



INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network (the Network), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Network and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 32. The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

Chief Executive's Responsibilities for the Financial Statements

The Chief Executive of the Network is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Chief Executive's responsibility also includes such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing the ability of the Network and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Network or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 September 2022
SYDNEY

Justice Health and Forensic Mental Health Network

Statement by the Accountable Authority

for the year ended 30 June 2022



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

1. The financial statements of the Justice Health and Forensic Mental Health Network for the year ended 30 June 2022 have been prepared in accordance with:
 - a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b. applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018*; and
 - c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly the Justice Health and Forensic Mental Health Network's financial position as at 30 June 2022 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink that reads 'Jo Holden'.

Jo Holden

Acting Chief Executive

29 September 2022

Justice Health and Forensic Mental Health Network
Statement of Comprehensive Income for the year ended 30 June 2022

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2022	2022	2021	2022	2021
Notes		\$000	\$000	\$000	\$000	\$000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	196,277	196,172	179,803	-	-
Personnel services	3	-	-	-	196,770	179,175
Visiting medical officers	4	6,164	6,662	6,422	6,164	6,422
Other expenses	5	72,392	71,906	79,238	72,392	79,238
Depreciation and amortisation	6	6,242	6,243	6,130	6,242	6,130
Grants and subsidies	7	2,327	2,297	6,969	2,327	6,969
Finance costs	8	3,396	3,510	3,391	3,396	3,391
Total expenses excluding losses		286,798	286,790	281,953	287,291	281,325
Revenue						
Ministry of Health recurrent allocations	11	248,036	251,499	236,400	248,036	236,400
Ministry of Health capital allocations	11	4,674	4,674	4,290	4,674	4,290
Acceptance by the Crown ² of employee benefits	14	(493)	(486)	628	-	-
Sale of goods and services from contracts with customers	12	23,896	23,104	40,994	23,896	40,994
Grants and other contributions	13	1,711	1,604	501	1,711	501
Other income	15	43	865	63	43	63
Total revenue		277,867	281,260	282,876	278,360	282,248
Operating result		(8,931)	(5,530)	923	(8,931)	923
Gains / (losses) on disposal	16	107	-	14	107	14
Impairment losses on financial assets	19	(691)	-	(425)	(691)	(425)
Other gains / (losses)	17	(17)	(17)	-	(17)	-
Net result from continuing operations	33	(9,532)	(5,547)	512	(9,532)	512
Net result		(9,532)	(5,547)	512	(9,532)	512
Other comprehensive income						
<i>Items that will not be reclassified to net result in subsequent periods</i>						
Changes in revaluation surplus of property, plant and equipment	21	7,450	-	8,876	7,450	8,876
Total other comprehensive income		7,450	-	8,876	7,450	8,876
TOTAL COMPREHENSIVE INCOME		(2,082)	(5,547)	9,388	(2,082)	9,388

¹ Unaudited adjusted budget, see Note 32.

² Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network

Statement of Financial Position as at 30 June 2022

		Consolidated	Consolidated	Consolidated	Parent	Parent
		Actual	Budget ¹	Actual	Actual	Actual
		2022	2022	2021	2022	2021
	Notes	\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	18	963	1,180	1,843	963	1,843
Receivables	19	5,773	5,489	5,289	5,773	5,289
Inventories	20	337	787	721	337	721
Total current assets		7,073	7,456	7,853	7,073	7,853
Non-current assets						
Property, plant & equipment	21					
- Land and buildings		113,968	108,216	108,662	113,968	108,662
- Plant and equipment		6,229	5,060	6,807	6,229	6,807
Total property, plant & equipment		120,197	113,276	115,469	120,197	115,469
Right-of-use assets	22	9,916	9,917	11,079	9,916	11,079
Intangible assets	23	2,049	1,339	1,339	2,049	1,339
Total non-current assets		132,162	124,532	127,887	132,162	127,887
Total assets		139,235	131,988	135,740	139,235	135,740
LIABILITIES						
Current liabilities						
Payables	25	16,601	15,715	14,506	16,601	14,506
Contract liabilities	26	17	2	2	17	2
Borrowings	27	3,983	3,241	3,580	3,983	3,580
Provisions	28	37,117	35,679	29,999	37,117	29,999
Total current liabilities		57,718	54,637	48,087	57,718	48,087
Non-current liabilities						
Borrowings	27	71,194	71,935	75,192	71,194	75,192
Provisions	28	449	449	505	449	505
Total non-current liabilities		71,643	72,384	75,697	71,643	75,697
Total liabilities		129,361	127,021	123,784	129,361	123,784
Net assets		9,874	4,967	11,956	9,874	11,956
EQUITY						
Reserves		38,839	31,389	31,389	38,839	31,389
Accumulated funds		(28,965)	(26,422)	(19,433)	(28,965)	(19,433)
Total Equity		9,874	4,967	11,956	9,874	11,956

¹ Unaudited adjusted budget, see Note 32.

See Note for details regarding restated prior year balances for the Network.

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the year ended 30 June 2022

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2021		(19,433)	31,389	11,956
Net result for the year		(9,532)	-	(9,532)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	21	-	7,450	7,450
Total other comprehensive income		-	7,450	7,450
Total comprehensive income for the year		(9,532)	7,450	(2,082)
Balance at 30 June 2022		(28,965)	38,839	9,874

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2020		(19,945)	22,513	2,568
Net result for the year		512	-	512
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	21	-	8,876	8,876
Total other comprehensive income		-	8,876	8,876
Total comprehensive income for the year		512	8,876	9,388
Balance at 30 June 2021		(19,433)	31,389	11,956

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network

Statement of Cash Flows for the year ended 30 June 2022

	Notes	Consolidated Actual 2022 \$000	Consolidated Budget ¹ 2022 \$000	Consolidated Actual 2021 \$000	Parent Actual 2022 \$000	Parent Actual 2021 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(192,590)	(194,320)	(177,485)	-	-
Suppliers for goods and services		(82,497)	(85,308)	(97,896)	(82,497)	(97,896)
Grants and subsidies		(2,560)	(2,529)	(7,754)	(2,560)	(7,754)
Finance costs		(3,396)	(3,401)	(3,390)	(3,396)	(3,390)
Personnel services		-	-	-	(192,590)	(177,485)
Total payments		(281,043)	(285,558)	(286,525)	(281,043)	(286,525)
Receipts						
Ministry of Health recurrent allocations		248,039	251,499	236,400	248,039	236,400
Ministry of Health capital allocations		4,674	4,674	4,290	4,674	4,290
Reimbursements from the Crown ²		2,852	2,852	2,210	2,852	2,210
Sale of goods and services		23,674	24,272	42,247	23,674	42,247
Grants and other contributions		347	239	552	347	552
Other		7,132	7,841	8,574	7,132	8,574
Total receipts		286,718	291,377	294,273	286,718	294,273
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	5,675	5,819	7,748	5,675	7,748
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		301	-	211	301	211
Purchases of property, plant and equipment and intangibles		(3,276)	(2,902)	(5,312)	(3,276)	(5,312)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2,975)	(2,902)	(5,101)	(2,975)	(5,101)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings and advances		(2,683)	(2,683)	(2,426)	(2,683)	(2,426)
Payment of principal portion of lease liabilities		(897)	(897)	(727)	(897)	(727)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(3,580)	(3,580)	(3,153)	(3,580)	(3,153)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS						
Opening cash and cash equivalents	18	1,843	1,843	2,349	1,843	2,349
CLOSING CASH AND CASH EQUIVALENTS	18	963	1,180	1,843	963	1,843

¹ Unaudited adjusted budget, see Note 32.

² Crown represents 'The Crown in right of the State of New South Wales'

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

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

- * The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control.

- * The Justice Health and Forensic Mental Health Network Special Purpose Service Entity, which was established as a Division of the Network on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2022 have been authorised for issue by the Acting Chief Executive on 16 September 2022.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

b) Basis of preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- * applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
- * the requirements of the *Government Sector Finance Act 2018* ('GSF Act'); and
- * Treasurer's Directions issued under the GSF Act.

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

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

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

The Commonwealth has entered a National Partnership Agreement (NPA), in response to the COVID-19 pandemic, with States and Territories, including NSW which has been extended through until 31 December 2022. The Agreement delivers funding to public hospitals and provides stability and certainty of funding while ensuring access to health services in public hospitals.

The 2022-23 Ministry of Health budget included over \$33.5 billion in expense and capital for the NSW Health Cluster. Appropriation revenue of \$18.7 billion was enshrined in legislation on 21 June 2022 in Part 2, Division 4 and Part 3 of the *Appropriation (Parliament) Bill 2022*.

The Network has received an additional \$20.16 million (2021: \$7.94 million) through Ministry of Health allocations as financial support for COVID-19 activity, see Note 11.

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

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

The Network has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

c) Statement of Compliance

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

d) Accounting for the Goods & Services Tax (GST)

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

- * amount of GST incurred by the Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

e) Foreign currency translation

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

f) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

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

(i) Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

Several amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the Network.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise. The Network, has assessed the potential impact of the new standards and interpretations issued but not yet effective and have determined they are unlikely to have a material impact on the financial statements of the Network.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

1. Statement of Significant Accounting Policies

h) Impact of COVID-19 on Financial Reporting for 2021-22

The COVID-19 pandemic has resulted in significant changes in the Network activity and in the way the services are being delivered. The pandemic has also impacted financial reporting in 2021-22 and increased disclosures are presented in the following notes:

- * Note 1b) Basis of preparation
- * Note 5 Operating expenses
- * Note 11 Ministry of Health allocations
- * Note 24 Fair value measurement of non-financial assets
- * Note 28 Provisions
- * Note 32 Adjusted budget review

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

2. Employee related expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	177,287	160,081	-	-
Superannuation - defined benefit plans	518	511	-	-
Superannuation - defined contribution plans	15,920	14,162	-	-
Long service leave	(1,634)	1,260	-	-
Redundancies	226	499	-	-
Workers' compensation insurance	3,955	3,263	-	-
Fringe benefits tax	5	27	-	-
	196,277	179,803	-	-

Refer to Note 28 for further details on recognition and measurement of employee related expenses.

Employee related costs of \$Nil (2021: \$Nil) have been capitalised in property, plant and equipment and intangible assets and are therefore excluded from the above.

The long service leave was impacted by significant changes in actuarial factors decreasing the employee benefit liabilities assumed by the Crown.

3. Personnel services

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Salaries and wages (including annual leave and allocated days off)	-	-	177,287	160,081
Superannuation - defined benefit plans	-	-	-	-
Superannuation - defined contribution plans	-	-	15,920	14,162
Long service leave	-	-	(623)	1,143
Redundancies	-	-	226	499
Workers' compensation insurance	-	-	3,955	3,263
Fringe benefits tax	-	-	5	27
	-	-	196,770	179,175

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

4. Visiting medical officers

Visiting medical officers (VMOs) enhance full-time medical specialist services by providing speciality input in a number of disciplines throughout the Network's hospitals. VMO expenses of \$6.16 million (2021: \$6.42 million) represent part of the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Advertising	91	55	91	55
Auditor's remuneration - audit of financial statements	119	123	119	123
Blood and blood products	1	(88)	1	(88)
Consultancies	192	432	192	432
Contractors	335	383	335	383
Domestic supplies and services	575	542	575	542
Drug supplies*	23,665	39,617	23,665	39,617
Food supplies	761	689	761	689
Fuel, light and power	27	30	27	30
Patient transport costs	35	67	35	67
Information management expenses	5,584	5,799	5,584	5,799
Insurance	141	126	141	126
Maintenance (see Note 5 (b))	8,356	8,082	8,356	8,082
Medical and surgical supplies	8,538	1,145	8,538	1,145
Motor vehicle expenses	267	290	267	290
Postal and telephone costs	586	495	586	495
Printing and stationery	589	805	589	805
Rates and charges	122	90	122	90
Specialised services (dental, radiology, pathology and allied health)	5,939	5,032	5,939	5,032
Staff related costs	2,301	2,522	2,301	2,522
Travel related costs	1,646	994	1,646	994
Other (see Note 5 (a))	12,522	12,008	12,522	12,008
	72,392	79,238	72,392	79,238

* Drug supplies includes \$1.27 million (2021: \$Nil) of COVID-19 vaccinations administered by vaccination hubs within the Network. Refer to Note 20 for further details on COVID-19 vaccines.

The majority of the costs in relation to drug supplies expenses relate to the consumption of inventory items held by the Network. There has been a decrease in the number of patients receiving Hepatitis C treatment, which impacted the level of inventory. The increase in medical and surgical supplies include Rapid Antigen Test kits, and personal protective equipment to reduce the risk of COVID19 infection.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses (continued)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
(a) Other				
Contract for patient services	32	-	32	-
Corporate support services	777	827	777	827
Courier and freight	1,505	854	1,505	854
Legal services	308	894	308	894
Membership/professional fees	14	9	14	9
Public private partnership contracted services	7,687	7,835	7,687	7,835
Quality assurance / accreditation	16	-	16	-
Security services	2	10	2	10
Expenses relating to short-term leases	15	74	15	74
Expenses relating to leases of low-value assets	7	19	7	19
Other miscellaneous	2,159	1,486	2,159	1,486
	12,522	12,008	12,522	12,008
(b) Reconciliation of total maintenance expense				
Maintenance contracts	2,969	2,543	2,969	2,543
New / replacement equipment under \$10,000	5,327	5,247	5,327	5,247
Repairs maintenance / non contract	54	276	54	276
Other	6	16	6	16
Maintenance expense - contracted labour and other (non-employee related) in Note 5	8,356	8,082	8,356	8,082
	8,356	8,082	8,356	8,082

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement or enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Network. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 25.

Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government entities. The expense / (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance for NSW, a controlled entity of the ultimate parent.

Lease expense

The Network recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term, i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

6. Depreciation and amortisation

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Depreciation - buildings	3,538	3,441	3,538	3,441
Depreciation - plant and equipment	922	945	922	945
Depreciation - right-of-use buildings	1,148	1,127	1,148	1,127
Amortisation - intangible assets	634	617	634	617
	6,242	6,130	6,242	6,130

Refer to Note 21 Property, plant and equipment, Note 22 Leases, and Note 23 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Grants to entities controlled by the ultimate parent	2,176	6,886	2,176	6,886
Grants to entities controlled by the immediate parent*	111	83	111	83
Other grants*	40	-	40	-
	2,327	6,969	2,327	6,969

* The Network granted COVID-19 vaccines to other NSW Health entities and to third parties for nil consideration at current replacement cost. Refer to Note 20 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines provided to NSW Health entities under grants to entities controlled by the immediate parent was \$0.03 million (2021: \$Nil) and to external third parties under other grants was \$Nil (2021: \$Nil).

Recognition and Measurement

Grants and subsidies expense generally comprise contributions in cash or in kind to various entities controlled by the ultimate and immediate parent to support their health-related objectives and activities. The grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

8. Finance costs

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Interest expense from lease liabilities	260	229	260	229
Interest expense from financial liabilities at amortised cost	3,136	3,162	3,136	3,162
	3,396	3,391	3,396	3,391

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

9. Revenue

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15. Comments regarding the accounting policies for the recognition of income are discussed below.

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

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

10. Summary of compliance

The Appropriation Act 2021 (Appropriations Act) appropriates the sum of \$15,786,793,288 to the Minister for Health out of the Consolidated Fund for the services of the Ministry of Health for the year 2021–22. The spending authority of the Minister from the Appropriations Act has been delegated or subdelegated to officers of the Ministry of Health and entities that it is administratively responsible for, including the Network.

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the Government Sector Finance Act, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister(s) from deemed appropriation money has been delegated or sub-delegated to officers of the Network for its own services.

A summary of compliance is disclosed in the financial statements of the Annual Report of NSW Health. It has been prepared on the basis of aggregating the spending authorities of both the Minister for Health for the services of the Ministry of Health and the responsible Ministers for the services of the entities the principal department is administratively responsible for that receives or recovers deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made. The Network's spending authority and expenditure is included in the summary of compliance.

The delegations and sub-delegations for FY21/22 and FY20/21, authorising officers of the Network to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Network. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriations Act, the delegation/sub-delegations are referable to the overall authority to spend set out in the relevant Appropriations Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriations Act is disclosed in the summary of compliance table included in the financial statements of the Annual Report of NSW Health.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

11. Ministry of Health allocations

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

The Network recognised additional Ministry of Health recurrent allocations of \$20.16 million (2021: \$7.69 million) and Ministry of Health capital allocations of \$Nil (2021: \$0.25 million) to cover costs incurred for the preparation, diagnosis, treatment and vaccination of COVID-19 patients.

12. Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Sale and recovery of pharmaceutical supplies	17,046	34,545	17,046	34,545
	17,046	34,545	17,046	34,545

(b) Rendering of services comprise the following:

Patients

Patient Fees:

- Nursing home fees

2,371

2,316

2,371

2,316

Staff

Private use of motor vehicles

24

16

24

16

General community

Cafeteria / kiosk

308

202

308

202

Fees for conferences and training

1,041

1,156

1,041

1,156

Fees for medical records

463

260

463

260

Other

2,643

2,499

2,643

2,499

6,850

6,449

6,850

6,449

23,896

40,994

23,896

40,994

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement

Sale of goods

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

Type of good	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale and recovery of pharmaceutical supplies	The performance obligation of transferring pharmaceutical products is typically satisfied at the point in time when the products are dispensed to customers, which denotes acceptance by the customer, and therefore deemed as the point in time when the control is transferred to the customer. The payments are typically due within 30 days after the invoice date.	Revenue from these sales is recognised based on the price specified on the invoice, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

Recognition and Measurement (continued)

Rendering of services

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. Grants and other contributions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	145	98	145	98
Grants from entities controlled by the ultimate parent	42	37	42	37
Grants without specific performance obligations				
Commonwealth government grants other*	662	-	662	-
Other grants from entities controlled by the immediate parent*	756	366	756	366
Other grants*	106	-	106	-
	1,711	501	1,711	501

* The Network received the majority of COVID-19 vaccines directly from the Commonwealth government and the remainder were received from other NSW Health entities and external third parties. All COVID-19 vaccines were received for nil consideration and recorded at current replacement cost at the time of receipt. Refer to Note 20 for further details on COVID-19 vaccines. The total value of COVID-19 vaccines received from the Commonwealth government under Commonwealth government grants other was \$0.66 million (2021: \$Nil), from NSW Health entities under other grants from entities controlled by the immediate parent was \$0.61 million (2021: \$Nil) and from external third parties under other grants was \$0.11 million (2021: \$Nil).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

13. Grants and other contributions

Recognition and Measurement

Grants and other contributions

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the Network are recognised when the Network satisfies its obligations under the transfer. The Network satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations are recognised when the Network satisfies a performance obligation by transferring the promised goods or services. The Network typically receives grants in respect of research, clinical drug trials and other community, health and wellbeing related projects. The Network uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

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

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Superannuation - defined benefit plans	518	511	-	-
Long service leave provision	(1,011)	117	-	-
	(493)	628	-	-

15. Other income

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other income comprises the following:				
Commissions	1	1	1	1
Insurance refunds	26	15	26	15
Other	16	47	16	47
	43	63	43	63

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

16. Gains / (losses) on disposal

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Gains / (losses) on disposals of:				
Property, plant and equipment				
Written down value of assets disposed	194	197	194	197
Less: proceeds from disposal	301	211	301	211
Net gains / (losses) on disposal	107	14	107	14
Total gains / (losses) on disposal	107	14	107	14

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

17. Other gains / (losses)

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Inventory write down*	(17)	-	(17)	-
	(17)	-	(17)	-

* Inventory write down includes COVID-19 vaccine wastage of \$0.02 million (2021: \$Nil) and impairment of \$0.00 million (2021: \$Nil). Refer to Note 20 for further details on COVID-19 vaccines.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

18. Cash and cash equivalents

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Cash at bank and on hand	963	1,843	963	1,843
	963	1,843	963	1,843

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	963	1,843	963	1,843
	963	1,843	963	1,843

Refer to Note 35 for details regarding credit risk and market risk arising from financial instruments.

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

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

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

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

19. Receivables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Trade receivables from contracts with customers	3,464	3,112	3,464	3,112
Intra health receivables	1,229	78	1,229	78
Goods and Services Tax	1,079	1,528	1,079	1,528
Other receivables	1,268	1,360	1,268	1,360
Sub total	7,040	6,078	7,040	6,078
<i>Less: Allowance for expected credit losses*</i>				
- Trade receivables from contracts with customers	(2,147)	(1,551)	(2,147)	(1,551)
Sub total	4,893	4,527	4,893	4,527
Prepayments	880	762	880	762
	5,773	5,289	5,773	5,289

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

Trade receivables from contracts with customers				
Balance at the beginning of the year	(1,551)	(1,132)	(1,551)	(1,132)
Amounts written off during the year	95	6	95	6
(Increase) / decrease in allowance recognised in the net result ¹	(691)	(425)	(691)	(425)
Balance at the end of the year	(2,147)	(1,551)	(2,147)	(1,551)
	(2,147)	(1,551)	(2,147)	(1,551)

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

19. Receivables (continued)

- (b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Patient fees - inpatient & other	2,354	1,733	2,354	1,733
	2,354	1,733	2,354	1,733

Details regarding credit risk of receivables that are neither past due nor impaired, are disclosed in Note 35.

	Consolidated 2022 \$000	Consolidated ¹ 2021 \$000	Parent 2022 \$000	Parent ¹ 2021 \$000
Contract receivables (included in Note 19)	4,694	3,190	4,694	3,190
Total contract receivables	4,694	3,190	4,694	3,190

¹ Prior year figures have been restated lower by \$0.057 million as a result of items previously classified under contract receivables in error.

Recognition and Measurement

All 'regular way' purchases or sales of receivables are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of receivables that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Network holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Network recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Network expects to receive, discounted at the original effective interest rate.

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

20. Inventories

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Held-for-distribution				
Drug supplies	339	721	339	721
Less: Allowance for impairment - Drug supplies	(2)	-	(2)	-
	337	721	337	721

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

At the beginning of 2021, the rollout of the Commonwealth government's COVID-19 vaccine program began, with the aim of offering free vaccines to all Australians. The Network played a key role in the rollout within NSW, including in relation to logistics, vaccination delivery, safety and reporting. The Commonwealth assumed the responsibility for procuring and distributing vaccines to all states and territories. COVID-19 vaccines were received for nil consideration and were provided to the public free of charge. On the basis that the Network controls the inventory once it is received from the Commonwealth, the value of the inventory received, administered / granted and wasted were recognised by the Network.

The value attributable to the vaccines received was measured at its fair value based on replacement cost. The Network was unsuccessful in obtaining cost information from the Commonwealth because of non-disclosure agreements signed by the Commonwealth and the pharmaceutical companies supplying the COVID-19 vaccines. An internal valuation was undertaken based on publicly available information to estimate the replacement cost of the COVID-19 vaccines received by the Network.

The value of the vaccines received and administered / granted during the financial year ended 30 June 2022 was \$1.38 million (2021: \$Nil) and \$1.3 million (2021: \$Nil), respectively. \$0.02 million (2021: \$Nil) of vaccines were written-off and another \$0.002 million (2021: \$Nil) impaired during the year. COVID-19 vaccine closing inventory balance as at 30 June 2022 was \$0.07 million (2021: \$Nil) which is included as part of the inventory drug supplies.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Network would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

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

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

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

21. Property, plant and equipment (continued)

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

PARENT AND CONSOLIDATION

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

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
Year ended 30 June 2022			
Net carrying amount at beginning of year	108,662	6,807	115,469
Additions	1,311	1,279	2,590
Reclassification to intangibles	-	(658)	(658)
Disposals	-	(194)	(194)
Net revaluation increments less revaluation decrements	7,450	-	7,450
Depreciation expense	(3,538)	(922)	(4,460)
Reclassifications	83	(83)	-
Net carrying amount at end of year	113,968	6,229	120,197

	Land and Buildings \$000	Plant and Equipment ¹ \$000	Total \$000
At 30 June 2022 - fair value			
Gross carrying amount	162,072	11,757	173,829
Less: accumulated depreciation and impairment	48,104	5,528	53,632
Net carrying amount	113,968	6,229	120,197

¹ For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 21-09.

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

The Network has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held and used by the Network.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Property, plant and equipment (continued)

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

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

Capitalisation thresholds

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

Major inspection costs

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

Restoration costs

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Property, plant and equipment (continued)

Depreciation of property, plant and equipment

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

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

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

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

	Useful lives
Buildings	40 years
Buildings - leasehold improvements	3-10 years
Plant and equipment	4-20 years

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

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

Right-of-use assets acquired by lessees

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

Further information on leases is contained in Note 22.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction, 'Valuation of Physical Non-Current Assets at Fair Value' (TD 21-05). TPP 21-09 and TD 21-05 adopt fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 24 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Network conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure.

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

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

An interim management revaluation was completed on 30 June 2022 indicating a cumulative increase of 3.00% for land, 8.67% for buildings and 0.00% for infrastructure. The Network used an external professionally qualified valuer to conduct the interim management revaluation. Indicators provided by CBRE were applied as they were deemed material.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The Network has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For other assets valued using other valuation techniques, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

21. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in net result, where a reversal of that impairment loss is also recognised in net result.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Leases

(a) Entity as a lessee

The Network leases various property. Lease contracts are typically made for fixed periods of 3 to 19 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The Network does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Network and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of \$0.4 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of \$0.0 million.

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

The Network has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of small office and medical equipment items.

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

PARENT AND CONSOLIDATION

	Land and Buildings	Plant and Equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2021	11,079	-	11,079
Reassessments	(15)	-	(15)
Depreciation expense	(1,148)	-	(1,148)
Balance at 30 June 2022	9,916	-	9,916

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

PARENT AND CONSOLIDATION

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

Lease liabilities

The following table presents liabilities under leases.

PARENT AND CONSOLIDATION

	2022 \$000	2021 \$000
Balance at 1 July	11,798	7,024
Interest expenses	260	229
Payments	(1,157)	(956)
Other adjustments	(15)	5,501
Balance at 30 June	10,886	11,798

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

PARENT AND CONSOLIDATION

	2022 \$000	2021 \$000
Depreciation expense of right-of-use assets	1,148	1,127
Interest expense on lease liabilities	260	229
Expenses relating to short-term leases	15	74
Expenses relating to leases of low-value assets	7	19
Total amount recognised in the statement of comprehensive income	1,430	1,449

The Network had total cash outflows for leases of \$1.18 million for the year ended 30 June 2022 (2021: \$1.05 million).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Leases (continued)

(a) Entity as a lessee (continued)

Recognition and Measurement

The Network assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Network recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The Network recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Buildings	3 to 19 years

If ownership of the leased asset transfers to the Network at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The Network assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Network estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the Network recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the Network; and
- payments of penalties for terminating the lease, if the lease term reflects the Network exercising the option to terminate.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

22. Leases (continued)

(a) Entity as a lessee (continued)

ii. Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The Network does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown and where the Crown needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the Network is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Network's lease liabilities are included in borrowings in Note 27.

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

The Network applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Intangible assets

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 1 July 2020		
Cost (gross carrying amount)	8,880	8,880
Less: accumulated amortisation and impairment	7,172	7,172
Net carrying amount	1,708	1,708

	Software \$000	Total \$000
Year ended 30 June 2021		
Net carrying amount at beginning of year	1,708	1,708
Additions - acquired separately	248	248
Amortisation (recognised in depreciation and amortisation)	(617)	(617)
Net carrying amount at end of year	1,339	1,339

	Software \$000	Total \$000
At 1 July 2021		
Cost (gross carrying amount)	8,873	8,873
Less: accumulated amortisation and impairment	7,534	7,534
Net carrying amount	1,339	1,339

	Software \$000	Total \$000
Year ended 30 June 2022		
Net carrying amount at beginning of year	1,339	1,339
Additions - acquired separately	686	686
Reclassifications from plant and equipment	658	658
Amortisation (recognised in depreciation and amortisation)	(634)	(634)
Net carrying amount at end of year	2,049	2,049

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

23. Intangible assets (continued)

PARENT AND CONSOLIDATION

	Software \$000	Total \$000
At 30 June 2022		
Cost (gross carrying amount)	10,217	10,217
Less: accumulated amortisation and impairment	8,168	8,168
Net carrying amount	2,049	2,049

Recognition and Measurement

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Network's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

The Network's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the Network are recognised as intangible assets. Most computer software is acquired from eHealth NSW, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

24. Fair value measurement of non-financial assets

PARENT AND CONSOLIDATION

Fair value measurement and hierarchy

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

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

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

The Network recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total Fair Value
2022	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 21)				
- Land and buildings	-	-	105,394	105,394
	-	-	105,394	105,394

There were no transfers between level 1 and 2 during the year ended 30 June 2022.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 21.

	Level 1	Level 2	Level 3	Total Fair Value
2021	\$000	\$000	\$000	\$000
Property, plant and equipment (Note 21)				
- Land and buildings	-	-	100,778	100,778
	-	-	100,778	100,778

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 21.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(b) Valuation techniques, inputs and processes

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer Note 21 reconciliation).

The non-current assets categorised in (a) above have been measured as either level 2 or level 3 based on the following valuation techniques and inputs:

- For land, the valuation by the valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

- Many building assets are of a specialised nature or use, including some modified residential properties and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs.

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT AND CONSOLIDATION

	Land and Buildings \$000	Total Level 3 Recurring \$000
2022		
Fair value as at 1 July 2021	100,778	100,778
Additions*	110	110
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 21)	7,450	7,450
Depreciation expense	(2,944)	(2,944)
Fair value as at 30 June 2022	105,394	105,394

There were no transfers between level 2 or 3 during the year ended 30 June 2022.

	Land and Buildings \$000	Total Level 3 Recurring \$000
2021		
Fair value as at 1 July 2020	93,885	93,885
Additions*	935	935
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 21)	8,876	8,876
Depreciation expense	(2,918)	(2,918)
Fair value as at 30 June 2021	100,778	100,778

* Additions include assets previously carried at cost which have been revalued under the level 3 fair value hierarchy for the first time as a result of a comprehensive revaluation or an interim desktop revaluation.

There were no transfers between level 2 or 3 during the year ended 30 June 2021.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

25. Payables

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Accrued salaries, wages and on-costs*	4,820	4,376	-	-
Salaries and wages deductions	31	35	-	-
Payroll and fringe benefits tax	14	16	-	-
Accrued liability - purchase of personnel services	-	-	4,865	4,427
Creditors*	4,560	2,624	4,560	2,624
- Payables to entities controlled by the immediate parent	506	1,982	506	1,982
- Other	6,670	5,473	6,670	5,473
	16,601	14,506	16,601	14,506

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 35.

Recognition and Measurement

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

26. Contract liabilities

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Contract liabilities	17	2	17	2
	17	2	17	2

Recognition and Measurement

Contract liabilities relate to consideration received in advance from customers. The balance of the contract liabilities at 30 June 2022 was impacted by the timing of payments received for grants and other contributions. The satisfaction of the specific performance obligations within the contract had not been met at the 30 June 2022. Revenue from the contract liabilities will be recognised when the specific performance obligations have been met.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Borrowings

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Lease liabilities (see Note 22)	1,015	897	1,015	897
Public Private Partnerships	2,968	2,683	2,968	2,683
	3,983	3,580	3,983	3,580
Non-current				
Lease liabilities (see Note 22)	9,871	10,901	9,871	10,901
Public Private Partnerships	61,323	64,291	61,323	64,291
	71,194	75,192	71,194	75,192

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

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

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

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

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

27. Borrowings (continued)

Recognition and Measurement

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

Financial liabilities at amortised cost

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

Borrowings are classified as current liabilities unless the Network has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 35 (b) for derecognition policy.

Changes in liabilities arising from financing activities

PARENT AND CONSOLIDATION

	Other loans and deposits \$000	Leases \$000	Total liabilities from financing activities \$000
1 July 2020	69,400	7,024	76,424
Cash flows	(2,426)	(727)	(3,153)
Lease reassessments	-	5,501	5,501
30 June 2021	66,974	11,798	78,772
1 July 2021	66,974	11,798	78,772
Cash flows	(2,683)	(897)	(3,580)
Lease reassessments	-	(15)	(15)
30 June 2022	64,291	10,886	75,177

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

28. Provisions

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Current				
Employee benefits and related on-costs				
Annual leave - obligations expected to be settled within 12 months	16,113	15,790	-	-
Annual leave - obligations expected to be settled after 12 months	10,774	7,906	-	-
Long service leave consequential on-costs - obligations expected to be settled within 12 months	372	439	-	-
Long service leave consequential on-costs - obligations expected to be settled after 12 months	4,168	4,668	-	-
Provision for other employee benefits* ¹	5,561	1,196	-	-
Provision for personnel services liability	-	-	36,988	29,999
	36,988	29,999	36,988	29,999
Other Provisions				
Other	129	-	129	-
	129	-	129	-
Total current provisions	37,117	29,999	37,117	29,999
Non-current				
Employee benefits and related on-costs				
Long service leave consequential on-costs	449	505	-	-
Provision for personnel services liability	-	-	449	505
Total non-current provisions	449	505	449	505
Aggregate employee benefits and related on-costs				
Provisions - current	36,988	29,999	-	-
Provisions - non-current	449	505	-	-
Accrued salaries, wages and on-costs and salaries and wages deductions (Note 25)	4,851	4,411	-	-
Liability - purchase of personnel services	-	-	42,288	34,915
	42,288	34,915	42,288	34,915

* Provision for other employee benefits includes a one-off payment to employees of \$4.16 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

28. Provisions (continued)

Movements in provisions (other than employee benefits)

Movements in other provisions during the financial year, other than employee benefits, are set out below:

	Consolidated 2022 \$000	Consolidated 2021 \$000	Parent 2022 \$000	Parent 2021 \$000
Other				
- Additional provisions recognised*	129	-	129	-
Carrying amount at end of period	129	-	129	-

* Additional provisions recognised of \$0.13 million in 2022, includes a one-off payment to visiting medical officers of \$0.13 million (2021: \$Nil) for the recognition of service during the COVID-19 pandemic.

Recognition and Measurement

Employee benefits and other provisions

Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 21.58% are applied to the value of leave payable at 30 June 2022 (comparable on-costs for 30 June 2021 were 20.78%). The Network has assessed the actuarial advice based on the Network's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the Network does not expect to settle the liability within 12 months as the Network does not have an unconditional right to defer settlement.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

28. Provisions (continued)

Recognition and Measurement (continued)

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The majority of employee benefits and related on-cost balances have increased since the beginning of the COVID-19 pandemic. Management of the COVID-19 pandemic, along with state and international border closures at different times have adversely impacted the provision balance.

Long service leave and superannuation

The Network's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by The Crown in right of the State of New South Wales. The Network accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of employee benefits'.

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

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Aware Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

Other provisions

Other provisions are recognised when: the Network has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Network expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Network has a detailed formal plan, and the Network has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

29. Equity

Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 21.

Accumulated funds

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

Reserves

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

30. Commitments

(a) Capital commitments

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:

	Consolidated	Consolidated	Parent	Parent
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Within one year	292	730	292	730
Total (including GST)	292	730	292	730

31. Contingent liabilities and contingent assets

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

32. Adjusted budget review

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 Budgetary Reporting to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network and the Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant budget entries in the financial statements are unaudited.

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Net result

Actual Net Result was \$4.0 million unfavourable to budget mainly due to \$3.5 million recurrent allocations variation, and \$0.7 million patient fees impairment.

Assets and liabilities

Actual Net Assets for the year were \$4.9 million favourable to budget largely due to \$7.5 million increase in land and building revaluation; partially offset by \$4.0 million unfavourable to budget Net Result. The \$34 million reduction in 2015-16 Recurrent Allocations as a result of new cash management arrangements for unrestricted cash assets as required by the NSW Treasury Circular TC15-01 Cash Management - Expanding the Scope of the Treasury Banking System implemented from 1 July 2015, is the main reason for negative Accumulated Funds of \$29.0 million.

Cash flows

Actual net cash flows from the operating activities were unfavourable to budget by \$0.1 million mainly due to other receipts.

Movements in the level of the Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2021 are as follows:

	\$000
Initial allocation, July 2021	231,408
General funding	(1,630)
Special projects	1,562
COVID-19 incremental budget relief	20,159
Balance as per Statement of Comprehensive Income	251,499

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

33. Reconciliation of cash flows from operating activities to net result

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

	Consolidated 2022 \$000	Consolidated ¹ 2021 \$000	Parent 2022 \$000	Parent ¹ 2021 \$000
Net cash used on operating activities	5,675	7,748	5,675	7,748
Depreciation and amortisation expense	(6,242)	(6,130)	(6,242)	(6,130)
Allowance for impairment	(708)	(425)	(708)	(425)
Decrease / (increase) in provisions	(7,063)	(3,693)	(7,063)	(3,693)
Increase / (decrease) in inventory	(386)	(1,620)	(386)	(1,620)
Increase / (decrease) in prepayments and other assets	1,189	480	1,189	480
Decrease / (increase) in payables	(2,090)	4,140	(2,090)	4,140
Decrease / (increase) in contract liabilities	(14)	(2)	(14)	(2)
Net gain / (loss) on sale of property, plant and equipment	107	14	107	14
Net result	(9,532)	512	(9,532)	512

¹ 'Increase / (decrease) in Inventory' has been disaggregated from 'Increase / (decrease) in prepayments and other assets' in the current year. The prior period comparatives have been restated to reflect this change.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

34. Trust funds

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The Network holds trust funds of \$1.2 million (2021: \$1.2 million) which are held for the safe keeping of patients' monies.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

Category	1 July 2021			30 June 2022
	Opening equity \$'000	Revenue \$000	Expense \$000	Closing equity \$'000
Patient Trust	1,193	1,634	(1,635)	1,192
Refundable Deposits	18	3	(21)	-
Total trust funds	1,211	1,637	(1,656)	1,192

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

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Financial instruments

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

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

The Acting Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Network, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

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Class	Category	Carrying Amount	Carrying Amount
		2022	2021
		\$000	\$000
Financial assets			
Cash and cash equivalents (Note 18)	Amortised cost	963	1,843
Receivables (Note 19) ¹	Amortised cost	3,814	2,999
Total financial assets		4,777	4,842
Financial liabilities			
Borrowings (Note 27)	Financial liabilities measured at amortised cost	75,177	78,772
Payables (Note 25) ²	Financial liabilities measured at amortised cost	16,587	14,490
Total financial liabilities		91,764	93,262

Notes

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

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

³ While contract assets are also not financial assets, they are explicitly included (i.e. in the scope of AASB 7 Financial Instruments: Disclosures) for the purpose of the credit risk disclosures.

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

(b) Derecognition of financial assets and financial liabilities

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

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

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Financial instruments (continued)

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

When the Network has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Network has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Network's continuing involvement in the asset. In that case, the Network also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Network has retained.

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

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risk

i. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Network. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses).

Credit risk arises from financial assets of the Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned daily on restricted financial asset cash on hand and bank balances only.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

Collectability of trade receivables, other receivables and contract assets is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Network applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

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

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

To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Network has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

Trade receivables, other receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2022 and 30 June 2021 was determined as follows:

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	Current	<30 days	30-60 days	61-90 days	>91 days	Total
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.67%	18.81%	22.66%	100.00%	96.36%	45.37%
Estimated total gross carrying amount ¹	2,228	101	278	63	2,062	4,732
Expected credit loss	15	19	63	63	1,987	2,147
30 June 2021	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.68%	2.70%	42.34%	55.13%	85.90%	34.68%
Estimated total gross carrying amount ¹	2,061	555	111	78	1,667	4,472
Expected credit loss	14	15	47	43	1,432	1,551

Notes

¹ The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 19.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2022 and 30 June 2021.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

The Network has negotiated no loan outside of arrangements with the Ministry of Health or NSW Treasury.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Network's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be affected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

PARENT AND CONSOLIDATION

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

Maturity Analysis and interest rate exposure of financial liabilities

	EIR ³ %	Nominal Amount ¹ \$000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000
2022								
Payables:								
- Creditors ²		16,587	-	-	16,587	16,587	-	-
Borrowings:								
- Lease liabilities	2.3	12,078	12,078	-	-	1,253	5,301	5,524
- Public Private Partnership	10.62	115,949	-	115,949	-	9,794	39,177	66,978
		144,614	12,078	115,949	16,587	27,634	44,478	72,502
2021								
Payables:								
- Creditors ²		14,490	-	-	14,490	14,490	-	-
Borrowings:								
- Lease liabilities	2.3	13,251	13,251	-	-	1,157	5,218	6,876
- Public Private Partnership	10.62	125,743	-	125,743	-	9,794	39,177	76,772
		153,484	13,251	125,743	14,490	25,441	44,395	83,648

Notes:

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

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

³ Weighted Average Effective Interest Rate (EIR).

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

35. Financial instruments (continued)

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Network's exposures to market risk are primarily through interest rate risk. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the Network is not permitted to borrow external to the Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

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	2022		2021	
	\$000		\$000	
	-1%	1%	-1%	1%
Net result	742	(742)	769	(769)
Equity	742	(742)	769	(769)

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. Related party disclosures

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2022	2021
	\$000	\$000
Short-term employee benefits	531	614
Post-employment benefits	51	57
Other long-term benefits	14	12
	596	683

During the financial year, Justice Health and Forensic Mental Health Network obtained key management personnel services from the immediate parent and incurred \$796 thousand (2021: \$383 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

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

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2021: \$Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2021: \$Nil).

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

During the financial year and comparative year, the Network entered into the various transactions with other entities consolidated as part of the Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the immediate parent:

- Health Administration Corporation (includes Ambulance Service of NSW, eHealth NSW, Health Infrastructure, Health System Support Group, HealthShare NSW and NSW Health Pathology) provides shared services for the majority of patient transport services, information management services, domestic supplies and services, food supplies and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.

Justice Health and Forensic Mental Health Network

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

36. Related party disclosures (continued)

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

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Payroll and fringe benefits taxes
- Audit of the statutory financial statements
- Legal and consultancy services
- Utilities, including electricity, gas and water expenses
- Motor vehicle toll expenses
- Insurance costs

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

- Revenue from recurrent and capital allocations
- Various grants and contributions towards research and other projects

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

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

Assets and liabilities as follows:

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

37. Events after the reporting period

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS