

# Financials



# Certification of financial statements

## For the reporting period ended 30 June 2022

The accompanying financial statements of the East Metropolitan Health Service have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2022 and financial position as at 30 June 2022.

At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



**Ian Smith PSM**

Chair, EMHS Board  
East Metropolitan Health Service  
16 September 2022



**Graeme Jones**

Chief Finance Officer  
East Metropolitan Health Service  
16 September 2022



**Peter Forbes**

Chair, EMHS Board Finance Committee  
East Metropolitan Health Service  
16 September 2022



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2022 East Metropolitan Health Service

To the Parliament of Western Australia

### Report on the audit of the financial statements

I have audited the financial statements of the East Metropolitan Health Service (Health Service) which comprise:

- the Statement of Financial Position at 30 June 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the East Metropolitan Health Service for the year ended 30 June 2022 and the financial position at the end of that period
- in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

#### Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

#### Responsibilities of the Board for the financial statements

The Board is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Health Service.

### Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.augasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.augasb.gov.au/auditors_responsibilities/ar4.pdf).

## Report on the audit of controls

### Basis for Qualified Opinion

I identified significant weaknesses in network security controls and controls over unauthorised connection of devices at the East Metropolitan Health Service. These weaknesses could result in a potential security exposure to the network and increased vulnerabilities which could undermine the integrity of data across all systems, including the financial system.

### Qualified Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the East Metropolitan Health Service. The controls exercised by the Board are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, in all material respects, the controls exercised by the East Metropolitan Health Service are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2022.

### The Board's responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

### Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

### Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

## Report on the audit of the key performance indicators

### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the East Metropolitan Health Service for the year ended 30 June 2022. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the East Metropolitan Health Service are relevant and appropriate to assist users to assess the Health Service's performance and fairly represent indicated performance for the year ended 30 June 2022.

### The Health Service's responsibilities for the key performance indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Board determines necessary to enable the

preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 Key Performance Indicators.

### **Auditor General's responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

### **My independence and quality control relating to the reports on controls and key performance indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Other information**

Those charged with governance are responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, controls and key performance indicators, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report

### **Matters relating to the electronic publication of the audited financial statements and key performance indicators**

This auditor's report relates to the financial statements and key performance indicators of the East Metropolitan Health Service for the year ended 30 June 2022 included in the annual report on the Health Service's website. The Health Service's management is responsible for the integrity of the Health Service's website. This audit does not provide assurance on the integrity of the Health Service's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



Grant Robinson  
Assistant Auditor General Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
19 September 2022

**East Metropolitan Health Service**  
**Statement of comprehensive income**  
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
<b>Cost of services</b>			
Expenses			
Employee benefits expense	3.1.1	1,027,528	942,742
Contracts for services	3.2	341,212	328,494
Patient support costs	3.3	259,016	240,812
Fees for visiting medical practitioners	3.4	25,971	28,879
Finance costs	7.2	52	58
Depreciation and amortisation expense	5.5	44,471	43,445
Repairs, maintenance and consumable equipment	3.5	36,445	28,661
Other supplies and services	3.6	10,472	8,389
Cost of sales	4.7	3,496	3,348
Other expenses	3.7	116,896	99,217
<b>Total cost of services</b>		<b>1,865,559</b>	<b>1,724,045</b>
<b>Income</b>			
Patient charges	4.4	45,943	44,133
Other fees for services	4.5	490	763
Commonwealth grants and contributions	4.2	240	476
Other grants and contributions	4.3	1,087	1,483
Donation income	4.6	98	266
Sale of goods	4.7	3,402	3,177
Other income and recoveries	4.8	46,682	46,666
<b>Total income other than income from State Government</b>		<b>97,942</b>	<b>96,964</b>
<b>Net cost of services</b>		<b>1,767,617</b>	<b>1,627,081</b>
<b>Income from State Government</b>			
Department of Health - Service Agreement:			
- State component	4.1	880,558	826,326
- Commonwealth component	4.1	526,449	487,385
Mental Health Commission - Service Agreement	4.1	210,998	193,229
Income from other state government agencies	4.1	44,633	45,861
Resources received	4.1	89,904	70,023
<b>Total income from State Government</b>		<b>1,752,542</b>	<b>1,622,824</b>
<b>Deficit for the period</b>		<b>(15,075)</b>	<b>(4,257)</b>
<b>Other comprehensive income</b>			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation reserve	9.10	53,902	6,870
<b>Total other comprehensive income</b>		<b>53,902</b>	<b>6,870</b>
<b>Total comprehensive income for the period</b>		<b>38,827</b>	<b>2,613</b>

The statement of comprehensive income should be read in conjunction with the accompanying notes.

See also note 2.2 'Schedule of income and expenses by service'.

**East Metropolitan Health Service**  
**Statement of financial position**  
**As at 30 June 2022**

	Note	2022 \$000	2021 \$000
<b>Assets</b>			
Current assets			
Cash and cash equivalents	7.3	112,886	128,130
Restricted cash and cash equivalents	7.3	41,892	37,057
Receivables	6.1	26,819	27,609
Inventories	6.3	5,374	4,672
Other current assets	6.4	29,784	26,616
<b>Total current assets</b>		<b>216,755</b>	<b>224,084</b>
Non-current assets			
Restricted cash and cash equivalents	7.3	20,889	16,679
Amounts receivable for services	6.2	613,846	570,045
Property, plant and equipment	5.1	625,896	578,090
Intangible assets	5.2	139	35
Right-of-use assets	5.3	1,795	1,640
Service concession assets	5.4	309,562	294,546
<b>Total non-current assets</b>		<b>1,572,127</b>	<b>1,461,035</b>
<b>Total assets</b>		<b>1,788,882</b>	<b>1,685,119</b>
<b>Liabilities</b>			
Current liabilities			
Payables	6.5	97,351	101,322
Grant liabilities	6.6	955	1,255
Lease liabilities	7.1	609	552
Employee benefits provisions	3.1.2	212,860	196,704
Other current liabilities	6.7	1,090	744
<b>Total current liabilities</b>		<b>312,865</b>	<b>300,577</b>
Non-current liabilities			
Employee benefits provisions	3.1.2	46,073	46,296
Lease liabilities	7.1	1,229	1,112
<b>Total non-current liabilities</b>		<b>47,302</b>	<b>47,408</b>
<b>Total liabilities</b>		<b>360,167</b>	<b>347,985</b>
<b>Net assets</b>		<b>1,428,715</b>	<b>1,337,134</b>
<b>Equity</b>			
Contributed equity	9.10	1,234,101	1,181,347
Reserves	9.10	148,065	94,163
Accumulated surplus		46,549	61,624
<b>Total equity</b>		<b>1,428,715</b>	<b>1,337,134</b>

The statement of financial position should be read in conjunction with the accompanying notes.

**East Metropolitan Health Service**  
**Statement of changes in equity**  
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
<b>Contributed equity</b>	9.10		
Balance at start of period		1,181,347	1,146,450
Transactions with owners in their capacity as owners:			
Contribution by Owners – Capital appropriations administered by Department of Health		52,754	34,897
<b>Balance at end of period</b>		<b>1,234,101</b>	<b>1,181,347</b>
<b>Reserves</b>	9.10		
<b>Asset revaluation reserve</b>			
Balance at start of period		94,163	87,293
Other comprehensive income for the period		53,902	6,870
<b>Balance at end of period</b>		<b>148,065</b>	<b>94,163</b>
<b>Accumulated surplus</b>			
Balance at start of period		61,624	65,881
Deficit for the period		(15,075)	(4,257)
<b>Balance at end of period</b>		<b>46,549</b>	<b>61,624</b>
<b>Total equity</b>			
Balance at start of period		1,337,134	1,299,624
Total comprehensive income for the period		38,827	2,613
Transactions with owners in their capacity as owners		52,754	34,897
<b>Balance at end of period</b>		<b>1,428,715</b>	<b>1,337,134</b>

*The statement of changes in equity should be read in conjunction with the accompanying notes.*

**East Metropolitan Health Service**  
**Statement of cash flows**  
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
		Inflows/(Outflows)	Inflows/(Outflows)
<b>Cash flows from State Government</b>			
Contribution by Owners – Capital Appropriations administered by Department of Health		52,753	34,867
Service agreement - Department of Health		1,363,206	1,271,284
Service agreement - Mental Health Commission		210,998	193,229
Funds received from other state government agencies		44,633	45,861
<b>Net cash provided by State Government</b>		<b>1,671,590</b>	<b>1,545,241</b>
Utilised as follows:			
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee benefits		(1,010,483)	(919,345)
Supplies and services		(712,421)	(685,573)
Finance costs		(52)	(58)
<b>Receipts</b>			
Receipts from customers		45,661	40,493
Commonwealth grants and contributions		240	476
Other grants and contributions		1,087	1,484
Donations received		53	131
Other receipts		51,106	47,356
<b>Net cash used in operating activities</b>	7.3.2	<b>(1,624,809)</b>	<b>(1,515,036)</b>
<b>Cash flows from investing activities</b>			
<b>Payments</b>			
Purchase of non-current assets		(52,542)	(45,899)
<b>Receipts</b>			
Proceeds from sale of non-current assets		250	10
<b>Net cash used in investing activities</b>		<b>(52,292)</b>	<b>(45,889)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Principal elements of lease payments		(688)	(444)
<b>Receipts</b>			
<b>Net cash used in financing activities</b>		<b>(688)</b>	<b>(444)</b>
Net decrease in cash and cash equivalents		(6,199)	(16,128)
Cash and cash equivalents at the beginning of the period		181,866	197,994
<b>Total cash and cash equivalents at the end of the period</b>		<b>175,667</b>	<b>181,866</b>

The statement of cash flows should be read in conjunction with the accompanying notes.



## East Metropolitan Health Service

### Notes to the financial statements

As at 30 June 2022

Note	1	Basis of preparation
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East Metropolitan Health Service (the Health Service) is a Western Australian Government entity, controlled by the State of Western Australia which is the ultimate parent. The Health Service is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Governance/Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Health Service on 16 September 2022.

#### Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) The Financial Management Act 2006 (FMA)
- 2) The Treasurer's Instructions (TIs)
- 3) Australian Accounting Standards (AASs) including applicable interpretations
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been modified.

The FMA and TIs take precedence over AASs. Several AASs are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

#### Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
**As at 30 June 2022**

Note 1 Basis of preparation (continued)

**Contributed equity**

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by *TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities* and will be credited directly to Contributed Equity.

Note 2 Health Service outputs

**How the Health Service operates**

This section includes information regarding the nature of funding the Health Service receives and how this funding is utilised to achieve the Health Service's objectives.

	Note
Health Service objectives	2.1
Schedule of income and expenses by service	2.2

2.1 Health Service objectives

**Services**

To comply with its legislative obligation as a WA Government agency, the Health Service operates under an Outcome Based Management framework (OBM). The OBM framework is determined by WA Health and replaces the former activity based costing framework for annual reporting from 2017-18 and beyond. This framework describes how outcomes, activities, services and key performance indicators (KPIs) are used to measure agency performance towards achieving the relevant overarching whole of government goal of strong communities, safe communities and supported families and the WA health system agency goal of delivery of safe, quality, financially sustainable and accountable healthcare for all Western Australians. The Health Service is predominantly funded by Parliamentary appropriations.

The Health Service provides the following services:

**Public hospital admitted services**

The provision of healthcare services to patients in metropolitan hospitals that meet the criteria for admission and receive treatment and/or care for a period of time, including public patients treated in private facilities under contract to WA Health. Admission to hospital and the treatment provided may include access to acute and/or sub-acute inpatient services, as well as hospital in the home services. Public hospital admitted services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to admitted services. This service does not include any component of the mental health services reported under 'Mental health services'.

## East Metropolitan Health Service Notes to the financial statements

As at 30 June 2022

### 2.1 Health Service objectives (continued)

#### ***Public hospital emergency services***

The provision of services for the treatment of patients in emergency departments of metropolitan hospitals, inclusive of public patients treated in private facilities under contract to WA Health. The services provided to patients are specifically designed to provide emergency care, including a range of pre-admission, post-acute and other specialist medical, allied health, nursing and ancillary services. Public hospital emergency services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to emergency services. This service does not include any component of the mental health services reported under 'Mental health services'.

#### ***Public hospital non-admitted services***

The provision of metropolitan hospital services to patients who do not undergo a formal admission process, inclusive of public patients treated by private facilities under contract to WA Health. This service includes services provided to patients in outpatient clinics, community based clinics or in the home, procedures, medical consultation, allied health or treatment provided by clinical nurse specialists. Public hospital non-admitted services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to non-admitted services. This service does not include any component of the mental health services reported under 'Mental health services'.

#### ***Mental health services***

The provision of inpatient services where an admitted patient occupies a bed in a designated mental health facility or a designated mental health unit in a hospital setting; and the provision of non-admitted services inclusive of community and ambulatory specialised mental health programs such as prevention and promotion, community support services, community treatment services and community bed based services. This service includes the provision of state-wide mental health services such as the provision of assessment, treatment, management, care or rehabilitation of persons experiencing alcohol or other drug use problems or co-occurring health issues. Mental health services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to mental health or alcohol and drug services. This service includes public patients treated in private facilities under contract to WA Health.

#### ***Aged and continuing care services***

The provision of aged and continuing care services. Aged and continuing care services include programs that assess the care needs of older people, provide functional interim care or support for older, frail, aged and younger people with disabilities to continue living independently in the community and maintain independence.

#### ***Public and community health services***

The provision of healthcare services and programs delivered to increase optimal health and wellbeing, encourage healthy lifestyles, reduce the onset of disease and disability, reduce the risk of long-term illness as well as detect, protect and monitor the incidence of disease in the population. Public and community health services include public health programs, Aboriginal health programs, disaster management, environmental health, the provision of grants to non-government organisations for public and community health purposes, emergency road and air ambulance services and services to assist rural based patients travel to receive care.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

2.2 Schedule of income and expenses by service

	Public hospital admitted	Public hospital emergency	Public hospital non- admitted	Mental health	Aged and continuing care	Public and community health	Total
	2022 \$000	2022 \$000	2022 \$000	2022 \$000	2022 \$000	2022 \$000	2022 \$000
Cost of services							
Expenses							
Employee benefits expense	589,173	115,402	118,703	152,929	8,594	42,727	1,027,528
Contracts for services	188,648	62,164	28,328	34,746	466	26,860	341,212
Patient support costs	168,819	22,652	37,537	10,738	2,020	17,250	259,016
Fees for visiting medical practitioners	23,497	955	1,408	111	-	-	25,971
Finance costs	6	1	2	28	5	10	52
Depreciation and amortisation expense	27,299	5,170	5,482	5,520	369	631	44,471
Repairs, maintenance and consumable equipment	22,194	2,850	4,470	3,898	201	2,832	36,445
Other supplies and services	3,047	1,418	1,591	2,343	23	2,050	10,472
Cost of sales	-	-	2,432	1,064	-	-	3,496
Other expenses	69,405	11,793	12,716	6,318	564	16,100	116,896
Total cost of services	1,092,088	222,405	212,669	217,695	12,242	108,460	1,865,559
Income							
Patient charges	37,860	1,976	5,017	1,090	-	-	45,943
Other fees for services	-	-	-	321	-	169	490
Commonwealth grants and contributions	-	240	-	-	-	-	240
Other grants and contributions	126	21	22	2	-	916	1,087
Donation income	31	5	8	7	-	47	98
Sale of goods	-	-	2,366	1,036	-	-	3,402
Other income and recoveries	25,446	672	13,478	355	11	6,720	46,682
Total income other than income from State Government	63,463	2,914	20,891	2,811	11	7,852	97,942
Net cost of services	1,028,625	219,491	191,778	214,884	12,231	100,608	1,767,617
Income from State Government							
Department of Health - Service Agreement:							
- State component	579,658	126,541	110,167	5,548	6,893	51,751	880,558
- Commonwealth component	348,751	74,418	65,021	-	4,147	34,112	526,449
Mental Health Commission - Service Agreement	-	-	-	210,998	-	-	210,998
Income from other state government agencies	40,130	1,762	1,539	-	470	732	44,633
Resources received	54,991	9,085	9,400	1,729	10	14,689	89,904
Total income from State Government	1,023,530	211,806	186,127	218,275	11,520	101,284	1,752,542
Surplus/(deficit) for the period	(5,095)	(7,685)	(5,651)	3,391	(711)	676	(15,075)

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

2.2 Schedule of income and expenses by service (continued)

	Public hospital admitted	Public hospital emergency	Public hospital non-admitted	Mental health	Aged and continuing care	Public and community health	Total
	2021 \$000	2021 \$000	2021 \$000	2021 \$000	2021 \$000	2021 \$000	2021 \$000
Cost of services							
Expenses							
Employee benefits expense	547,226	105,057	110,318	141,863	8,177	30,101	942,742
Fees for visiting medical practitioners	23,000	1,019	4,738	122	-	-	28,879
Contracts for services	199,432	70,223	26,040	32,174	596	29	328,494
Patient support costs	159,169	21,332	35,243	10,387	2,140	12,541	240,812
Finance costs	9	2	3	36	6	2	58
Depreciation and amortisation expense	26,800	4,855	5,364	5,564	360	502	43,445
Repairs, maintenance and consumable equipment	18,552	1,852	4,090	3,238	167	762	28,661
Other supplies and services	3,404	1,257	1,555	1,799	64	310	8,389
Cost of sales	-	-	2,329	1,019	-	-	3,348
Other expenses	63,886	9,574	12,169	5,771	593	7,224	99,217
<b>Total cost of services</b>	<b>1,041,478</b>	<b>215,171</b>	<b>201,849</b>	<b>201,973</b>	<b>12,103</b>	<b>51,471</b>	<b>1,724,045</b>
Income							
Patient charges	36,439	1,915	4,742	1,037	-	-	44,133
Other fees for services	39	6	9	508	-	201	763
Commonwealth grants and contributions	-	476	-	-	-	-	476
Other grants and contributions	230	-	34	10	-	1,209	1,483
Donation income	85	15	20	21	-	125	266
Sale of goods	-	-	2,210	967	-	-	3,177
Other income and recoveries	25,207	704	12,487	637	3,560	4,071	46,666
<b>Total income other than income from State Government</b>	<b>62,000</b>	<b>3,116</b>	<b>19,502</b>	<b>3,180</b>	<b>3,560</b>	<b>5,606</b>	<b>96,964</b>
<b>Net cost of services</b>	<b>979,478</b>	<b>212,055</b>	<b>182,347</b>	<b>198,793</b>	<b>8,543</b>	<b>45,865</b>	<b>1,627,081</b>
Income from State Government							
Department of Health - Service Agreement:							
- State component	562,829	121,851	104,783	5,599	4,909	26,355	826,326
- Commonwealth component	334,234	72,360	62,225	-	2,915	15,651	487,385
Mental Health Commission - Service Agreement	-	-	-	193,229	-	-	193,229
Income from other state government agencies	31,380	6,483	6,082	-	365	1,551	45,861
Resources received	47,156	8,558	8,882	1,562	9	3,856	70,023
<b>Total income from State Government</b>	<b>975,599</b>	<b>209,252</b>	<b>181,972</b>	<b>200,390</b>	<b>8,198</b>	<b>47,413</b>	<b>1,622,824</b>
<b>Surplus/(deficit) for the period</b>	<b>(3,879)</b>	<b>(2,803)</b>	<b>(375)</b>	<b>1,597</b>	<b>(345)</b>	<b>1,548</b>	<b>(4,257)</b>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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		2022	2021
		\$000	\$000
Note	3	Use of our funding	

Expenses incurred in the delivery of services

This section provides additional information about how the Health Service's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Health Service in achieving its objectives and the relevant notes are:

	Note
Employee benefits expense	3.1.1
Employee benefits provisions	3.1.2
Contracts for services	3.2
Patient support costs	3.3
Fees for visiting medical practitioners	3.4
Repairs, maintenance and consumable equipment	3.5
Other supplies and services	3.6
Other expenses	3.7

**3.1.1 Employee benefits expense**

Employee benefits	937,490	863,408
Termination benefits	192	118
Superannuation - defined contribution plans (a)	89,817	79,179
Total employee benefits expense	<u>1,027,499</u>	<u>942,705</u>
Add: AASB 16 Non-monetary benefits (b)	29	37
Net employee benefits	<u>1,027,528</u>	<u>942,742</u>

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), the Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

(b) Non-monetary employee benefits that are predominantly relating to the provision of vehicle benefits recognised under AASB 16.

Employee benefits include salaries and wages, fringe benefits plus the fringe benefits tax component and leave entitlements including superannuation contribution components.

Workers' compensation insurance expense is excluded here but included in note 3.7 'Other expenses'.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Health Service is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

**2022**  
**\$000**

**2021**  
**\$000**

3.1.1 Employee benefits expense (continued)

Superannuation is the amount recognised in profit or loss of the statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, other GESB schemes or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole of government reporting. It is however a defined contribution plan for Health Service purposes because the concurrent contributions (defined contributions) made by the Health Service to the GESB extinguishes the Health Service's obligations to the related superannuation liability.

The Health Service does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Health Service to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

3.1.2 Employee benefits provisions

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, time off in lieu and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Current		
Annual leave (a)	108,706	99,314
Time off in lieu leave (a)	30,449	27,255
Long service leave (b)	73,086	69,531
Deferred salary scheme (c)	619	604
	<u>212,860</u>	<u>196,704</u>
Non-current		
Long service leave (b)	<u>46,073</u>	<u>46,296</u>
Total employee benefits provisions	<u>258,933</u>	<u>243,000</u>

(a) Annual leave and time off in lieu leave liabilities are classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
3.1.2 Employee benefits provisions (continued)		

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	79,725	75,409
More than 12 months after the end of the reporting period	59,430	51,160
	139,155	126,569

Annual leave and time off in lieu leave are not expected to be settled wholly within 12 months after the end of the reporting period and therefore considered to be 'other long-term employee benefits'. The leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(b) Long service leave liabilities are classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Health Service has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	27,609	17,863
More than 12 months after the end of the reporting period	91,550	97,964
	119,159	115,827

The provision for long service leave is calculated at present value as the Health Service does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields on national government bonds at the end of the reporting period with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Under the advice of Government Sector Labour Relations (GSLR), casual employees of the Health Service are entitled to long service leave even if the applicable awards provide casual loading in lieu of long service leave. The provision for casual employees who are currently employed by the Health Service has been included in the long service leave balance: \$9.07 million. The amount of obligation for the casual employees who are no longer employed by the Health Service has been included in the Payables (note 6.5): \$1.09 million.

(c) The deferred salary scheme liabilities relate to Health Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. The liability is measured on the same basis as annual leave. It is classified as a current provision as employees can leave the scheme at their discretion at any time.



**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>3.1.2 Employee benefits provisions (continued)</b>		
Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	408	300
More than 12 months after the end of the reporting period	211	304
	619	604

*Key sources of estimation uncertainty - long service leave*

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Several estimates and assumptions are used in calculating the Health Service's long service leave provision. These include expected future salary rates, discount rates, employee turnover rates and usage rates of leave in service or at termination. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

**Sick Leave**

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future. Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the statement of comprehensive income for this leave as it is taken.

<b>3.2 Contracts for services</b>		
Public patient services (a)	307,321	294,726
Mental health services (a)	31,747	31,934
Home and community care (a)	468	646
Other contracts	1,676	1,188
Total contracts for services	341,212	328,494

(a) Private hospitals and non-government organisations are contracted to provide various services to public patients and the community.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>3.3 Patient support costs</b>		
Drug supplies	61,318	58,176
Pathology	52,191	45,067
Prosthesis	26,168	25,731
Other medical supplies and services	77,922	72,346
Domestic charges	21,917	20,223
Fuel, light and power	7,735	7,914
Food supplies	7,553	7,095
Patient transport costs	3,512	3,662
Research, development and other grants	700	598
Total patient support costs	<u>259,016</u>	<u>240,812</u>
<b>3.4 Fees for visiting medical practitioners</b>		
<b>Fees for visiting medical practitioners (VMPs)</b>		
Clinical	19,251	21,816
Radiology	6,720	7,063
Total fees for visiting medical practitioners	<u>25,971</u>	<u>28,879</u>
VMPs, both general practitioners and specialists, are contracted to provide medical services to a hospital via a Medical Services Agreement. VMPs are independent contractors operating medical businesses and are not Health Service employees.		
<b>3.5 Repairs, maintenance and consumable equipment</b>		
<b>Repairs, maintenance and consumable equipment</b>		
Repairs and maintenance	23,461	21,469
Consumable equipment	12,984	7,192
Total repairs, maintenance and consumable equipment	<u>36,445</u>	<u>28,661</u>
Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case the costs are capitalised and depreciated. Consumable equipment costing less than \$5,000 is recognised as an expense (see note 5.1 'Property, plant and equipment').		
<b>3.6 Other supplies and services</b>		
<b>Other supplies and services (recognised as an expense as incurred)</b>		
Sanitisation and waste removal services	1,796	1,660
Administration and management services	3,058	2,466
Interpreter services	1,509	1,525
Security services	3,433	1,683
Contract management	147	133
Outsourced health promotion	140	98
Outsourced engineering	130	106
Employee assistance	86	100
Other	173	618
Total other supplies and services	<u>10,472</u>	<u>8,389</u>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
3.7 Other expenses		
<b>Other expenses</b>		
Services provided by Health Support Services: (a)		
ICT services	41,925	39,681
Supply chain services	11,495	5,302
Financial services	2,016	2,048
Human resources services	8,069	6,831
Workers compensation insurance	20,373	17,929
Lease expenses (b)	128	45
Other insurances	8,311	6,547
Legal services (c)	1,259	87
Audit fees (c)	959	711
Consultancy fees	3,438	4,446
Printing and stationery	3,139	2,841
Library subscription	1,495	1,464
Expected credit losses expense (d)	514	342
Communications	2,412	2,174
Freight, cartage and manual handling fees (c)	593	472
Other employee related expenses	2,292	1,452
Write-down of assets (e)	-	469
Loss on disposal of non-current assets (f)	26	67
Asset revaluation decrement (c)	1,764	-
Motor vehicle expenses	507	494
Computer services	2,694	4,242
Accommodation (c)	438	497
Other	3,049	1,076
Total other expenses	116,896	99,217

(a) Services received free of charge. (See note 4.1 'Income from State Government').

(b) See note 5.3 'Right-of-use assets' and 7.1 'Lease liabilities'. Included within lease expenses are short-term leases with lease terms of up to 12 months and low-value leases with identified assets of up to \$5,000 both of these exclude leases with another wholly-owned public sector lessor agency. The lease expenses also include variable lease payments and maintenance expenses related to the leased assets.

(c) These expenses have been reclassified for comparative purposes

(d) Expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Health Service has established a provision matrix that is based on its historical credit loss experience. (See note 6.1.1 'Movement of the allowance for impairment of receivables').

(e) See note 5.1 'Property, plant and equipment'.

(f) Loss on disposal of non-current assets is now included as part of other expenses.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note		2022 \$000	2021 \$000
4	Our funding sources		

**How we obtain our funding**

This section provides additional information about how the Health Service obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Health Service and the relevant notes are:

	Note
Income from State Government	4.1
Commonwealth grants and contributions	4.2
Other grants and contributions	4.3
Patient charges	4.4
Other fees for services	4.5
Donation income	4.6
Commercial activities	4.7
Other income and recoveries	4.8

**4.1 Income from State Government**

Service Agreement received (a):		
Department of Health - Service Agreement - State component (b)	880,558	826,326
Department of Health - Service Agreement - Commonwealth component	526,449	487,385
Total service agreement received from Department of Health	1,407,007	1,313,711
Mental Health Commission - Service Agreement	210,998	193,229
Income from other state government agencies (c):		
Disability Services Commission - community aids and equipment program	339	536
Insurance Commission of Western Australia - patient fees MVIT (motor injuries)	33,205	34,384
Insurance Commission of Western Australia - RiskCover insurance rebate	14	84
Road Trauma Program - Injury Prevention	605	621
Health Technology Management Services	5,645	5,478
Business Intelligence Services	4,284	4,251
Other Health Service Providers	541	507
Total income from other state government agencies	44,633	45,861

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
4.1 Income from State Government (continued)		
Resources received from other state government agencies during the year (e):		
Services received free of charge:		
Health Support Services - shared services		
ICT services	41,925	39,682
Supply chain services	11,495	5,302
Financial services	2,016	2,048
Human resources services	8,069	6,831
Rapid Antigen Test Kits	3,299	-
PathWest - indirect costs	17,917	15,629
Department of Justice - legal services	388	-
Department of Finance - rental lease management	12	12
Assets transferred in (out):	4,783	519
Total resources received	89,904	70,023
Total income from State Government	1,752,542	1,622,824

(a) Service agreement income is recognised at fair value in the period in which the Health Service gains control of the funds. The Health Service gains control of the funds at the time those funds are deposited in the bank account. If the service agreement specifies specific performance obligation(s), the income is recognised when the Health Service has satisfied its performance obligation(s).

(b) Service agreement from Department of Health comprises a cash component and a receivable (asset) component. The receivable which is the Holding Account (see note 6.2 'Amounts receivable for services (Holding Account)') comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities.

(c) Income from other state government agencies include amounts paid by other government agencies on a charge out basis (fee for service model).

(d) Resources received from other state government agencies are recognised as income (and assets or expenses) equivalent to the fair value of the assets, or the fair value of those services that can be reliably determined and which would have been purchased if not donated.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>4.2 Commonwealth grants and contributions</b>		
Recurrent grants	240	476
Total Commonwealth grants and contributions	<u>240</u>	<u>476</u>
<p>Following update in the Treasury Instruction 1102, income is recognised based on the immediate funding source. Where the Commonwealth funding is received via a Service Agreement with Department of Health who has control of the funding, this is recognised as Income from State Government. Refer to Note 4.1 Income from State Government.</p>		
<b>4.3 Other grants and contributions</b>		
Research and other grants	1,087	1,483
Total other grants and contributions	<u>1,087</u>	<u>1,483</u>
<b>4.4 Patient charges</b>		
Inpatient bed charges	34,453	33,008
Inpatient other charges	4,497	4,469
Outpatient charges	6,993	6,656
Total patient charges	<u>45,943</u>	<u>44,133</u>
<b>4.5 Other fees for services</b>		
Non-clinical services to other health organisations	490	763
Total other fees for services	<u>490</u>	<u>763</u>
<b>4.6 Donation income</b>		
General public donations	98	266
Total donations	<u>98</u>	<u>266</u>
<b>4.7 Commercial Activities - Sale of Goods</b>		
Sales:		
Cafeteria sales income	3,402	3,177
Cost of sales	<u>(3,496)</u>	<u>(3,348)</u>
Gross loss	<u>(94)</u>	<u>(171)</u>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
4.8 Other income and recoveries		
Abatements	391	322
Royalty income	1,277	1,014
Rent from commercial properties	888	809
Parking	568	741
Commissions	168	123
Sponsorship	494	501
Training and education	32	59
Clinical trial income	2,675	2,509
Medical reports and certificates	109	104
Use of hospital facilities	-	10
Pharmaceutical Benefits Scheme (PBS)	39,500	39,168
Reversal asset revaluation decrement	-	980
Other	580	326
Total other income and recoveries	46,682	46,666

**Income recognition**

Until 30 June 2019, income was recognised and measured at the fair value of consideration received or receivable. From 1 July 2019, income is recognised at the transaction price when the Health Service transfers control of the services to customers.

Income is recognised for the major activities as follows:

***Sale of goods***

Income is recognised at the transaction price when the Health Service transfers control of the goods to customers.

***Provision of services***

Income is recognised on delivery of the service to the customer.

***Grants, donations, gifts and other non-reciprocal contributions***

Income is recognised at fair value when the Health Service obtains control over the assets comprising the contributions, usually when cash is received. Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

		2022 \$000	2021 \$000
Note	5	Key assets	

Assets the Health Service utilises for economic benefit or service potential.

This section includes information regarding the key assets the Health Service utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets.

	Note
Property, plant and equipment	5.1
Intangible assets	5.2
Right-of-use assets	5.3
Service concession assets (SCA)	5.4
Depreciation and amortisation expense	5.5

5.1 Property, plant and equipment

**Land**

Carrying amount	77,004	78,868
<u>Reconciliation:</u>		
Carrying amount at start of period	78,868	77,858
Transfers from/(to) other reporting entities	-	30
Revaluation increments/(decrements)	(1,864)	980
Carrying amount at end of period	77,004	78,868

**Buildings**

Carrying amount	445,864	399,875
<u>Reconciliation:</u>		
Carrying amount at start of period	399,875	404,756
Additions	30,623	8,805
Transfers from works in progress	7,975	2,314
Revaluation increments/(decrements)	30,287	6,746
Write-down of assets	-	(23)
Depreciation	(22,896)	(22,723)
Carrying amount at end of period	445,864	399,875



**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.1 Property, plant and equipment (continued)		
<b>Site infrastructure</b>		
Gross carrying amount	27,459	27,459
Accumulated depreciation	(9,217)	(7,680)
Carrying amount	18,242	19,779
<u>Reconciliation:</u>		
Gross carrying amount at start of period	27,459	28,956
Accumulated depreciation	(7,680)	(7,642)
Carrying amount at start of period	19,779	21,314
Depreciation	(1,537)	(1,535)
Carrying amount at end of period	18,242	19,779
<b>Leasehold improvements</b>		
Gross carrying amount	3,227	3,221
Accumulated depreciation	(1,854)	(1,512)
Carrying amount	1,373	1,709
<u>Reconciliation:</u>		
Gross carrying amount at start of period	3,221	2,993
Accumulated depreciation	(1,512)	(1,162)
Carrying amount at start of period	1,709	1,831
Additions	6	228
Depreciation	(342)	(350)
Carrying amount at end of period	1,373	1,709
<b>Computer equipment</b>		
Gross carrying amount	6,464	5,087
Accumulated depreciation	(1,541)	(550)
Carrying amount	4,923	4,537
<u>Reconciliation:</u>		
Gross carrying amount at start of period	5,087	2,126
Accumulated depreciation	(550)	(2,124)
Carrying amount at start of period	4,537	2
Additions	1,500	4,589
Transfers from works in progress	5	351
Transfers between asset classes	(11)	-
Depreciation	(1,108)	(405)
Carrying amount at end of period	4,923	4,537

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.1 Property, plant and equipment (continued)		
<b>Furniture and fittings</b>		
Gross carrying amount	2,404	2,325
Accumulated depreciation	(1,522)	(1,375)
Carrying amount	882	950
<u>Reconciliation:</u>		
Gross carrying amount at start of period	2,325	2,905
Accumulated depreciation	(1,375)	(1,686)
Carrying amount at start of period	950	1,219
Additions	113	3
Transfers from works in progress	-	(39)
Disposals	(5)	-
Transfers between asset classes	(6)	-
Depreciation	(170)	(233)
Carrying amount at end of period	882	950
<b>Motor vehicles</b>		
Gross carrying amount	75	75
Accumulated depreciation	(38)	(32)
Carrying amount	37	43
<u>Reconciliation:</u>		
Gross carrying amount at start of period	75	75
Accumulated depreciation	(32)	(25)
Carrying amount at start of period	43	50
Depreciation	(6)	(7)
Carrying amount at end of period	37	43

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.1 Property, plant and equipment (continued)		
<b>Medical equipment</b>		
Gross carrying amount	77,228	65,107
Accumulated depreciation	(40,441)	(33,258)
Carrying amount	36,787	31,849
<u>Reconciliation:</u>		
Gross carrying amount at start of period	65,107	61,085
Accumulated depreciation	(33,258)	(31,552)
Carrying amount at start of period	31,849	29,533
Additions	8,616	8,978
Transfers from/(to) other reporting entities	4,040	496
Transfers from works in progress	43	14
Disposals	(39)	(77)
Transfers between asset classes	6	-
Write-down of assets (a)	-	(9)
Depreciation	(7,728)	(7,086)
Carrying amount at end of period	36,787	31,849
<b>Other plant and equipment</b>		
Gross carrying amount	14,465	13,062
Accumulated depreciation	(5,140)	(4,080)
Carrying amount	9,325	8,982
<u>Reconciliation:</u>		
Gross carrying amount at start of period	13,062	16,334
Accumulated depreciation	(4,080)	(7,229)
Carrying amount at start of period	8,982	9,105
Additions	1,303	937
Transfers from works in progress	559	-
Disposals	(232)	-
Transfers between asset classes	11	-
Depreciation	(1,298)	(1,060)
Carrying amount at end of period	9,325	8,982
<b>Artworks</b>		
Carrying amount	1,062	1,062
<u>Reconciliation:</u>		
Carrying amount at start of period	1,062	1,062
Additions	-	-
Carrying amount at end of period	1,062	1,062

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.1 Property, plant and equipment (continued)		
<b>Works in progress</b>		
Carrying amount	30,397	30,436
<u>Reconciliation:</u>		
Carrying amount at start of period	30,436	10,158
Additions	8,564	23,016
Capitalised to asset classes	(8,582)	(2,640)
Transfers between asset classes	-	339
Write-down of assets (a)	(21)	(437)
Carrying amount at end of period	30,397	30,436
<b>Total property, plant and equipment</b>		
Gross carrying amount	685,649	626,577
Accumulated depreciation	(59,753)	(48,487)
Carrying amount	625,896	578,090
<u>Reconciliation:</u>		
Gross carrying amount at start of period	626,575	608,309
Accumulated depreciation	(48,487)	(51,421)
Carrying amount at start of period	578,088	556,888
Additions	50,726	46,556
Transfers from/(to) other reporting entities	4,040	526
Disposals	(276)	(77)
Revaluation increments/(decrements)	28,423	7,726
Transfers between asset classes	0	339
Write-down of assets (a)	(21)	(469)
Depreciation	(35,085)	(33,399)
Carrying amount at end of period	625,896	578,090

(a) Expenses capitalised in the previous financial year, expensed in the current financial year. See note 3.7 'Other expenses'.

**Initial recognition**

Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.1 Property, plant and equipment (continued)		

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings) and accumulated impairment losses. All other items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings (non-clinical sites) is determined on the basis of current market values by reference to recent market transactions.

In the absence of market-based evidence, fair value of land and buildings (clinical sites) is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2021 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2022 and recognised at 30 June 2022. In undertaking the revaluation, fair value was determined by reference to market values for land: \$20.5 million (2021: \$19.1 million) and buildings: \$2.0 million (2021: \$1.7 million). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

**East Metropolitan Health Service**  
**Notes to the financial statements**  
**For the year ended 30 June 2022**

5.1 Property, plant and equipment (continued)

Revaluation model

Where market-based evidence is available, the fair value of land and buildings (non-clinical sites) is determined on the basis of current market values by reference to recent market transactions.

In the absence of market-based evidence, fair value of land and buildings (clinical sites) is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Significant assumptions and judgements

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets. In order to estimate fair value on the basis of existing use, the current replacement costs are determined on the assumption that the buildings will be used for the same functions in the future. A major change in utilisation of the buildings may result in material adjustment to the carrying amounts.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation reserve.

Impairment of assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Health Service is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>5.1 Property, plant and equipment (continued)</b>		
<p>The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.</p> <p>The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.</p> <p>As at 30 June 2022 there were no indications of impairment to property, plant and equipment and intangible assets.</p>		
<b>5.2 Intangible assets</b>		
<b>Computer software</b>		
Gross carrying amount	481	345
Accumulated amortisation	(342)	(310)
Carrying amount	139	35
<u>Reconciliation:</u>		
Gross carrying amount at start of the period	345	2,749
Accumulated amortisation	(310)	(2,663)
Carrying amount at start of the period	35	86
Additions	136	-
Amortisation	(32)	(51)
Carrying amount at end of the period	139	35
<b>Works in progress</b>		
Carrying amount	-	-
<u>Reconciliation:</u>		
Carrying amount at start of period	-	339
Additions	-	-
Transfers between asset classes	-	(339)
Carrying amount at end of period	-	-

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.2 Intangible assets (continued)		
<b>Total intangible assets</b>		
Gross carrying amount	481	345
Accumulated amortisation	(342)	(310)
Carrying amount	139	35
<u>Reconciliation:</u>		
Gross carrying amount at start of period	345	3,088
Accumulated amortisation	(310)	(2,663)
Carrying amount at start of period	35	425
Additions	136	-
Transfers between asset classes	-	(339)
Amortisation	(32)	(51)
Carrying amount at end of period	139	35

**Computer software**

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

**Initial recognition**

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised and measured at cost. Costs incurred below these thresholds are immediately expensed directly to the statement of comprehensive income.

Costs incurred in the research phase of a project are immediately expensed.

**Subsequent measurement**

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

See note 5.1 'Property, plant and equipment' for testing assets for impairment.



**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>5.3 Right-of-use assets</b>		
<b>Buildings</b>		
Gross carrying amount	994	527
Accumulated depreciation	(289)	(365)
Carrying amount	705	162
<u>Reconciliation:</u>		
Opening net carrying amount	162	48
Additions	769	297
Depreciation	(226)	(183)
Carrying amount at end of the period	705	162
<b>Vehicles</b>		
Gross carrying amount	2,293	2,402
Accumulated depreciation	(1,203)	(924)
Carrying amount	1,090	1,478
<u>Reconciliation:</u>		
Opening net carrying amount	1,478	1,941
Additions	69	88
Disposals (leases expired)	(1)	(16)
Depreciation	(456)	(535)
Carrying amount at end of the period	1,090	1,478
<b>Total Right-of-use assets</b>		
Gross carrying amount	3,287	2,929
Accumulated depreciation	(1,492)	(1,289)
Carrying amount	1,795	1,640
<u>Reconciliation:</u>		
Opening carrying amount	1,640	1,989
Additions	838	385
Disposals (leases expired)	(1)	(16)
Depreciation	(682)	(718)
Carrying amount at end of the period	1,795	1,640

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>5.3 Right-of-use assets (continued)</b>		
Initial Recognition		
Right-of-use assets are measured at cost which include the following:		
<ul style="list-style-type: none"> <li>• the net present value of the future minimum payments</li> <li>• any lease payments made at or before the commencement date less any lease incentives received</li> <li>• any initial direct costs, and</li> <li>• restoration costs, including dismantling and removing the underlying asset (make good provision)</li> </ul>		
The Health Service has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed as incurred.		
Subsequent Measurement		
The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.		
Depreciation and impairment of right-of-use assets		
Right-of-use assets are depreciated on a straight-line basis over the lease term as the Health Service generally expect to fully consume the useful life of the assets over the lease term. The lease term includes option to extend the lease if it is stated in the contract and the Health Service is reasonably certain to exercise the option.		
Right-of-use assets are tested for impairment when an indication of impairment is identified.		
The following amounts relating to leases have been recognised in the statement of comprehensive income.		
Depreciation expense of right-of-use assets		
Buildings	226	183
Vehicles	456	535
Total right-of-use asset depreciation	682	718
Lease interest expense (included in Finance cost)	10	2
Short-term leases (included in Other Expenses)	18	-
The statement of cash flows shows the following amounts relating to leases:		
Finance costs	52	58
Principal elements of lease payments	688	444
The Health Service has leases for vehicles and office accommodation (buildings).		
The Health Service has secured the right-of-use assets against the related lease liabilities for the vehicles. In the event of default, the rights to the leased motor vehicles will revert to the lessor.		

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.3 Right-of-use assets (continued)		

The Health Service has also entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

The Health Service recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed at note 7.1 Lease liabilities.

Key judgements have been made in determining whether there is reasonable certainty around exercising contract extension and termination options, identifying whether payments are variable or fixed in substance and determining the stand-alone selling prices for lease and non-lease components. In addition, uncertainty may arise from the estimation of the lease term, determination of the appropriate discount rate to discount the lease payments and assessing whether right-of-use assets may require impairment.

5.4 Service concession assets (SCA)		
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**Land SCA**

Carrying amount	11,100	11,000
<u>Reconciliation:</u>		
Carrying amount at start of period	11,000	11,000
Revaluation increments/(decrements)	100	-
Carrying amount at end of period	11,100	11,000

**Buildings SCA**

Carrying amount	269,192	251,286
<u>Reconciliation:</u>		
Carrying amount at start of period	251,286	256,870
Revaluation increments/(decrements)	23,617	124
Depreciation	(5,711)	(5,708)
Carrying amount at end of period	269,192	251,286

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.4 Service concession assets (SCA) (continued)		
<b>Site infrastructure SCA</b>		
Gross carrying amount	16,831	16,831
Accumulated depreciation	(1,098)	(732)
Carrying amount	15,733	16,099
<u>Reconciliation:</u>		
Gross carrying amount at start of period	16,831	16,831
Accumulated depreciation	(732)	(366)
Carrying amount at start of period	16,099	16,465
Depreciation	(366)	(366)
Carrying amount at end of period	15,733	16,099
<b>Computer equipment SCA</b>		
Gross carrying amount	215	215
Accumulated depreciation	(215)	(215)
Carrying amount	-	-
<u>Reconciliation:</u>		
Gross carrying amount at start of period	215	215
Accumulated depreciation	(215)	(215)
Carrying amount at end of period	-	-
<b>Furniture and fittings SCA</b>		
Gross carrying amount	776	776
Accumulated depreciation	(534)	(356)
Carrying amount	242	420
<u>Reconciliation:</u>		
Gross carrying amount at start of period	776	776
Accumulated depreciation	(356)	(178)
Carrying amount at start of period	420	598
Depreciation	(178)	(178)
Carrying amount at end of period	242	420
<b>Medical equipment SCA</b>		
Gross carrying amount	7,443	7,443
Accumulated depreciation	(4,203)	(2,856)
Carrying amount	3,240	4,587
<u>Reconciliation:</u>		
Gross carrying amount at start of period	7,443	7,443
Accumulated depreciation	(2,856)	(1,439)
Carrying amount at start of period	4,587	6,004
Depreciation	(1,347)	(1,417)
Carrying amount at end of period	3,240	4,587

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
5.4 Service concession assets (SCA) (continued)		
<b>Other plant and equipment SCA</b>		
Gross carrying amount	12,909	12,909
Accumulated depreciation	(3,854)	(2,755)
Carrying amount	9,055	10,154
<u>Reconciliation:</u>		
Gross carrying amount at start of period	12,909	12,909
Accumulated depreciation	(2,755)	(1,377)
Carrying amount at start of period	10,154	11,532
Depreciation	(1,099)	(1,377)
Carrying amount at end of period	9,055	10,154
<b>Artworks SCA</b>		
Carrying amount	1,000	1,000
<u>Reconciliation:</u>		
Carrying amount at start of period	1,000	1,000
Carrying amount at end of period	1,000	1,000
<b>Computer software SCA</b>		
Gross carrying amount	1,068	1,068
Accumulated amortisation	(1,068)	(1,068)
Carrying amount	-	-
<u>Reconciliation:</u>		
Gross carrying amount at start of the period	1,068	1,068
Accumulated amortisation	(1,068)	(801)
Carrying amount at start of the period	-	267
Amortisation	-	(267)
Carrying amount at end of the period	-	-
<b>Total service concession assets</b>		
Gross carrying amount	320,534	302,528
Accumulated depreciation	(10,972)	(7,982)
Carrying amount	309,562	294,546
<u>Reconciliation:</u>		
Gross carrying amount at start of period	302,528	308,112
Accumulated depreciation	(7,982)	(4,376)
Carrying amount at start of period	294,546	303,736
Revaluation increments/(decrements)	23,717	124
Depreciation	(8,701)	(9,312)
Carrying amount at end of period	309,562	294,546

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
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5.4 Service concession assets (SCA) (continued)

AASB 1059 'Service Concession Arrangements: Grantor' defines a service concession arrangement as an arrangement which involves an operator:

- that is contractually obliged to provide public services related to a service concession asset on behalf of the grantor and
- managing at least some of those services at its own discretion rather than at the direction of the grantor.

The Health Service manages a contract in relation to a 20-year public-private partnership agreement between St John of God Health Care and the State of Western Australia that was signed in 2012, to operate a hospital for public patients in Midland - St John of God Midland Public Hospital (SJOGMPH).

Where the Health Service identified existing assets which meet the conditions as set under AASB 1059, these assets have been reclassified as service concession assets and measured initially at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement.

Subsequent to initial recognition or reclassification, a service concession asset is depreciated or amortised in accordance with AASB 116 Property, Plant and Equipment with any impairment recognised in accordance with AASB 136.

5.5 Depreciation and amortisation expense

Depreciation and amortisation charge for the period:

Buildings	22,896	22,723
Medical equipment	7,728	7,086
Site infrastructure	1,537	1,536
Leasehold improvements	342	350
Computer equipment	1,108	405
Furniture and fittings	170	233
Motor vehicles	6	6
Other plant and equipment	1,298	1,060
Right-of-use asset	653	683
Service concession asset	8,701	9,312
Total depreciation for the period	44,439	43,394
Total amortisation for the period - Computer software	32	51
Total depreciation and amortisation for the period	44,471	43,445

**East Metropolitan Health Service**  
**Notes to the financial statements**  
**For the year ended 30 June 2022**

5.5 Depreciation and amortisation expense (continued)

Useful lives

All property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and works of art. Amortisation of finite life intangible assets is calculated on a straight-line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Health Service have a finite useful life and zero residual value.

Estimated useful lives for each class of depreciable asset (including intangibles) are:

Buildings	50 years
Site infrastructure	50 years
Leasehold improvements	Term of the lease
Computer equipment	3 to 10 years
Furniture and fittings	2 to 20 years
Motor vehicles	3 to 10 years
Medical equipment	2 to 25 years
Other plant and equipment	3 to 50 years
Computer software	5 to 15 years

The estimated useful lives, residual values and depreciation or amortisation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

The Health Service's policy is to depreciate all items of property, plant and equipment on a straight-line basis. The exception to this are land and works of art, which are considered to have an indefinite life. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

The Health Service held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022	2021
	\$000	\$000
Note	6	Other assets and liabilities
This section sets out the Health Service's other assets utilised for economic benefits and liabilities incurred during normal operations.		
Assets	Note	
Receivables	6.1	
Amounts receivable for services (Holding Account)	6.2	
Inventories	6.3	
Other current assets	6.4	
Liabilities		
Payables	6.5	
Grant liabilities	6.6	
Other current liabilities	6.7	

6.1 Receivables		
Current		
Patient fee debtors (a)	25,316	24,821
Other receivables	2,597	2,755
Less: Allowance for impairment of receivables	(14,506)	(15,164)
Accrued income	9,228	10,948
GST receivable	4,184	4,249
Total current	<u>26,819</u>	<u>27,609</u>

The Health Service does not hold any collateral or other credit enhancements as security for receivables.

(a) Under the Private Patient Scheme approved by the State Government, the Department of Health provides ex-gratia payments towards private patient fees not paid in full by health insurance funds. The Health Service has received \$0.8 million in ex-gratia payments for the 2021-22 period (2020-21: \$1.4 million). Receipt of ex-gratia payments from the Department have been applied by the Health Service against the patient fee invoices reducing the debtors balance.

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.



**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
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6.1 Receivables (continued)

Accounting procedure for Goods and Services Tax

Rights to collect amounts receivable from the Australian Taxation Office (ATO) and responsibilities to make payments for Goods and Services Tax (GST) have been assigned to the Department of Health. This accounting procedure was a result of application of the grouping provisions of *A New Tax System (Goods and Services Tax) Act 1999* whereby the Department of Health became the Nominated Group Representative (NGR) for the GST Group as from 1 July 2012. The entities in the GST group include the Department of Health, Mental Health Commission, South Metropolitan Health Service, North Metropolitan Health Service, East Metropolitan Health Service, Child and Adolescent Health Service, Health Support Services, WA Country Health Service, PathWest Laboratory Medicine WA, QE II Medical Centre Trust, and Health and Disability Services Complaints Office.

GST receivables on accrued expenses are recognised by the Health Service. Upon the receipt of tax invoices, GST receivables for the GST group are recorded in the accounts of the Department of Health.

6.1.1 Movement of the allowance for impairment of receivables

Balance at start of period	15,164	18,778
Expected credit losses (note 3.7 'Other expenses')	514	342
Amounts written off during the period	(728)	(2,591)
Amount recovered during the period	27	-
Debt waivers during the period (a)	(471)	(1,365)
Balance at end of period	<u>14,506</u>	<u>15,164</u>

(a) Debt waivers are discretionary in nature and under justifiable and reasonable circumstances, can be used by the Accountable Authority to permanently forgive a debt.

The maximum exposure to credit risk at the end of the reporting period for receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at note 8.1 c) Credit risk exposure.

*Key sources of estimation uncertainty - Provision for doubtful debt*

Historical debt collection trends are used to estimate impairment of receivables. Changes in the economic, political and legislative environment can affect debt collection rates. These changes may impact the carrying amount of receivables.

6.2 Amounts receivable for services (Holding Account)

Non-current	613,846	570,045
Total amounts receivable for services	<u>613,846</u>	<u>570,045</u>

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the holding accounts).

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>6.3 Inventories</b>		
Current		
Pharmaceutical stores - at cost	4,615	4,066
Engineering stores - at cost	759	606
Total inventories	<u>5,374</u>	<u>4,672</u>

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average cost basis. Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

<b>6.4 Other current assets</b>		
Current		
Prepayments	29,784	26,616
Total other assets	<u>29,784</u>	<u>26,616</u>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

<b>6.5 Payables</b>		
Current		
Accrued expenses	61,796	60,986
Trade creditors	5,428	12,398
Accrued salaries	30,105	27,916
Other creditors	22	22
Total current	<u>97,351</u>	<u>101,322</u>

Payables are recognised at the amounts payable when the Health Service becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 7-30 days.

TI 323 Timely Payment of Accounts require payments for goods, services and constructions of less than \$1 million and not subject to an exemption, to be paid within 20 calendar days. Payments over \$1 million are required to be settled within 30 calendar days of the sooner of the receipt of a correctly rendered invoice, or, provision of goods or services.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Health Service considers the carrying amount of accrued salaries to be equivalent to its fair value.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>6.6 Grant liabilities</b>		
Current	955	1,255
Non-current	-	-
	955	1,255
Reconciliation of changes in grant liabilities		
Balance at start of period	1,255	-
Additions	-	1,731
Income recognised in the reporting period	(300)	(476)
Balance at end of period	955	1,255
Expected satisfaction of grant liabilities		
Within 1 year	500	1,255
Later than 1 year, and not later than 5 years	455	-
Later than 5 years	-	-
Balance at end of period	955	1,255

The Health Service received funding from the Community Health and Hospital Program for the construction of Mental Health Emergency Centre at the St John of God Midland Public Hospital. The grant liabilities represent the amount unspent at the reporting date.

<b>6.7 Other current liabilities</b>		
Current		
Refundable deposits	225	209
Paid parental leave scheme	94	99
Unearned income	635	321
Other	136	115
Total current	1,090	744

**Note 7 Financing**

This section sets out the material balances and disclosures associated with the financing and cashflows of the Health Service.

	Note
Lease liabilities	7.1
Finance costs	7.2
Cash and cash equivalents	7.3
Reconciliation of cash	7.3.1
Reconciliation of net cost of services to net cash flows used in operating activities	7.3.2
Commitments	7.4

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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	2022 \$000	2021 \$000
7.1 Lease liabilities		
Current	609	552
Non-current	1,229	1,112
	1,838	1,664

**Initial measurement**

At the commencement date of the lease, the Health Service recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Health Service uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the Health Service as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options (where these are reasonably certain to be exercised);
- payments for penalties for terminating a lease, where the lease term reflects the Health Service exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the Health Service if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments, not included in the measurement of lease liability, that are dependant on sales are recognised by the Health Service in profit or loss in the period in which the condition that triggers those payment occurs.

This section should be read in conjunction with note 5.3.

**Subsequent measurement**

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>7.2 Finance costs</b>		
<b>Finance costs</b>		
Finance lease charges	52	58
Total finance costs	<u>52</u>	<u>58</u>

Finance costs include the interest component of lease liability repayments.

**7.3 Cash and cash equivalents**

**7.3.1 Reconciliation of cash**

Current		
Cash and cash equivalents	112,886	128,130
Restricted cash and cash equivalents (a)	<u>41,892</u>	<u>37,057</u>
	<u>154,778</u>	<u>165,187</u>
Non-current		
Accrued salaries suspense account (b)	20,889	16,679
Total cash and cash equivalents at end of period	<u>175,667</u>	<u>181,866</u>

(a) Restricted cash and cash equivalents are assets, the uses of which are restricted by specific legal or other externally imposed requirements. These include medical research grants, donations for the benefits of patients, medical education, scholarships, capital projects, employee contributions and staff benevolent funds.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of the 11 years.

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise of cash on hand and cash at bank.

The accrued salaries suspense account (see note 7.3.1 'Reconciliation of cash') consists of amounts paid, from Health Service appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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		2022 \$000	2021 \$000
7.3.2 Reconciliation of net cost of services to net cash flows used in operating activities			
Net cost of services (statement of comprehensive income)		(1,767,617)	(1,627,081)
Non-cash items	Note		
Depreciation and amortisation expense	5.5	44,471	43,445
Expected credit loss expense	3.7	514	342
Services received free of charge	4.1	85,120	69,508
Net (gain)/loss on disposal of non-current assets	3.7	26	67
Donation of non-current assets		(45)	(135)
Write down of property, plant and equipment	3.7	-	469
Asset revaluation decrement	3.7	1,764	-
Reversal asset revaluation decrement	4.8	-	(980)
Write-off of receivables	6.1.1	(1,199)	(3,956)
Adjustment for other non-cash items		(276)	785
(Increase)/decrease in assets			
GST receivable	6.1	65	(898)
Other current receivables	6.1	1,383	53
Inventories	6.3	(702)	(175)
Prepayments and other current assets	6.4	(3,168)	(25,540)
Increase/(decrease) in liabilities			
Current payables	6.5	(1,424)	5,874
Current employee benefits provisions	3.1.2	16,156	18,442
Other current liabilities	6.7	346	217
Non-current employee benefits provisions	3.1.2	(223)	4,527
Net cash used in operating activities (statement of cash flows)		<u>(1,624,809)</u>	<u>(1,515,036)</u>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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	2022	2021
	\$000	\$000

**7.4 Commitments**

**7.4.1 Capital commitments**

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	18,690	17,629
Balance at end of period	<u>18,690</u>	<u>17,629</u>

The totals presented for capital commitments are inclusive of GST.

**7.4.2 Private sector contracts for the provision of health services commitments**

Expenditure commitments in relation to private sector organisations contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	395,728	370,202
Later than 1 year, and not later than 5 years	1,916,197	1,499,315
Later than 5 years, and not later than 10 years	2,043,157	1,925,599
Later than 10 years	863,404	2,084,786
Balance at end of period	<u>5,218,486</u>	<u>5,879,902</u>

The totals presented for private sector contracts for the provision of health services commitments are inclusive of GST.

**7.4.3 Other commitments**

Other expenditure commitments contracted for at the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	93,316	41,691
Later than 1 year, and not later than 5 years	4,781	3,136
Balance at end of period	<u>98,097</u>	<u>44,827</u>

The totals presented for other commitments are inclusive of GST.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note 8 Risks and contingencies

This note sets out the key risk management policies and measurement techniques of the Health Service.

	Note
Financial risk management	8.1
Contingent assets and liabilities	8.2
Fair value measurements	8.3

8.1 Financial risk management

Financial instruments held by the Health Service are cash and cash equivalents, restricted cash and cash equivalents, borrowings, finance leases, receivables and payables. The Health Service has limited exposure to financial risks. The Health Service's overall risk management program focuses on managing the risks identified below.

All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Health Service's receivables defaulting on their contractual obligations resulting in financial loss to the Health Service.

Credit risk associated with the Health Service's financial assets is generally confined to patient fee debtors (see note 6.1 'Receivables'). The main receivable of the Health Service is the amounts receivable for services (holding account). For receivables other than government agencies and patient fee debtors, the Health Service trades only with recognised, creditworthy third parties. The Health Service has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Health Service's exposure to bad debts is minimal. Debt will be written off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period, there were no significant concentrations of credit risk.

In circumstances where a third party is responsible for payment, or there are legal considerations, payment of accounts can be delayed considerably. Unpaid debts are referred to an external debt collection service on a case by case basis, considering financial election and reasons for non-payment.

Liquidity risk

Liquidity risk arises when the Health Service is unable to meet its financial obligations as they fall due. The Health Service is exposed to liquidity risk through its normal course of operations.



**East Metropolitan Health Service**  
**Notes to the financial statements**  
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	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>

8.1 Financial risk management (continued)

The Health Service has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Health Service's income or the value of its holdings of financial instruments. The Health Service does not trade in foreign currency and is not materially exposed to other price risks. The Health Service's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations. The Health Service's borrowings are limited to the Department of Treasury loans. The interest rate risk for the loans is managed by the Department of Treasury through portfolio diversification and variation in maturity dates.

b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

Financial assets		
Cash and cash equivalents	112,886	128,130
Restricted cash and cash equivalents	62,781	53,736
Financial assets at amortised cost (1)	22,635	23,360
Amounts receivable for services	613,846	570,045
Total financial assets	812,148	775,271
Financial liabilities		
Financial liabilities measured at amortised cost	100,144	104,241
Total financial liabilities	100,144	104,241

(1) The amount of receivables and financial assets at amortised cost excludes GST recoverable from ATO (statutory receivable).

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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8.1 Financial risk management (continued)

c) Credit risk exposure

	Total \$000	Days past due				
		Current \$000	< 30 days \$000	31-60 days \$000	61-90 days \$000	>91 days* \$000
<b>30 June 2022</b>						
Expected credit loss rate		4%	9%	21%	29%	77%
Estimated total gross carrying amount at default	37,141	12,536	4,893	1,875	1,216	16,621
Expected credit losses	(14,506)	(558)	(425)	(392)	(354)	(12,777)
<b>30 June 2021</b>						
Expected credit loss rate		4%	14%	30%	35%	82%
Estimated total gross carrying amount at default	38,524	16,640	2,947	1,471	1,552	15,914
Expected credit losses	(15,164)	(724)	(423)	(446)	(539)	(13,032)

\*Includes receivables with maturity dates greater than 2 years.

d) Liquidity risk and interest rate exposure

The following table details the Health Service's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

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8.1 Financial risk management (continued)

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted average effective interest rate %	Interest rate exposure				Nominal amount \$000	Maturity dates			
		Carrying amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000		Up to 3 months \$000	3 months to 1 year \$000	1 - 5 years \$000	More than 5 years \$000
<b>2022</b>										
Financial Assets										
Cash and cash equivalents		112,886	-	-	112,886	112,886	112,886	-	-	-
Restricted cash and cash equivalents		62,781	-	-	62,781	62,781	62,781	-	-	-
Receivables - non-interest bearing (1)		22,635	-	-	22,635	22,635	22,635	-	-	-
Amounts receivable for services		613,846	-	-	613,846	-	-	-	-	613,846
		812,148	-	-	812,148	812,148	198,302	-	-	613,846
Financial Liabilities										
Payables	-	97,351	-	-	97,351	97,351	97,351	-	-	-
Lease liabilities	3.09%	1,838	1,838	-	-	1,838	-	609	1,224	5
		99,189	1,838	-	97,351	99,189	97,351	609	1,224	5
<b>2021</b>										
Financial Assets										
Cash and cash equivalents		128,130	-	-	128,130	128,130	128,130	-	-	-
Restricted cash and cash equivalents		53,736	-	-	53,736	53,736	53,736	-	-	-
Receivables - non-interest bearing (1)		23,360	-	-	23,360	23,360	23,360	-	-	-
Amounts receivable for services		570,045	-	-	570,045	570,045	-	-	-	570,045
		775,271	-	-	775,271	775,271	205,226	-	-	570,045
Financial Liabilities										
Payables	-	101,322	-	-	101,322	101,322	101,322	-	-	-
Department of Treasury Loans	3.16%	1,664	1,664	-	-	1,664	-	553	1,106	5
		102,986	1,664	-	101,322	102,986	101,322	553	1,106	5

(1) The amount of receivables excludes the GST recoverable from ATO (statutory receivable).

e) Interest rate sensitivity analysis

The Health Service does not have exposure on changes to the interest rate environment as it does not have financial instrument which depends on variable interest rates.

**East Metropolitan Health Service**  
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8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

8.2.1 Contingent assets

At the reporting date, the Health Service is not aware of any contingent assets.

8.2.2 Contingent liabilities

The Health Service has no contingent liabilities.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the Health Service is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required* or *possibly contaminated – investigation required*, the Health Service may have a liability in respect of investigation or remediation expenses.

At the reporting date, the Health Service does not have any suspected contaminated sites reported under the Act.

8.3 Fair value measurements

Assets measured at fair value 2022	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land (note 5.1 'Property, plant and equipment')				
Vacant land	-	890	-	890
Specialised land	-	19,650	67,564	87,214
Buildings (note 5.1 'Property, plant and equipment')				
Residential and commercial carpark	-	2,000	-	2,000
Specialised buildings	-	-	713,056	713,056
	-	22,540	780,620	803,160

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**Notes to the financial statements**  
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8.3 Fair value measurements (continued)

Assets measured at fair value 2021	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land (note 5.1 'Property, plant and equipment')				
Vacant land	-	810	-	810
Specialised land	-	18,300	70,758	89,058
Buildings (note 5.1 'Property, plant and equipment')				
Residential and commercial carpark	-	1,740	-	1,740
Specialised buildings	-	-	649,421	649,421
	-	20,850	720,179	741,029

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets.

Level 2 inputs - input other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs - input not based on observable market data.

There were no transfers between levels 1, 2 or 3 during the current and previous periods.

**Valuation techniques to derive level 2 and level 3 fair values**

The Health Service obtains independent valuations of land and buildings from the Western Australian Land Information Authority (Valuations and Property Analytics) annually. Two principal valuation techniques are applied to the measurement of fair values:

**Market approach (comparable sales)**

The Health Service's commercial car park and vacant land are valued under the market approach. This approach provides an indication of value by comparing the asset with identical or similar properties for which price information is available. Analysis of comparable sales information and market data provides the basis for fair value measurement.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, Western Australian Land Information Authority (Valuations and Property Analytics) considers current prices in an active market for properties of different nature or recent prices of similar properties in less active markets and adjusts the valuation for differences in property characteristics and market conditions.

For properties with buildings and other improvements, the land value is measured by comparison and analysis of open market transactions on the assumption that the land is in a vacant and marketable condition. The amount determined is deducted from the total property value and the residual amount represents the building value.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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8.3 Fair value measurements (continued)

Cost approach

Properties of a specialised nature that are rarely sold in an active market or are held to deliver public services are referred to as non-market or current use type assets. These properties do not normally have a feasible alternative use due to restrictions or limitations on their use and disposal. The existing use is their highest and best use.

For current use land assets, fair value is measured firstly by establishing the opportunity cost of public purpose land, which is termed the hypothetical alternate land use value. This approach assumes unencumbered land use based upon potential highest and best alternative use as represented by surrounding land uses and market analysis.

Fair value of the land is then determined on the assumption that the site is rehabilitated to a vacant marketable condition. This requires costs associated with rehabilitation to be deducted from the hypothetical alternate land use value of the land. Costs may include building demolition, clearing, planning approvals and time allowances associated with realising that potential.

In some instances the legal, physical, economic and socio-political restrictions on land results in a minimal or negative current use land value. In this situation the land value adopted is the higher of the calculated rehabilitation amount or the amount determined on the basis of comparison to market corroborated evidence of land with low level utility. Land of low-level utility is considered to be grazing land on the urban fringe of the metropolitan area with no economic farming potential or foreseeable development or redevelopment potential at the measurement date.

The Health Service's hospitals and community centres are specialised buildings and their fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. current replacement cost). Current replacement cost is generally determined by estimating the current cost of reproduction or replacement of the building, on its current site, adjusted for physical deterioration and all relevant forms of obsolescence and optimisation. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence. Current replacement cost is unlikely to be materially different from depreciated replacement cost as a measure of value in use of specialised assets that are rarely sold.

The techniques involved in the determination of the current replacement costs include:

- a) Review and updating of the 'as-constructed' drawing documentation.
- b) Categorisation of the drawings using the Building Utilisation Categories (BUC's) which designate the functional areas typically provided by the following types of clinical facilities. Each BUC has different cost rates which are calculated from the historical construction costs of similar clinical facilities and are adjusted for the year-to-year change in building costs using building cost index.
  - Nursing Posts and Medical Centres
  - Metropolitan Secondary, Specialist and General Hospitals
  - Tertiary Hospitals
- c) Measurement of the general floor areas.
- d) Application of the BUC cost rates per square metre of general floor areas.

**East Metropolitan Health Service**  
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8.3 Fair value measurements (continued)

The maximum effective age used in the valuation of specialised buildings is 50 years. The effective age of buildings is initially calculated from the commissioning date and is reviewed after the buildings have undergone substantial renewal, upgrade or expansion.

The straight-line method of depreciation is applied and assumes a uniform pattern of consumption over the initial 37.5 years of asset life (up to 75% of current replacement costs). All specialised buildings are assumed to have a residual value of 25% of their current replacement costs.

The valuations are prepared on a going concern basis until the year in which the current use is discontinued. Buildings with definite demolition plan are not subject to annual revaluation. The current replacement costs at the last valuation dates for these buildings are written down to the statement of comprehensive income as depreciation expenses over their remaining useful life.

Fair value measurements using significant unobservable inputs (Level 3)

	<b>Land \$000</b>	<b>Buildings \$000</b>
<b>2022</b>		
Fair value at beginning of period	70,758	649,422
Additions	-	38,599
Revaluation increments/(decrements) recognised in profit or loss	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	(3,194)	53,608
Depreciation	-	(28,573)
Fair value at end of period	<u>67,564</u>	<u>713,056</u>
<b>2021</b>		
Fair value at beginning of period	70,728	658,906
Additions	30	11,097
Revaluation increments/(decrements) recognised in profit or loss	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	-	7,796
Depreciation	-	(28,377)
Fair value at end of period	<u>70,758</u>	<u>649,422</u>

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8.3 Fair value measurements (continued)

Valuation processes

Western Australian Land Information Authority (Valuation and Property Analytics) determines the fair values of the Health Service's land and buildings. A quantity surveyor is engaged by the Health Service to provide an update of the current construction costs for specialised buildings. Western Australian Land Information Authority (Valuation and Property Analytics) may endorse the current construction costs calculated by the quantity surveyor for specialised buildings and calculates the current replacement costs.

Note 9 Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Note
Events occurring after the end of the reporting period	9.1
Changes in accounting policies	9.2
Future impact of Australian Accounting Standards not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Related bodies	9.6
Affiliated bodies	9.7
Special purpose accounts	9.8
Remuneration of auditors	9.9
Equity	9.10
Supplementary financial information	9.11
Administered trust accounts	9.12

9.1 Events occurring after the end of the reporting period

The Health Service is unaware of any event occurring after the reporting date that would materially affect the financial statements.



**East Metropolitan Health Service**  
**Notes to the financial statements**  
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9.2 Changes in accounting policies

After assessment of the new and amended standards that have been issued but not yet effective, the Health Service has determined that none of those standards has material impact on the financial statements.

9.3 Future impact of Australian Accounting Standards not yet operative

The Health Service cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Health Service plans to apply the following Australian Accounting Standards from their application date.

Title	Operative for reporting periods beginning on/after
<p><i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i></p> <p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.</p> <p>There is no financial impact.</p>	1 Jan 2023
<p><i>AASB 2020-3 - Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i></p> <p>This Standard amends: (a) AASB 1 to simplify the application of AASB 1; (b) AASB 3 to update a reference to the Conceptual Framework for Financial Reporting; (c) AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; (d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset; (e) AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and (f) AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value.</p> <p>There is no financial impact.</p>	1 Jan 2022

**East Metropolitan Health Service**  
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9.3 Future impact of Australian Accounting Standards not yet operative (continued)

Title	Operative for reporting periods beginning on/after
<p><i>AASB 2020-6 - Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i></p> <p>This Standard amends AASB 101 to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1.</p> <p>There is no financial impact.</p>	1 Jan 2022
<p><i>AASB 2021-2 - Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i></p> <p>This Standard amends: (a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; (b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; (d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p> <p>There is no financial impact.</p>	1 Jan 2023

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

9.4 Key management personnel

The Health Service has determined that key management personnel include cabinet ministers, board members and senior officers of the Health Service. However, the Health Service is not obligated to compensate ministers and therefore disclosures in relation to ministers' compensation may be found in the *Annual Report on State Finances*.

The Board of East Metropolitan Health Service is the Accountable Authority for the Health Service.

Total compensation (includes the superannuation expense incurred by the Health Service) for key management personnel, comprising members and senior officers of the Accountable Authority for the period are presented within the following bands:

	2022	2021
<b>Compensation of members of the Accountable Authority</b>		
Compensation band		
\$0 - \$10,000	-	1
\$ 20,001 - \$ 30,000	-	1
\$ 40,001 - \$ 50,000	9	8
\$ 80,001 - \$ 90,000	-	1
\$ 90,001 - \$ 100,000	1	-
Total:	10	11

**East Metropolitan Health Service**  
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	2022	2021
9.4 Key management personnel (continued)		
<b>Compensation of senior officers</b>		
Compensation band		
\$ 70,001 - \$ 80,000	1	-
\$140,001 - \$150,000	1	-
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	-	1
\$200,001 - \$210,000	-	1
\$210,001 - \$220,000	-	1
\$220,001 - \$230,000	-	2
\$230,001 - \$240,000	4	1
\$240,001 - \$250,000	2	1
\$250,001 - \$260,000	1	1
\$430,001 - \$440,000	1	-
\$440,001 - \$450,000	-	1
\$490,001 - \$500,000	-	1
\$510,001 - \$520,000	1	-
\$550,001 - \$560,000	1	1
Total:	13	12
Short-term employee benefits (a)	3,614	3,520
Post-employment benefits	387	352
Other long-term benefits	92	78
Total compensation of key management personnel	4,093	3,950

(a) The short-term employee benefits include salary, motor vehicle benefits, district and travel allowances incurred by the Health Service in respect of senior officers.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

9.5 Related party transactions

The Health Service is a wholly owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Health Service include:

- all senior officers and their close family members, and their controlled or jointly controlled entities
- all members of the Accountable Authority, and their close family members, and their controlled or jointly controlled entities
- all cabinet ministers and their close family members, and their controlled or jointly controlled entities
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities)
- the Government Employees Superannuation Board (GESB)

9.5 Related party transactions (continued)

Significant transactions with Government-related entities

In conducting its activities, the Health Service is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

	Note
Income from State Government	4.1
Capital appropriations administered by Department of Health	9.10
Superannuation payments to GESB	3.1.1
Remuneration for services provided by Office of the Auditor General	9.9
Lease payments to the Department of Finance (Government Office Accommodation and State Fleet motor vehicles)	3.7, 7.1

Material transactions with other related parties

Outside of normal citizen type transactions with the Health Service, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

9.6 Related bodies

A related body is a body that receives more than half of its funding and resources from an agency and is subject to operational control by that agency.

The Health Service had no related bodies during the reporting period.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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2022  
\$000

2021  
\$000

9.7 Affiliated bodies

An affiliated body is a body that receives more than half its funding and resources from an agency but is not subject to operational control by that agency.

The Health Service had no affiliated bodies during the reporting period.

9.8 Special purpose accounts

Mental Health Commission Fund (East Metropolitan Health Service) Account

The purpose of the account is to receive funds from the Mental Health Commission, to fund the provision of mental health services as jointly endorsed by the Department of Health and the Mental Health Commission, in the East Metropolitan Health Service, in accordance with the annual Service Agreement and subsequent agreements.

Balance at start of period	1,186	624
Receipts		
Commonwealth contributions (note 4.1)	79,014	65,258
State contributions (note 4.1)	131,854	126,021
Other (note 4.1)	130	1,950
	<u>212,184</u>	<u>193,853</u>
Payments	(211,734)	(192,667)
Balance at end of period	<u>450</u>	<u>1,186</u>

The special purpose accounts are established under section 16(1)(d) of the *Financial Management Act 2006*.

9.9 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements, controls, and key performance indicators	335	305
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**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

	2022 \$000	2021 \$000
<b>9.10 Equity</b>		
The Western Australian Government holds the equity interest in the Health Service on behalf of the community. Equity represents the residual interest in the net assets of the Health Service. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.		
Contributed equity		
Balance at start of the period	1,181,347	1,146,450
Contributions by owners (a)		
Contribution by Owners – Capital Appropriations administered by Department of Health (b)	52,753	34,897
Total contributions by owners	<u>1,234,100</u>	<u>1,181,347</u>
Total contributed equity at end of period	<u>1,234,100</u>	<u>1,181,347</u>
<i>(a) AASB 1004 'Contributions' requires transfers of net assets as a result of a restructure of administrative arrangements to be accounted for as contributions by owners and distributions to owners.</i>		
<i>TI 955 designates non-discretionary and non-reciprocal transfers of net assets between State government agencies as contributions by owners in accordance with AASB Interpretation 1038. Where the transferee agency accounts for a non-discretionary and non-reciprocal transfer of net assets as a contribution by owners, the transferor agency accounts for the transfer as a distribution to owners.</i>		
<i>(b) TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' designates capital appropriations as contributions by owners in accordance with AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.</i>		
Asset revaluation reserve		
Balance at start of the period	94,163	87,293
Net revaluation increments/(decrements):		
Buildings	53,902	6,870
Total asset revaluation reserve at end of period	<u>148,065</u>	<u>94,163</u>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis. Any increment is credited directly to the asset revaluation reserve, except to the extent that the increment reverses a revaluation decrement previously recognised as an expense (see note 5.1 'Property, plant and equipment').

For land revaluation decrement recognised as an expense, see note 3.7 'Other expenses'.

**East Metropolitan Health Service**  
**Notes to the financial statements**  
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	2022 \$000	2021 \$000
<b>9.11 Supplementary financial information</b>		
a) Write-offs		
Debts written off under the authority of the Accountable Authority	728	2,473
Public and other property written off under the authority of the Accountable Authority	-	-
Debts written off under the authority of the Minister	-	118
	<u>728</u>	<u>2,591</u>
b) Debt waivers		
Debts waived under the authority of the Accountable Authority	471	1,365
	<u>471</u>	<u>1,365</u>

<b>9.11 Supplementary financial information (continued)</b>		
Debt waivers are discretionary in nature and under justifiable and reasonable circumstances, can be used by the Accountable Authority to permanently forgive a debt.		
c) Losses through theft, defaults and other causes		
Losses of public money, and public and other property through theft or default	23	187
Amounts recovered	(10)	(105)
	<u>13</u>	<u>82</u>

<b>9.12 Administered trust accounts</b>		
Funds held in these trust accounts are not controlled by the Health Service and are therefore not recognised in the financial statements.		
The Health Service administers trust accounts for the purpose of holding patients' private moneys.		
A summary of the transactions for these trust accounts are as follows:		
Balance at start of period	22	19
Add receipts	64	72
	<u>86</u>	<u>91</u>
Less payments	(69)	(69)
Balance at end of period	<u>17</u>	<u>22</u>



**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note	10	Explanatory statement
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All variances between actual results for 2022 and estimates (original budget) are shown below. Narratives are provided for key major variances, which are greater than 10% and \$17 million for the statement of comprehensive income, statement of cash flows and statement of financial position.

		Estimates 2022 \$000	Actuals 2022 \$000	Variance between actual and estimate \$000
<b>Statement of comprehensive income</b>	<b>Note</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Expenses</b>				
Employee benefits expense		955,757	1,027,528	71,771
Contracts for services		333,280	341,212	7,932
Patient support costs	1	233,686	259,016	25,330
Fees for visiting medical practitioners		26,364	25,971	(393)
Finance costs		64	52	(12)
Depreciation and amortisation expense		46,489	44,471	(2,018)
Repairs, maintenance and consumable equipment		24,580	36,445	11,865
Other supplies and services		9,228	10,472	1,244
Cost of sales		3,609	3,496	(113)
Other expenses		100,867	116,896	16,029
<b>Total cost of services</b>		<b>1,733,924</b>	<b>1,865,559</b>	<b>131,635</b>
<b>Income</b>				
Patient charges		42,779	45,943	3,164
Other fees for services		478	490	12
Commonwealth grants and contributions		-	240	240
Other grants and contributions		26	1,087	1,061
Donation income		70	98	28
Sale of goods		3,609	3,402	(207)
Other income and recoveries		48,205	46,682	(1,523)
<b>Total income other than income from State Government</b>		<b>95,167</b>	<b>97,942</b>	<b>2,775</b>
<b>Net cost of services</b>		<b>1,638,757</b>	<b>1,767,617</b>	<b>128,861</b>
<b>Income from State Government</b>				
Department of Health - Service Agreement:				
- State component	2	790,760	880,558	89,798
- Commonwealth component		524,653	526,449	1,796
Mental Health Commission - Service Agreement		220,968	210,998	(9,970)
Income from other state government agencies		36,912	44,633	7,721
Resources received	3	57,706	89,904	32,198
<b>Total income from State Government</b>		<b>1,630,999</b>	<b>1,752,542</b>	<b>121,543</b>
<b>Surplus / (deficit) for the period</b>		<b>(7,758)</b>	<b>(15,076)</b>	<b>(7,318)</b>
<b>Other comprehensive income</b>				
<b>Items not reclassified subsequently to profit or loss</b>				
Changes in asset revaluation reserve		-	53,902	53,902
<b>Total other comprehensive income</b>		<b>-</b>	<b>53,902</b>	<b>53,902</b>
<b>Total comprehensive income for the period</b>		<b>(7,758)</b>	<b>38,827</b>	<b>46,585</b>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
**For the year ended 30 June 2022**

Note 10 Explanatory statement (continued)

		Estimates 2022	Actuals 2022	Variance between actual and estimate
Statement of financial position	Note	\$000	\$000	\$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		156,051	112,886	(43,165)
Restricted cash and cash equivalents		37,057	41,892	4,835
Receivables		28,207	26,819	(1,388)
Inventories		4,672	5,374	702
Other current assets	4	1,403	29,784	28,381
<b>Total current assets</b>		<b>227,390</b>	<b>216,755</b>	<b>(10,635)</b>
<b>Non-current assets</b>				
Restricted cash and cash equivalents		20,888	20,889	1
Amounts receivable for services		616,535	613,846	(2,689)
Property, plant and equipment		613,534	625,896	12,362
Intangible assets		35	139	104
Right-of-use assets		9,130	1,795	(7,335)
Service concession assets		285,538	309,562	24,024
<b>Total non-current assets</b>		<b>1,545,660</b>	<b>1,572,127</b>	<b>26,467</b>
<b>Total assets</b>		<b>1,773,050</b>	<b>1,788,882</b>	<b>15,832</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables		109,507	97,351	(12,156)
Grant liabilities		-	955	955
Lease liabilities		3,230	609	(2,621)
Employee benefits provisions		203,662	212,860	9,198
Other current liabilities		744	1,090	346
<b>Total current liabilities</b>		<b>317,143</b>	<b>312,865</b>	<b>(4,278)</b>
<b>Non-current liabilities</b>				
Employee benefits provisions		47,813	46,073	(1,740)
Lease liabilities		6,549	1,229	(5,320)
<b>Total non-current liabilities</b>		<b>54,362</b>	<b>47,302</b>	<b>(7,060)</b>
<b>Total liabilities</b>		<b>371,505</b>	<b>360,167</b>	<b>(11,338)</b>
<b>Net assets</b>		<b>1,401,545</b>	<b>1,428,715</b>	<b>27,170</b>
<b>Equity</b>				
Contributed equity		1,253,516	1,234,101	(19,415)
Reserves		94,163	148,065	53,902
Accumulated surplus		53,866	46,549	(7,317)
<b>Total equity</b>		<b>1,401,545</b>	<b>1,428,715</b>	<b>27,170</b>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note		10	Explanatory statement (continued)	
		Estimates	Actuals	Variance between
		2022	2022	actual and
				estimate
Statement of cash flows	Note	\$000	\$000	\$000
Cash flows from State Government				
Contribution by Owners – Capital Appropriations administered by Department of Health	5	72,169	52,753	(19,416)
Service agreement - Department of Health		1,268,924	1,363,206	94,282
Service agreement - Mental Health Commission		220,968	210,998	(9,970)
Funds received from other state government agencies		36,912	44,633	7,721
Net cash provided by State Government		1,598,973	1,671,590	72,617
Utilised as follows:				
Cash flows from operating activities				
Payments				
Employee benefits		(947,282)	(1,010,483)	(63,201)
Supplies and services	6	(638,609)	(712,421)	(73,812)
Finance costs		(64)	(52)	12
Receipts				
Receipts from customers		39,025	45,661	6,636
Commonwealth grants and contributions		-	240	240
Other grants and contributions		26	1,087	1,061
Donations received		70	53	(17)
Other receipts		52,292	51,106	(1,186)
Net cash used in operating activities		(1,494,542)	(1,624,809)	(130,267)
<b>Cash flows from investing activities</b>				
<b>Payments</b>				
Purchase of non-current assets	5	(70,318)	(52,542)	17,776
<b>Receipts</b>				
Proceeds from sale of non-current assets		-	250	250
Net cash used in investing activities		(70,318)	(52,292)	18,026
Cash flows from financing activities				
<b>Payments</b>				
Principal elements of lease payments		(1,983)	(688)	1,295
Net cash used in financing activities		(1,983)	(688)	1,295
Net increase (decrease) in cash and cash equivalents		32,130	(6,199)	(38,329)
Cash and cash equivalents at the beginning of the period		181,866	181,866	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>			112,886	112,886
<b>RESTRICTED CASH AT THE END OF PERIOD</b>			62,781	62,781
Total cash and cash equivalents at the end of the period		213,996	175,667	(38,329)

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note 10 Explanatory statement (continued)

**Explanation of significant variances between actuals and estimates**

**Statement of comprehensive income**

1. The variance in Patient support costs is primarily due to increased expenditure on medical, surgical, diagnostic and drug supplies, pathology costs from PathWest, domestic cleaning charges and personal protective equipment (PPE) related to Covid-19 (\$23.73M). There were additional costs related to medical support for the Medical Respite Centre to improve the health and wellbeing of people with complex conditions experiencing homelessness (\$1.6M).
2. In addition to the receipt of increased funding for Covid-19 (\$52.3M), new funding was provided for additional programs (e.g. the Emergency Department Innovation Fund; Newly Qualified Nurses and Midwives program) and the establishment of the Mental Health Transition Unit (\$11.3M). Additional funding was provided to pay for casual employees eligible to cash out long service leave entitlements (\$3.8M) and for asset replacement (life cycle fee) at the St. John of God Public hospital (\$1.6M) and there was a realignment of funding from the Commonwealth to the State Government (\$20.8M).
3. The variance represents the increased services and support for Covid-19 received by the EMHS from Health Support Services, PathWest and legal services from the Department of Justice (\$28M). It also includes medical equipment received from the Department of Health to set up the new Intensive Care Unit at Royal Perth Hospital (\$4.3M).

**Statement of financial position**

4. The actual result for "Other current assets" is greater than originally estimated, as the EMHS prepaid its insurance premium for the financial year 2022-23 (\$28.5M).

**Statement of cash flows**

5. The EMHS drew down less capital than originally estimated as increased construction costs placed pressure on capital budgets, and this flowed through to delays in the release of tender documentation for large projects such as the Midland Mental Health Emergency Centre and Royal Perth Hospital Aseptic Unit (\$8.1M). Other projects such as the Mental Health Anti-Ligature at Bentley Hospital were delayed because of manufacturing and logistical delays and supply chain disruption related to Covid-19 (\$8.5M).
6. The increase in the Payment of Supplies and services reflects the prepayment of the health services' insurance premium for the financial year 2022-23 (\$28.5M), as well as increased costs of medical, surgical, diagnostic and drug supplies, increased pathology costs from PathWest, additional domestic cleaning charges and personal protective equipment (PPE) costs related to Covid-19 (\$27.1M). There was also additional expenditure for the maintenance of medical and surgical equipment and diagnostic supplies (\$18.2M).

**East Metropolitan Health Service**  
**Notes to the financial statements**  
**For the year ended 30 June 2022**

Note 10 Explanatory statement (continued)

All variances between actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances, which are greater than 10% and \$17 million for the statement of comprehensive income, statement of cash flows and statement of financial position.

		Actuals 2022 \$000	Actuals 2021 \$000	Variance between 2022 and 2021 results \$000
<b>Statement of comprehensive income</b>				
	Note			
<b>Expenses</b>				
Employee benefits expense		1,027,528	942,742	84,786
Contracts for services		341,212	328,494	12,718
Patient support costs		259,016	240,812	18,204
Fees for visiting medical practitioners		25,971	28,879	(2,908)
Finance costs		52	58	(6)
Depreciation and amortisation expense		44,471	43,445	1,026
Repairs, maintenance and consumable equipment		36,445	28,661	7,784
Other supplies and services		10,472	8,389	2,083
Cost of sales		3,496	3,348	148
Other expenses	7	116,896	99,217	17,679
<b>Total cost of services</b>		<b>1,865,559</b>	<b>1,724,045</b>	<b>141,515</b>
<b>Income</b>				
Patient charges		45,943	44,133	1,810
Other fees for services		490	763	(273)
Commonwealth grants and contributions		240	476	(236)
Other grants and contributions		1,087	1,483	(396)
Donation income		98	266	(168)
Sale of goods		3,402	3,177	225
Other income and recoveries		46,682	46,666	16
<b>Total income other than income from State Government</b>		<b>97,942</b>	<b>96,964</b>	<b>978</b>
<b>Net cost of services</b>		<b>1,767,617</b>	<b>1,627,081</b>	<b>140,537</b>
<b>Income from State Government</b>				
- State component		880,558	826,326	54,232
- Commonwealth component		526,449	487,385	39,064
Mental Health Commission - Service Agreement		210,998	193,229	17,769
Income from other state government agencies		44,633	45,861	(1,228)
Resources received	8	89,904	70,023	19,881
<b>Total income from State Government</b>		<b>1,752,542</b>	<b>1,622,824</b>	<b>129,718</b>
<b>Surplus / (deficit) for the period</b>		<b>(15,075)</b>	<b>(4,257)</b>	<b>(10,818)</b>
<b>Other comprehensive income</b>				
Changes in asset revaluation reserve		53,902	6,870	47,032
<b>Total other comprehensive income</b>		<b>53,902</b>	<b>6,870</b>	<b>47,032</b>
<b>Total comprehensive income for the period</b>		<b>38,827</b>	<b>2,613</b>	<b>36,214</b>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note	10	Explanatory statement (continued)	
	Actuals 2022 \$000	Actuals 2021 \$000	Variance between 2022 and 2021 results \$000
<b>Statement of financial position</b>			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	112,886	128,130	(15,244)
Restricted cash and cash equivalents	41,892	37,057	4,835
Receivables	26,819	27,609	(790)
Inventories	5,374	4,672	702
Other current assets	29,784	26,616	3,168
<b>Total current assets</b>	<b>216,755</b>	<b>224,084</b>	<b>(7,329)</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	20,889	16,679	4,210
Amounts receivable for services	613,846	570,045	43,801
Property, plant and equipment	625,896	578,090	47,806
Intangible assets	139	35	104
Right-of-use assets	1,795	1,640	155
Service concession assets	309,562	294,546	15,016
<b>Total non-current assets</b>	<b>1,572,127</b>	<b>1,461,035</b>	<b>111,092</b>
<b>Total assets</b>	<b>1,788,882</b>	<b>1,685,119</b>	<b>103,763</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	97,351	101,322	(3,971)
Grant liabilities	955	1,255	(300)
Lease liabilities	609	552	57
Employee benefits provisions	212,860	196,704	16,156
Other current liabilities	1,090	744	346
<b>Total current liabilities</b>	<b>312,865</b>	<b>300,577</b>	<b>12,288</b>
<b>Non-current liabilities</b>			
Employee benefits provisions	46,073	46,296	(223)
Lease liabilities	1,229	1,112	117
<b>Total non-current liabilities</b>	<b>47,302</b>	<b>47,408</b>	<b>(106)</b>
<b>Total liabilities</b>	<b>360,167</b>	<b>347,985</b>	<b>12,182</b>
<b>Net assets</b>	<b>1,428,715</b>	<b>1,337,134</b>	<b>91,581</b>
<b>Equity</b>			
Contributed equity	1,234,101	1,181,347	52,754
Reserves	148,065	94,163	53,902
Accumulated surplus	46,549	61,624	(15,075)
<b>Total equity</b>	<b>1,428,715</b>	<b>1,337,134</b>	<b>91,581</b>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note	10	Explanatory statement (continued)		
Statement of cash flows	Note	Actuals 2022 \$000	Actuals 2021 \$000	Variance between 2022 and 2021 results \$000
Cash flows from State Government				
Contribution by Owners – Capital Appropriations administered by Department of Health	9	52,753	34,867	17,886
Service agreement - Department of Health		1,363,206	1,271,284	91,922
Service agreement - Mental Health Commission		210,998	193,229	17,769
Funds received from other state government agencies		44,633	45,861	(1,228)
<b>Net cash provided by State Government</b>		<b>1,671,590</b>	<b>1,545,241</b>	<b>126,349</b>
Utilised as follows:				
Cash flows from operating activities				
Payments				
Employee benefits		(1,010,483)	(919,345)	(91,138)
Supplies and services		(712,421)	(685,573)	(26,848)
Finance costs		(52)	(58)	6
Receipts				
Receipts from customers		45,661	40,493	5,168
Commonwealth grants and contributions		240	476	(236)
Other grants and contributions		1,087	1,484	(397)
Donations received		53	131	(78)
Other receipts		51,106	47,356	3,750
<b>Net cash used in operating activities</b>		<b>(1,624,809)</b>	<b>(1,515,036)</b>	<b>(109,773)</b>
Cash flows from investing activities				
Payments				
Purchase of non-current assets		(52,542)	(45,899)	(6,643)
<b>Receipts</b>				
Proceeds from sale of non-current assets		250	10	240
<b>Net cash used in investing activities</b>		<b>(52,292)</b>	<b>(45,889)</b>	<b>(6,403)</b>
Cash flows from financing activities				
Payments				
Principal elements of lease payments		(688)	(444)	(244)
<b>Net cash used in financing activities</b>		<b>(688)</b>	<b>(444)</b>	<b>(244)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,199)</b>	<b>(16,128)</b>	<b>9,929</b>
Cash and cash equivalents at the beginning of the period		181,866	197,994	(16,128)
<b>Total cash and cash equivalents at the end of the period</b>		<b>175,667</b>	<b>181,866</b>	<b>(6,199)</b>

**East Metropolitan Health Service**  
**Notes to the financial statements**  
For the year ended 30 June 2022

Note	10	Explanatory statement (continued)
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**Explanation of significant variances between 2022 and 2021 results**

**Statement of comprehensive income**

7. Increase in Other expenses reflects the increases in Health Support Services Resources Received (\$9.6M), workers compensation insurance premiums and legal expenses (\$5.4M), the loss on revaluation of land (\$1.8M) and the hire of non-medical equipment (\$0.7M).
8. The increase in Resources Received Free of Charge relates primarily to the increased services and support provided to the EMHS for Covid-19 activities, from Health Support Services and PathWest (\$16.3M). It also recognises the value of medical equipment received from the Department of Health to set up the new Intensive Care Unit at Royal Perth Hospital (\$4.3M).

**Statement of cash flows**

9. The increased spending on the acquisition of non-current assets resulted in higher cash drawdown from the capital appropriation. This included an additional cash outlay for the Royal Perth Hospital Intensive Care Unit project (\$13M) and on the Medical Equipment Replacement Program (\$3.5M).