of a natural person that are capable of being exercised by a body corporate. It is able to determine appropriate investment strategies to apply.

Pursuant to section 23 of the HSCG Act, the Board meets regularly with the public sector employee who has been nominated by the Minister.

The Board is registered as a Prescribed Public Authority and primarily invests in a range of managed investment unit trust products offered by Funds SA. Funds SA is a South Australian Government owned corporation investing and managing the monies of prescribed authorities.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2.3 Ray & Shirl Norman Cancer Research Trust

The Board was appointed as sole trustee of the Norman Trust on 21 September 2011 by way of orders from the Supreme Court of South Australia.

The Board administers the revenues, expenses, assets and liabilities in accordance with the terms of the document establishing the Norman Trust. As these funds do not form part of the charitable asset they are not recognised in the Board's financial statements.

Note 14 includes a summary of the financial results of the Norman Trust for the year.

2.4 Dorothy E Brown Charitable Trust

The Board was appointed as trustee of the Brown Trust on 17 December 2014 pursuant to a Deed Poll following Supreme Court action required to clarify the terms of the will of the late Mrs Dorothy E Brown.

The Board administers the revenues, expenses, assets and liabilities in accordance with the terms of the document establishing the Brown Trust. As these funds do not form part of the charitable asset they are not recognised in the Board's financial statements.

Note 15 includes a summary of the financial results of the Brown Trust for the year.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
3 Significant transactions with government related entities			
The Board invests the majority of its funds through Funds SA. Information about transactions and balances between the Board and Funds SA are set out below.			
Income:			
Distributions from unlisted unit trusts		-	3,689
Gain on financial assets		6,256	2,594
Total income from Funds SA		<u>6,256</u>	<u>6,283</u>
Current assets:			
Investments in unlisted unit trusts at fair value		<u>4,915</u>	<u>3,531</u>
Non-current assets:			
Investments in unlisted unit trusts at fair value		<u>91,897</u>	<u>86,524</u>
Collectively but not individually significant transactions with government related entities			
Quantitative information about transactions and balances between the Board and other SA Government entities are set out below.			
Income:			
Rental revenue		-	23
Interest revenue		<u>331</u>	<u>337</u>
Expenses:			
Funds distributed to public health entities & prescribed research bodies		<u>8,390</u>	<u>9,678</u>
Current assets:			
Secured loan at cost		<u>1,500</u>	<u>965</u>
Non-current assets:			
Secured investment at cost		445	445
Secured loan at cost		<u>12,909</u>	<u>14,035</u>
Current liabilities:			
Payables		<u>1,181</u>	<u>1,539</u>

Unless otherwise disclosed, transactions between HSCGB and any related parties are on conditions no more favourable than those it is expected the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
4 Income			
4.1 Revenue from gifts to public health entities vesting in the Board			
Revenue from gifts to public health entities vesting in the Board		<u>3,900</u>	<u>7,059</u>
<p>Gifts of cash vesting in the Board are recognised on their receipt by the Board from the donee either directly or via a public health entity. Bequests and legacies are also recognised on their receipt from the administrators or executors of an estate.</p> <p>Gifts other than cash vesting in the Board are recognised at fair value as an asset and income of the Board when control of the asset passes.</p>			
4.2 Revenue from charitable foundations and other trusts			
Revenue from charitable foundations and other trusts		<u>674</u>	<u>449</u>
<p>Where the Board is an income beneficiary of a charitable foundation or trust the income has been recorded separately in the Statement of Comprehensive Income. The Board has no ownership interest or control of the assets or management of the respective charitable foundation or trust.</p>			
4.3 Investment revenue			
- Funds SA			
Gain on financial assets		6,256	2,594
Distributions from unlisted unit trusts		-	3,689
		<u>6,256</u>	<u>6,283</u>
- Other			
Interest revenue		344	393
Imputation credits	1.1	296	139
Net gain from fair value adjustment of investment properties	8.2	1,850	400
		<u>2,490</u>	<u>932</u>
Total investment revenue		<u>8,746</u>	<u>7,215</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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4.3 Investment revenue (continued)

The Board invests in a number of Funds SA investment funds which are unit trust structures. As at 1 July 2018 Funds SA's unit trusts made an irrevocable election to become Attribution Management Investment Trusts (AMIT) under Division 276 of the ITAA1997. Under the tax law, AMITs are not required to make distributions, however unit holders still have clearly defined rights and entitlement. AMITs use the principles of attribution of income rather than the previous 'present entitlement' under the old trust rules. As a result the Board still has an 'attributable amount' to the taxable income of the units it holds within Funds SA's investment options, however no physical distribution is required.

The total overall gain for the current year has been characterised as Gain on financial assets, whereas in the previous year this comprised both a Gain on the financial assets together with a distribution of income.

Interest income includes interest received on bank term deposits, interest from investments and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

4.4 Rental revenue

Rental revenue	<u>2,451</u>	<u>2,398</u>
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Rental income arising on investment properties is accounted for on a straight line basis over the lease term.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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5 Board and employees

5.1 Key management personnel

Key management personnel of the Board include the Minister, the Commissioners and the Executive Officer.

The compensation detailed below excludes salaries and other benefits the Minister received. 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*.

Compensation:

Salaries and other short-term employee benefits	168	161
Post-employment benefits	17	15
Total	<u>185</u>	<u>176</u>

Transactions with key management personnel and other related parties

The Board is a statutory authority established pursuant to the *Health Services Charitable Gifts Act 2011* and is a wholly owned and controlled entity of the Crown.

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

Information about significant transactions and balances between HSCGB and Other SA Government controlled entities are disclosed at note 3.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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5.2 Remuneration of Commissioners:

The following persons held position of Commissioner during the year:

Ms Robyn Pak-Poy (Chairman)

Prof Villis Marshall

Mr Carmelo Di Lernia

The number of Commissioners whose remuneration received or receivable falls within the following bands :

\$0 - \$19,999	No.	4	3
Total number of Commissioners		<u>4</u>	<u>3</u>

Mr G Loveday, a former Commissioner whose term expired on 30 June 2018, received a minor amount of remuneration in the 2018/19 year in relation to the period ended 30 June 2018. The amount paid was \$260.

The total remuneration received or receivable by those Commissioners was \$47,000 (2018: \$47,000) which includes sitting fees, superannuation contributions and any other salary sacrifice arrangements and are also included in notes 5.1 and 5.3.

5.3 Employee and Commissioner benefits expenses

Salary and wages		203	188
Superannuation paid		19	18
Annual leave accrual		1	-
Long service leave accrual		7	5
Employee benefits expense		<u>230</u>	<u>211</u>
Commissioners' remuneration	5.2	47	47
Total employee & Commissioners' benefits expenses		<u>277</u>	<u>258</u>

Employee benefits expense include all costs related to employment including wage, salaries, non-monetary benefits and leave entitlements. These are recognised when incurred, at nominal value.

Superannuation expenses represent the Board's contributions to superannuation plans in respect of current services of current employees.

No employee received remuneration equal to or greater than the base executive remuneration level.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
5.4 Employee benefits - liability			
- Current			
Annual leave accrued		<u>13</u>	<u>12</u>
- Non-current			
Long service leave accrued		<u>32</u>	<u>25</u>

These benefits accrue as a result of services provided up to the reporting date that remain unpaid.

Annual leave and sick leave:

The annual leave liability is expected to be payable within 12 months and is measured at the nominal amount expected to be paid.

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.

Long Service Leave:

It was determined that it was reasonable to provide for the estimated long service leave liability as at the end of the year for all existing employees. The liability has been measured at nominal value as the total amount of the liability is not material and would approximate the result if it had been calculated using the projected unit credit method.

6 Expenses

Employee and Commissioner benefits expenses are disclosed in note 5.3.

6.1 Supplies and services

Accounting fees		28	27
Auditor's remuneration		28	33
Consultants		-	1
General administration expenses		46	46
		<u>102</u>	<u>107</u>

Supplies and services generally represent day-to-day running costs, including maintenance costs, incurred in the normal operations of the Board. These items are recognised as an expense in the reporting period they are incurred.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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6.1 Supplies and services (continued)

Auditor's remuneration comprises audit fees paid/payable to the Auditor-General's Department for work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

Consultants

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

	No.	\$'000	No.	\$'000
Below \$10,000	-	-	1	1
Total paid/payable to the consultants engaged		<u>-</u>		<u>1</u>

6.2 Depreciation

Depreciation	<u>4</u>	<u>6</u>
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All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

Review of accounting estimates

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

Useful life

Depreciation is calculated on a diminishing value basis over the estimated useful life of the following classes of asset as follows:

Class of asset	Useful life (years)
Computer equipment	2 to 5

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
6.3 Funds distributed to public health entities and prescribed research bodies			
Funds distributed to public health entities and prescribed research bodies		<u>8,390</u>	<u>9,678</u>
<p>Funds distributed to public health entities and prescribed research bodies are recognised as an expense once the expenditure claim has been determined to be correct and in accordance with the budgets previously approved by the Board.</p>			
7 Financial assets			
7.1 Cash and cash equivalents			
- Current			
Cash at bank		<u>539</u>	<u>2,579</u>
		<u>539</u>	<u>2,579</u>
<p>Interest rate risk Cash at bank earns a floating interest rate. The carrying amount of cash and cash equivalents represent fair value.</p>			
7.2 Receivables			
- Current			
Interest income accrued		78	84
Rental income accrued		150	120
Gifts to public health entities vesting in the Board accrued		279	-
Other income receivable		2	1
Prepayments - Legal fees		5	23
Prepayments - Other		18	1
Imputation credits receivable		317	161
		<u>849</u>	<u>390</u>

Where the Board has identified gifts paid to a public health entities by a donor prior to the end of the year the income has been recognised by the Board. The public health entity is obliged to forward this amount to the Board.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
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7.2 Receivables (continued)

Prepayments - Legal fees comprises amounts paid to the Crown Solicitor's Office in relation to disputes and other issues associated with various deceased estates in which the Board has an interest. On finalisation of these matters, the costs will be recovered/offset against the funds received from the respective deceased estate.

Prepayments - Other comprises profession fees due to Ferrier Hodgson in relation to advice and other services provided concerning the creation of a Forbearance Deed for the secured loan from the Board to SAHMRI (Note 7.3). Pursuant to the Deed the Board is entitled to be reimbursed these costs by SAHMRI.

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. Rental income accrued includes \$150,000 (2018: \$120,000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.

Refer to note 13.2 for further information on risk management.

7.3 Other financial assets

- Current

Investments in Funds SA unlisted unit trusts at fair value	4,915	3,531
Secured loan at cost	1,500	965
	6,415	4,496

- Non-current

Secured investment at cost	445	445
Secured loan at cost	12,909	14,035
Investments in Funds SA unlisted unit trusts at fair value	91,897	86,524
	105,251	101,004

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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7.3 Other financial assets (continued)

The Board classifies its other investments into the following categories:

- financial assets at fair value through profit and loss, or
- amortised cost.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the profit and loss:

These assets are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Amortised cost:

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's management have the ability and the positive intention to hold to maturity. They are measured at amortised cost.

The secured investment is an advance to the Port Pirie Regional Health Service Inc. in the form of a first mortgage over land and buildings held by the Service. Since commencement this investment has been interest free. Under the terms of the agreement the Service has foregone income allocations on an equivalent amount. The Board has no intention of varying the original arrangement.

The Board provided a loan of \$15m to South Australian Health and Medical Research Institute (SAHMRI) in the 2014 year for a total period of 15 years. The funds were used to acquire, establish and commission a cyclotron facility in South Australia to produce isotopes for use by South Australian organisations.

Only interest is payable on the loan for the first 5 years. Principal and interest payments apply from the quarter ended December 2018. These principal repayments commenced during the year and have been made in accordance with the loan agreement and, after the first quarter's pro-rata payment of \$216,000, will continue at \$375,000 per quarter for the remainder of the loan term.

The loan is secured against other funds held and invested by SAHMRI Investments Pty Ltd and guaranteed by SAHMRI. The interest rate is based on the Reserve Bank of Australia Cash Rate plus a margin of 0.75%.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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7.3 Other financial assets (continued)

During the year there was a sustained shortfall in the funds held in SAHMRI Investment Pty Ltd thereby breaching the covenants of the loan agreement. To address this issue the Board and SAHMRI entered into a Forbearance Deed on 26 June 2019. This Deed provided SAHMRI with additional time to rectify the security issued provided interest and principal payments were made in accordance with the original loan agreement. In exchange the Board agreed to defer any action to immediately declare the loan as due and payable immediately.

Interest and principal payments have been made in accordance with the principal loan terms and the Board considers that the loan was not impaired as at 30 June 2019. Therefore, it is appropriate to show the principal payments due in the ensuing 12 months as a current asset with the remainder disclosed as a non-current asset.

The Board is a Prescribed Public Authority and holds significant financial assets in a range of managed investment unit trust products offered by Funds SA. Based on the nature of the underlying assets of each fund, amounts invested in the Funds SA Cash B - Taxed Fund have been classified as current whereas all other funds are classified as non-current.

The fair value of investments in unlisted trusts is based on fair value reported by the managers of such funds. The fair value of all of these instruments have been categorised as Level 2.

(a) Categorisation and maturity analysis of other financial assets - refer note 13.2

(b) Risk exposure information - refer note 13.2

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
8 Non-financial assets			
8.1 Property, plant & equipment			
- Non-current			
Office equipment at cost		40	40
Less: Accumulated depreciation		(27)	(23)
		<u>13</u>	<u>17</u>

The Board holds its property, plant and equipment for their service potential (value in use).

Property, plant and equipment with a value equal to or in excess of \$5,000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about the Board's approach to fair value is set out in note 13.1.

Impairment:

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are held for continued use of their service capacity and are subject to regular revaluation.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
8.2 Investment properties			
- At fair value			
Opening balance at the beginning of the period		28,650	33,988
Disposals at carrying value		-	(5,738)
Net gain from fair value adjustment		1,850	400
Balance at the end of the financial year		<u>30,500</u>	<u>28,650</u>
- Non-current			
Investment properties - held for long term rental		30,500	28,650
		<u>30,500</u>	<u>28,650</u>
Amounts recognised in profit for investment properties			
Rent and recoveries income		2,451	2,398
Direct operating expenses		(20)	(61)
- Rent Abatement (Town Acre 86)		(566)	-
		<u>(586)</u>	<u>(61)</u>
Total amount recognised in profit for the year		<u>1,865</u>	<u>2,337</u>
- Disposal of investment properties			
Proceeds from disposal		-	5,822
Less: Costs of disposal		-	(84)
		<u>-</u>	<u>5,738</u>
Less Net carrying value at time of disposal		-	(5,738)
Profit from disposal of investment properties		<u>-</u>	<u>-</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note No.	2019 \$'000	2018 \$'000
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8.2 Investment properties (continued)

Investment properties represent properties held to earn rentals and/or capital appreciation. Notwithstanding the occupation of a small area of one of the properties, the Board has determined that it is appropriate to treat all properties as investment properties.

Investment properties are initially measured at cost, including transaction costs, and are subsequently measured at fair value. Any change in fair value is recognised in the Statement of Comprehensive Income in the period in which it arises. The properties are not depreciated.

Board's interest in Town Acre 86 (Citi Centre) was valued at 30 June 2019 by the Valuer General. As a result the carrying value has increased as at 30 June 2019.

As reported in the prior year the lease that was due to expire in August 2019 was negotiated for a further period of 33 years to August 2052. The lessor commenced an extension upgrade of both the retail and office areas of the building constructed on the land the subject of the lease. Pursuant to the lease the lessee is entitled to an abatement of the rent during the period of the upgrades.

John Galluccio FRAIA of Studio Nine Architects Pty Ltd was engaged to determine the abatement amount. For the purposes of the calculation the upgrade works were divided between retail and office projects. Both commenced in August 2018 with the retail works completed before 30 June 2019 and the office works continuing until August 2020.

The total rent abatement expense was confirmed at \$751,000 for the life of the projects. This amount is due as follows:

- Year ended 30 June 2019	\$ 566,000
- Year ended 30 June 2020	\$ 171,000
- Year ended 30 June 2021	\$ 14,000

The Waymouth Street property was valued at 18 June 2019 by Colliers International. As a result the carrying value has increased as at 30 June 2019.

Fair value measurements for investment properties recognised as at 30 June 2019 are the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The fair values have been determined by the Board with reference to external valuations as determined by the Valuer General or independent property values having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value of all investment properties have been categorised as Level 2.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
9 Liabilities			
9.1 Payables			
- Current			
Accrued expenses		1,795	1,608
GST payable		52	52
		<u>1,847</u>	<u>1,660</u>

The June 2019 expense claim and other reimbursements due to public health entities of \$1,181,000 (2018: \$1,538,000) had been processed but not paid at balance date and has been included in accrued expenses.

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value to their short-term nature.

9.2 Other liabilities

- Current

Rent received in advance		<u>2</u>	<u>199</u>
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HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
10 Other disclosures			
10.1 Funds held			
Funds held on behalf of the following public health entities or their successor bodies:			
Royal Adelaide Hospital - General		112,358	106,415
Royal Adelaide Hospital - Private Practice Funds		2,717	3,046
Royal Adelaide Hospital - Glenside Campus		490	633
Hillcrest Hospital		130	123
Port Augusta Hospital & Regional Health Service		29	27
Port Lincoln Health & Hospital Services		588	616
Port Pirie Regional Health Services		583	574
Modbury Hospital		188	186
The Queen Elizabeth Hospital		1,557	1,474
Whyalla Hospital and Health Service		379	357
Mount Gambier and Districts Health Service		541	583
Northern Yorke Peninsula Health Service		36	34
SA Pathology		12,215	12,099
Women's & Children's Hospital		7,112	6,493
Lyell McEwin Hospital		565	528
Flinders Medical Centre		1,533	1,442
Noarlunga Hospital		538	506
BreastScreen SA		10	7
MedSTAR Emergency Medical Retrieval		54	43
Royal Adelaide Hospital, The Queen Elizabeth Hospital & Hampstead Joint Funds		50	54
		<u>141,673</u>	<u>135,240</u>

Allocation of Net Profit to Funds:

Income generated by pooled assets held by the Board is distributed to individual funds based on the average balance of each fund after allowing for administration expenses incurred.

Gifts, other investment income and expenses that are directly related to an individual fund are allocated directly to that fund.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
10.2 Cash flows			
Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing activities, which is payable to the ATO, is classified as part of operating cash flows.			
Cash flow reconciliation			
Reconciliation of cash and cash equivalents at the end of the reporting period:			
Cash and cash equivalents disclosed in the Statement of financial position		539	2,579
Balance per Statement of cash flows		539	2,579
Reconciliation of profit to net cash provided by operating activities:			
Profit for the year		6,433	7,027
Add/less adjustments for:			
(Gain) on financial assets		(6,256)	(2,594)
Distributions from unlisted units trusts		-	(3,689)
Net (gain) from fair value adjustment of investment properties		(1,850)	(400)
Depreciation expense		4	6
GST expense from investing activities		-	8
Total adjusting items		(8,102)	(6,669)
Movement in assets and liabilities:			
(Increase) decrease in operating receivables		(304)	77
(Increase) decrease in imputation credits receivable		(156)	57
Increase in payables		187	1,514
Increase in employee entitlements		8	6
(Decrease) increase in unearned revenue		(197)	199
(Decrease) increase in GST payable		-	(6)
Total movement in assets and liabilities		(462)	1,847
Net cash provided by operating activities		(2,131)	2,205

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

11 Changes in accounting policy

11.1 Treasurer's Instructions (Accounting Policy Statement)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The new Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting

These changes, however, do not impact on amounts reported in the financial statements. The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective.

This is further discussed in note 12.3

11.2 AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements where applicable.

As part of the adoption of AASB 9, the Board 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 other expenses.

- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

11.2 AASB 9 Financial Instruments (continued)

In accordance with the transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, AASB 9 *Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018, where applicable.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

On 1 July 2018, the Board assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, the Board's financial instruments were as follows.

	Measurement Category		Carrying amount	
	AASB 139	AASB 9	AASB 139 30/06/2018 \$'000	AASB 9 1/07/2018 \$'000
Current financial assets				
Receivables	Loans and receivables	Amortised cost	205	205
Other financial assets	Held to maturity	Amortised cost	965	965
Other financial assets	Fair value through profit or loss	Fair value through profit or loss	3,531	3,531

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

11.2 AASB 9 Financial Instruments (continued)

Reclassification of financial instruments on adoption of AASB 9 (continued)

	Measurement Category		Carrying amount	
	AASB 139	AASB 9	AASB 139 30/06/2018 \$'000	AASB 9 1/07/2018 \$'000
Non-current financial assets				
Other financial assets	Held to maturity	Amortised cost	14,480	14,480
Other financial assets	Fair value through profit or loss	Fair value through profit or loss	86,524	86,524
Current liabilities				
Payables	Amortised cost	Amortised cost	1,572	1,572

Impairment of financial assets

AASB 9 replaces the "incurred loss" model in AASB 139 with an "expected credit loss" model. The following financial assets of the Board are subject to AASB 9's new expected credit loss model:

- debt investments carried at amortised cost

This model generally results in earlier recognition of credit losses than the previous one.

Receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Board has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This has not resulted in an increase of the loss allowance on 1 July 2018 for receivables external to Government.

There are no additional impairment provisions for State, Territory or Commonwealth Government receivables due to the Government's high quality credit risk.

Receivables that were classified as loans and receivables under AASB 139 are now at amortised cost as they meet the appropriate criteria under AASB 9.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

11.2 AASB 9 Financial Instruments (continued)

Secured investments and loans

Secured investment at cost and secured loan at cost that would previously have been classified as held to maturity are now classified at amortised cost.

The Board holds secured investments and secured loan assets to maturity. These assets are held to collect contractual cash flows arising solely from the payment of principal and interest on the principal amount outstanding. There were no variances between the previous carrying amounts (as at 30 June 2018) and the revised carrying amount (at 1 July 2018) to be recognised in the retained earnings opening balance.

12 Outlook

12.1 Unrecognised contractual commitments

Investment property operating lease arrangements

Unrecognised amounts receivable under operating leases over investment properties owned by the Board. No amount has been recognised in the financial statements to 30 June 2019.

The properties owned by the Board are leased to third parties for commercial use. Lease terms vary between lessees with most requiring the payment of outgoings by the lessee.

Future minimum rental revenues under non-cancellable operating commercial property leases (exclusive of GST)

	2019 \$'000	2018 \$'000
Due within one year	2,050	2,200
Due between one and five years	8,743	8,749
Due after five years	59,047	61,223
Total commitments	69,840	72,172

The lease over the Citi Centre property is for ground rent only and comprises base annual rental (paid monthly) of 8% of the value of the land. The most recent valuation was undertaken in August 2016.

As reported in the prior year the lease that was due to expire in August 2019 was negotiated for a further period of 33 years to August 2052. The lessor commenced an extension upgrade of both the retail and office areas of the building constructed on the land the subject of the lease. Pursuant to the lease the lessee is entitled to an abatement of the rent during the period of the upgrades.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

12.1 Unrecognised contractual commitments (continued)

The rent due above has been adjusted to reflect the amount of this abatement (refer Note 8.2).

This base rent is supplemented each year by the payment of 4% of the Lessee's net income. This at risk component has not been included in the above calculation.

12.2 Contingent assets and liabilities

At balance date the Board is not aware of any contingent assets or liabilities.

12.3 Impact of standards and statements not yet effective

The Board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 11. There are no Accounting Policy Statements that are not yet effective.

AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not for Profit Entities.

Both Standards have application to financial years commencing after 1 January 2019.

The Board has reviewed the impact of the introduction of these new standards and believes no change will be required on their introduction as existing policies currently comply to the new Standards.

AASB 16 *Leases* will apply to financial years commencing after 1 January 2019. The Board has reviewed the impact of the introduction of this new standard and believes no change will be required on its introduction as it is consistent with its existing policies for reporting in relation to its role as lessor. It has no arrangements where it acts as lessee.

12.4 Events after the reporting period

As indicated in note 7.3, a Forbearance Deed was entered into with SAHMRI to address a sustained shortfall in the funds held in SAHMRI Investment Pty Ltd. Since the end of the financial year SAHMRI has rectified the security position in accordance with the terms of the Deed and the loan covenants are now being met.

No other events requiring disclosure occurred between 30 June and the date the financial statements were authorised.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

13 Measurement and risk

13.1 Fair value

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.

Initial recognition:

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimum value, they are recorded at fair value in the Statement of Financial Position.

Revaluation:

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

The revaluation process is reviewed by the Executive Officer and the Board each year. Non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular basis and if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

Fair value measurement:

Fair value measurements are required to be disclosed by level, based on the following measurement hierarchy:

- 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.

Fair value of financial assets at fair value through profit and loss and of investment properties have been categorised as level 2. For more information and disclosures regarding fair value measurement techniques used, refer to note 7.3 for financial assets and note 8.2 for investment properties.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

13.1 Fair value (continued)

Plant and equipment:

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life of less than 3 years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

13.2 Financial instruments

Financial risk management:

Risk management is managed by the Board. The Board's 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 Standards *Risk Management Principles and Guidelines*.

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

Liquidity risk:

Liquidity risk arises where the Board is unable to meet its financial obligations as they fall due.

Other than the specific items mentioned below the Board's exposure to liquidity risk is considered insignificant based on past experience and current assessment of risk.

Details of 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 and financial liability are disclosed in the respective note.

As previously outlined in these financial statements the Board now primarily invests through various products offered by Funds SA. Funds SA is a large institutional investment specialist servicing the South Australian Government and its statutory authorities. The Board no longer actively invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's liquidity risk for these products is now the risk of a request to redeem units not being satisfied by Funds SA in the required timeframe.

The Board is satisfied that the resulting liquidity risk is also insignificant based on Funds SA liquidity risk management policies as follows;

- The allocation of cash in the strategic asset allocation of each investment option is set at a sufficient level to manage expected cash redemptions, and
- A large proportion of each investment option is invested in highly liquid investments as actively traded equities, unit trusts or securities with short term maturities.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

13.2 Financial instruments (continued)

Credit risk:

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors the risk on a regular basis.

The Board has policies and procedures in place to manage credit risk and to ensure that transactions occur with customers with appropriate credit history. The Board does not hedge its financial assets.

Note 7.3 refers to the Board holding a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc. as well as to the long term secured loan made to SAHMRI to establish a cyclotron facility.

The Board does not consider that any of the financial assets are impaired.

Refer to note 7.2 and 7.3 for further information.

Market risk:

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium term.

As previously outlined in these financial statements the Board now primarily invests through various investment products offered by Funds SA. The Board no longer actively invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's market risk is now the risk of a change in value of underlying assets adversely affecting the value of the Board's investment in these units.

The Board is satisfied that the resulting market risk has been significantly reduced based on Funds SA market risk management policies as follows;

- Ensuring a diversity of exposures to different financial markets and sub-markets; and
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

Sensitivity Analysis:

A general fall in the fair value of long term investments in unlisted unit trusts of 5% and 10%, if equally spread over all assets in the portfolio, would lead to a reduction in value of \$4,595,000 (2018: \$4,326,000) and \$9,190,000 (2018: \$8,652,000) respectively.

The Board believes the underlying quality of the assets support the conclusion that the value of financial assets are not overstated.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

13.2 Financial instruments (continued)

Categorisation of financial instruments

Details of 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 and financial liability disclosed in the respective financial asset/liability note.

Classification applicable until 30 June 2018 under AASB 139 *Financial Instruments: Recognition and Measurement*.

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Held to maturity investments
- Loans and receivables
- Fair value through profit and loss
- Financial liabilities at cost

Classification applicable from 1 July 2019 under AASB 9 *Financial Instruments*

On initial adoption, a financial asset is classified as measured at amortised cost or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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 on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it has been measured at amortised cost or fair value through other comprehensive income.

The Board measures financial instruments at either amortised cost or fair value through profit or loss as applicable.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

13.2 Financial instruments (continued)

Classification applicable from 1 July 2019 under AASB 9 *Financial Instruments* (continued)

The following table discloses the maturity analysis of financial assets and financial liabilities.

Carrying value of financial assets and financial liabilities	Note	Carrying amount/ fair value	Contractual maturities	
		2019 \$'000	< 1 year \$'000	>5 years \$'000
Financial Assets				
Cash and cash equivalents				
Cash and cash equivalents	7.1	539	539	-
Financial assets at amortised cost				
Receivables	7.2	509	509	-
Other financial assets	7.3	111,666	6,415	105,251
Total Financial Assets		112,714	7,463	105,251
Financial Liabilities				
Financial liabilities at amortised cost				
Payables	9.1	1,759	1,759	-
Total Financial Liabilities		1,759	1,759	-
Carrying value of financial assets and financial liabilities	Note	Carrying amount/ fair value	Contractual maturities	
		2018 \$'000	< 1 year \$'000	>5 years \$'000
Financial Assets				
Cash and cash equivalents				
Cash and cash equivalents	7.1	2,579	2,579	-
Loans and receivables				
Receivables	7.2	205	205	-
Held to maturity investments				
Other financial assets	7.3	105,500	4,496	101,004
Total Financial Assets		108,284	7,280	101,004
Financial Liabilities				
Financial liabilities at amortised cost				
Payables	9.1	1,572	1,572	-
Total Financial Liabilities		1,572	1,572	-

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

13.2 Financial instruments (continued)

Receivables and payable amounts disclosed here exclude amounts relating to imputation credits refundable and GST payable, as these obligations are sourced in legislation. All amounts recorded are carried at cost (not materially different from amortised cost).

The receivable amounts disclosed here exclude prepayments as they are not financial assets. Prepayments presented in note 7.2.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2019 2018
\$ \$

14 Ray & Shirl Norman Cancer Research Trust

The Ray & Shirl Norman Cancer Research Trust ('Trust' or 'Fund') was created under the will of Mr Raymond Norman who passed away on 23 March 2006. All income derived by the Trust is to be "used for the purpose of the prevention and cure of cancer and anything incidental or conducive to those purposes".

Under the terms of the will the Royal Adelaide Hospital (RAH) was appointed as trustee of the Fund and were required to administer the Fund for the designated purpose. Following legal advice that the RAH was not able to act as trustee application was made to the Supreme Court and the HSCGB assumed the role as sole Trustee from 21 September 2011.

The following summary of the financial results for the year of the Ray & Shirl Norman Cancer Research Trust are included for information purposes only. All amounts are rounded to the nearest dollar.

Schedule of income and expenses

Total income	556,514	680,070
Total expenses	<u>297,557</u>	<u>243,345</u>
Total comprehensive result	<u><u>258,957</u></u>	<u><u>436,725</u></u>

Schedule of financial position

Total assets	7,790,947	7,559,134
Total liabilities	<u>48,051</u>	<u>75,195</u>
Net assets	<u><u>7,742,896</u></u>	<u><u>7,483,939</u></u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

2019
\$

2018
\$

15 Dorothy E Brown Charitable Trust

The Dorothy E Brown Charitable Trust ('Trust' or 'Fund') was established by Deed Poll dated 17 December 2014 pursuant to Section 21 of the *Health Services Charitable Gifts Act 2011*.

In accordance with the will of Mrs Dorothy E Brown dated 16 August 1971 the residue of her estate was bequeathed to the now defunct Hospitals Department of the South Australian Government for the "benefit of sufferers from kidney diseases or complaints". The amount of the residue was held by SA Health from October 2009 and was the subject of Supreme Court proceedings seeking directions in relation to the residue.

The judgement of the Court from those proceedings was that the deceased's will established a charitable trust and that, having consented to its appointment, HSCGB should be appointed as trustee of this charitable trust. The Deed Poll dated 17 December 2014 appoints the HSCGB as trustee and provided further guidance of the administration of the charitable trust.

Under the terms of the Deed Poll the HSCGB was appointed as trustee and an initial sum of \$286,621 was provided by SA Health to be administered by the HSCGB. These funds are invested through Funds SA in an account in the name of the Trust.

In accordance with the judgment the terms of the Trust were varied whereby -

- the trust monies (income and/or capital) may be applied for the benefit of any patient of a hospital incorporated under the *Health Care Act 2008* who is suffering from a kidney disease or complaint; and
- the trust monies (income and/or capital) shall be expensed on benefits that such patients would not normally receive or enjoy as patients of those hospitals.

The following summary of the financial results for the year of the Dorothy E Brown Charitable Trust are included for information purposes only. All amounts are rounded to the nearest dollar.

Schedule of income and expenses

Total Income	18,838	17,874
Total expenses	15,768	49,286
Total comprehensive result	<u>3,070</u>	<u>(31,412)</u>

Schedule of financial position

Total assets	287,245	284,175
Total liabilities	-	-
Net assets	<u>287,245</u>	<u>284,175</u>