INDEPENDENT AUDITOR'S REPORT

Graythwaite Charitable Trust

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Graythwaite Charitable Trust (the Trust) which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

I am independent of the Trust in accordance with the requirements of the:

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

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

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

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

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

The Secretary’s Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor’s report.

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

- that the Trust carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Graythwaite Charitable Trust
Statement by the Accountable Authority
for the year ended 30 June 2023

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

1. The financial statements of the Graythwaite Charitable Trust for the year ended 30 June 2023 have been prepared in accordance with:
    a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
    b. applicable requirements of the Act, the *Government Sector Finance Regulation 2018;* and
    c. Treasurer's Directions issued under the GSF Act.
2. The financial statements present fairly Graythwaite Charitable Trust's financial position as at 30 June 2023 and the financial performance and cash flows for the year then ended; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Susan Pearce AM
Secretary, NSW Health

27 October 2023

Steve Carr
Acting Deputy Secretary, Financial Services and Asset Management and Chief Financial Officer, NSW Health
27 October 2023

Graythwaite Charitable Trust

Statement of Comprehensive Income for the year ended 30 June 2023

	Notes	Actual 2023 $000	Actual Restated 2022 $000
Continuing operations			
Expenses excluding losses			
Depreciation	2	1,218	1,241
Total expenses excluding losses		**1,218**	**1,241**
Revenue			
Investment revenue	3	255	14
Total revenue		**255**	**14**
Operating result		**(963)**	**(1,227)**
Net result from continuing operations		**(963)**	**(1,227)**
Net result from discontinued operations		-	-
Net result	8	**(963)**	**(1,227)**
Other comprehensive income			
Changes in revaluation surplus of property, plant and equipment	6	(1,581)	6,165
Total other comprehensive income		**(1,581)**	**6,165**
TOTAL COMPREHENSIVE INCOME		**(2,544)**	**4,938**

See Note 4 for details regarding restated prior year balances for the Trust.

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Statement of Financial Position as at 30 June 2023

	Notes	Actual 2023 $000	Actual Restated 2022 $000	Actual Restated 1 July 2021 $000
ASSETS				
Current assets				
Cash and cash equivalents	5	8,852	8,597	8,583
Total current assets		**8,852**	**8,597**	**8,583**
Non-current assets				
Property, plant and equipment	6			
- Land and buildings		43,903	46,637	41,648
- Plant and equipment		17	82	147
Total property, plant and equipment		43,920	46,719	41,795
Total non-current assets		**43,920**	**46,719**	**41,795**
Total assets		**52,772**	**55,316**	**50,378**
LIABILITIES				
Total liabilities		**-**	**-**	**-**
Net assets		**52,772**	**55,316**	**50,378**
EQUITY				
Reserves		19,954	21,535	15,370
Accumulated funds		32,818	33,781	35,008
Total Equity		**52,772**	**55,316**	**50,378**

See Note 4 for details regarding restated prior year balances for the Trust.

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust

Statement of Changes in Equity for the year ended 30 June 2023

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2022		**34,101**	**16,507**	**50,608**
Correction of errors - Revaluation	4	(320)	5,028	4,708
Restated balance at 1 July 2022		**33,781**	**21,535**	**55,316**
Net result for the year		(963)	-	(963)
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment	6	-	(1,581)	(1,581)
Total other comprehensive income		**-**	**(1,581)**	**(1,581)**
Total comprehensive income for the year		**(963)**	**(1,581)**	**(2,544)**
Balance at 30 June 2023		**32,818**	**19,954**	**52,772**

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2021		**35,200**	**11,018**	**46,218**
Correction of errors - Revaluation	4	(192)	4,352	4,160
Restated balance at 1 July 2021		**35,008**	**15,370**	**50,378**
Restated net result for the year		(1,227)	-	(1,227)
Other comprehensive income:				
Restated net change in revaluation surplus of property, plant and equipment	6	-	6,165	6,165
Restated total other comprehensive income		-	6,165	6,165
Restated total comprehensive income for the year		**(1,227)**	**6,165**	**4,938**
Restated balance at 30 June 2022		**33,781**	**21,535**	**55,316**

See Note 4 for details regarding restated prior year balances for the Trust.

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust

Statement of Cash Flows for the year ended 30 June 2023

	Actual 2023 $000	Actual 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Interest received	255	14
Total receipts	**255**	**14**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**255**	**14**
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-**	**-**
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**-**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	255	14
Opening cash and cash equivalents	8,597	8,583
CLOSING CASH AND CASH EQUIVALENTS	**8,852**	**8,597**

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

a) Reporting entity

The Graythwaite Charitable Trust (the Trust) was incorporated on 1 July 2009 by Trust Deed. The Trustee of the Graythwaite estate is King Charles III, who acts through the Minister for Health.

The Trust encompasses the property, plant and equipment of the Graythwaite Rehabilitation Facility opened on 19 September 2013, together with the residual proceeds from the sale of the former Graythwaite Nursing Home.

The Trust is a NSW Government entity and is controlled by the Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales, which is the ultimate parent. The Trust is a not for profit entity (as profit is not its principle objective) and is consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2023 have been authorised for issue by the Secretary, NSW Health on 27 October 2023.

b) Basis of preparation

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

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

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

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

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Trust's presentation and functional currency.

c) Statement of Compliance

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

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

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

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

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

1. Statement of Significant Accounting Policies (continued)

e) Changes in estimates

(i) Componentisation

During 2023, the Trust conducted a review of the useful lives of its specialised buildings. As part of the review, new depreciation useful lives were determined for each of the four major specialised building components, which previously were all depreciated over 40 years. As a result, the Trust has revised the accounting policy for the useful lives for specialised buildings, effective from 1 July 2022. The new useful lives were determined as follows:

	Useful lives 2023	Useful lives 2022
Structure / shell / building fabric	70 years	40 years
Fit out	30 years	40 years
Combined fit out and trunk reticulated building systems	30 years	40 years
Site engineering services / central plant	55 years	40 years

The effect of the change in useful lives on actual and expected depreciation expense (increase / (decrease)), included in the Statement of Comprehensive Income is as follows:

	30 June 2023 Actual $'000	Future years Expected $'000
Expenses		
Depreciation and amortisation	(123)	(35)

f) Comparative Information

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

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

(i) Effective for the first time in 2022-23

Several amendments and interpretations apply for the first time in 2022-23. The Trust has assessed the new and amended standards and interpretations that are effective for the first time and have determined they are unlikely to have a material impact on the financial statements of the Trust.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless NSW Treasury determines otherwise.

2. Depreciation

	Actual 2023 $000	Actual Restated 2022 $000
Depreciation - buildings	1,153	1,176
Depreciation - plant and equipment	65	65
	1,218	**1,241**

Depreciation - buildings has been restated to be $0.128 million higher in the prior year. Refer to Note 4 for details regarding restated prior year balances as the result of an error.

Depreciation - buildings is lower by $0.123 million in 2023 due to a change in the useful lives for specialised buildings. Refer to Note 1(e) for further details.

Refer to Note 6 Property, plant and equipment for recognition and measurement policies on depreciation.

3. Investment revenue

	Actual 2023 $000	Actual 2022 $000
Interest income from financial assets at amortised cost	255	14
	255	**14**

Recognition and Measurement

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

4. Prior period error

In the current year, an error was identified in the comprehensive revaluation of the Graythwaite Rehabilitation Facility conducted in December 2019. It was identified that 990 square metres of plant rooms were excluded from the valuation of the building, resulting in an understatement in the value of the building for previous years. The error has been corrected by restating the opening balances of the earliest period presented (1 July 2021) and taking the adjustment to reserves and accumulated funds.

There is no impact on the Statement of Cash Flows. The impact to the Statement of Comprehensive Income and Statement of Financial Position from restating the balances in the prior year due to above matters are shown below.

Statement of Comprehensive Income for the year ended 30 June 2022

	Notes	Original Actual 2022 $000	Adjustment Increase / (decrease) $000	Restated Actual 2022 $000
Continuing operations				
Expenses excluding losses				
Depreciation	2	1,113	128	1,241
Total expenses excluding losses		**1,113**	**128**	**1,241**
Revenue				
Investment revenue	3	14	-	14
Total revenue		**14**	**-**	**14**
Operating result		**(1,099)**	**(128)**	**(1,227)**
Net result from continuing operations	8	**(1,099)**	**(128)**	**(1,227)**
Net result from discontinued operations		-	-	-
Net result		**(1,099)**	**(128)**	**(1,227)**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods				
Changes in revaluation surplus of property, plant and equipment	6	5,489	676	6,165
Total other comprehensive income		**5,489**	**676**	**6,165**
TOTAL COMPREHENSIVE INCOME		**4,390**	**548**	**4,938**

4. Prior period error (continued)

Statement of Financial Position as at 01 July 2021 and 30 June 2022

	Notes	Original 01 July 2021 $000	Adjustment Increase / (decrease) $000	Restated 01 July 2021 $000	Original 2022 $000	Adjustment Increase / (decrease) $000	Restated 2022 $000
ASSETS							
Current assets							
Cash and cash equivalents	5	8,583	-	8,583	8,597	-	8,597
Total current assets		**8,583**	**-**	**8,583**	**8,597**	**-**	**8,597**
Non-current assets							
Property, plant & equipment	6						
- Land and buildings		37,488	4,160	41,648	41,929	4,708	46,637
- Plant and equipment		147	-	147	82	-	82
Total property, plant & equipment		37,635	4,160	41,795	42,011	4,708	46,719
Total non-current assets		**37,635**	**4,160**	**41,795**	**42,011**	**4,708**	**46,719**
Total assets		**46,218**	**4,160**	**50,378**	**50,608**	**4,708**	**55,316**
LIABILITIES							
Total liabilities		**-**	**-**	**-**	**-**	**-**	**-**
Net assets		**46,218**	**4,160**	**50,378**	**50,608**	**4,708**	**55,316**
EQUITY							
Reserves		11,018	4,352	15,370	16,507	5,028	21,535
Accumulated funds		35,200	(192)	35,008	34,101	(320)	33,781
Total Equity		**46,218**	**4,160**	**50,378**	**50,608**	**4,708**	**55,316**

5. Cash and cash equivalents

	Actual 2023 $000	Actual 2022 $000
Cash at bank and on hand	8,852	8,597
	8,852	**8,597**

All cash balances are subject to restrictions imposed by the requirements of the Trust Deed and are therefore not available for general use by the Trust.

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

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

Cash and cash equivalents (per Statement of Financial Position)	8,852	8,583
Closing cash and cash equivalents (per Statement of Cash Flows)	**8,852**	**8,583**

Refer to Note 10 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Property, plant and equipment

(a) Total property, plant and equipment

	Land and Buildings $000	Plant and Equipment[1] $000	Total $000
As at 30 June 2023			
Gross carrying amount	56,056	651	56,707
Less: accumulated depreciation and impairment	12,153	634	12,787
Net carrying amount	**43,903**	**17**	**43,920**

	Land and Buildings $000	Plant and Equipment[1] $000	Total $000
As at 30 June 2022			
Gross carrying amount	57,979	651	58,630
Less: accumulated depreciation and impairment	11,342	569	11,911
Net carrying amount	**46,637**	**82**	**46,719**

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

Land and buildings 'Gross carrying amount' and 'Accumulated depreciation and impairment' have been restated in 2022 to be $5.978 million and $1.271 million higher respectively as the result of an error.

Total property, plant and equipment - reconciliation

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land and Buildings $000	Plant and Equipment $000	Total $000
Year ended 30 June 2023			
Net carrying amount at beginning of year	41,929	82	42,011
Correction of error - revaluation (Note 4)	4,708	-	4,708
Restated net carrying amount at beginning of year	**46,637**	**82**	**46,719**
Net revaluation increments less revaluation decrements	(1,581)	-	(1,581)
Depreciation expense	(1,153)	(65)	(1,218)
Net carrying amount at end of period	**43,903**	**17**	**43,920**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 7.

	Land and Buildings $000	Plant and Equipment $000	Total $000
Year ended 30 June 2022			
Net carrying amount at beginning of year	37,488	147	37,635
Correction of error - revaluation (Note 4)	4,160	-	4,160
Restated net carrying amount at beginning of year	**41,648**	**147**	**41,795**
Net revaluation increments less revaluation decrements	6,165	-	6,165
Depreciation expense	(1,176)	(65)	(1,241)
Restated net carrying amount at end of year	**46,637**	**82**	**46,719**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 7.

6. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the Trust

The Trust has no property, plant and equipment where it is the lessor under operating leases. All property, plant and equipment balances are for items held by the Trust who has granted the right of the use of this facility to Northern Sydney Local Health District.

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

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

Capitalisation thresholds

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

Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Trust. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

	Useful lives 2023	Useful lives 2022
Buildings	30-70 years	40 years
Plant and equipment	4-20 years	4-20 years

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

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

In 2023, the estimated useful lives for buildings were revised. Refer Note 1(e) for further details regarding the change and the impacts.

Revaluation of property, plant and equipment

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

6. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Revaluation of property, plant and equipment (continued)

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 7 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Trust conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Trust uses an independent professionally qualified valuer for market indices.

The last comprehensive revaluation was completed on 31 December 2022 and was based on an independent assessment.

Indices were subsequently obtained from external professionally qualified valuers since the last comprehensive revaluation. Indices obtained indicated a nil cumulative movement in market prices for land and material increases in construction and labour costs of 4.00% for buildings. Management has applied these indices to perform an interim revaluation and has recognised the resulting revaluation increment for buildings in 2023.

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

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

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

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

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

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

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

6. Property, plant and equipment (continued)

Recognition and Measurement (continued)

Impairment of property, plant and equipment

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

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

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

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

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

7. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

A number of the Trust's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the Trust categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

(a) Fair value hierarchy

2023	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, plant and equipment (Note 6)				
- Land and buildings	-	-	43,903	43,903
	-	**-**	**43,903**	**43,903**

There were no transfers between level 1 and 2 during the year ended 30 June 2023.

2022	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, plant and equipment (Note 6)				
- Land and buildings	-	-	46,637	46,637
	-	**-**	**46,637**	**46,637**

Land and buildings has been restated to be $4.708 million higher in 2022. Refer to Note 4 for details regarding restated prior year balances as the result of an error.

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

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

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the Trust obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Property Group Pty Ltd for the 2022-23 financial year. Opteon Property Group Pty Ltd is an independent entity and is not an associated entity of the Trust.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer to Note 6).

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

- For land, the valuation by the valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.
- All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.
- For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as level 3 as these assets have a high level of unobservable inputs.

(c) Reconciliation of recurring Level 3 fair value measurements

2023	Land and Buildings $000	Total Level 3 Recurring $000
Fair value as at 1 July 2022	41,929	41,929
Correction of error - revaluation (refer to Note 4)	4,708	4,708
Restated fair value as at 1 July 2022	**46,637**	**46,637**
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 6)	(1,581)	(1,581)
Depreciation expense	(1,153)	(1,153)
Fair value as at 30 June 2023	**43,903**	**43,903**

There were no transfers between level 1 or 2 during the year ended 30 June 2023.

2022	Land and Buildings $000	Total Level 3 Recurring $000
Fair value as at 1 July 2021	37,488	37,488
Correction of error - revaluation (refer to Note 4)	4,160	4,160
Restated fair value as at 1 July 2021	41,648	41,648
Revaluation increments / (decrements) recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment' (Note 6)	6,165	6,165
Depreciation expense	(1,176)	(1,176)
Fair value as at 30 June 2022	**46,637**	**46,637**

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

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

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

	Actual 2023 $000	Actual Restated 2022 $000
Net cash used on operating activities	255	14
Depreciation and amortisation expense	(1,218)	(1,241)
Net result	**(963)**	**(1,227)**

Depreciation and amortisation expense has been restated to be $0.128 million higher in the prior year. Refer to Note 4 for details regarding restated prior year balances as the result of an error.

9. Equity

Accumulated Funds

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

Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Trust's policy on the revaluation of property, plant and equipment as discussed in Note 6.

10. Financial instruments

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

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

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

(a) Financial instrument categories

Class	Category	Carrying Amount 2023 $000	Carrying Amount 2022 $000
Financial Assets			
Cash and cash equivalents (Note 5)	Amortised cost	8,852	8,597
Total Financial Assets		**8,852**	**8,597**

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

10. Financial instruments (continued)

(b) Financial risk

i. Credit risk

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

Credit risk arises from financial assets of the Trust, including cash. No collateral is held by the Trust. The Trust has not granted any financial guarantees.

Credit risk associated with the Trust's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at the monthly average TCorpIM unofficial cash rate, adjusted for a management fee to NSW Treasury in 2022-23.

ii. Liquidity risk

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

The Trust has no loans with the Ministry of Health, NSW Treasury or any external party.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral.

iii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust has no exposure to foreign currency risk, interest rate risk or other price risks as the Trust has no other financial asset or liability, except for cash and cash equivalents which is not impacted by any market risk.

11. Services received free of charge

The Trust receives administrative support services from the Ministry of Health. The costs of these services provided by the Ministry are insignificant and are not recovered from the Trust.

12. Commitments, contingent assets and contingent liabilities

At reporting date, there are no known contingent liabilities, contingent assets or commitments.

13. Related party transactions

(a) Key management personnel compensation

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. The compensation for the Minister for Health is disclosed in the financial statements of the ultimate parent.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities.

13. Related party transactions (continued)

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

There were no transactions with key management personnel and their close family members (2022: $Nil).

(c) Transactions the Trust had with government related entities during the financial year

The Trust has granted the right of the use of its entire facility to Northern Sydney Local Health District, an entity controlled by the immediate parent, free of charge.

There were no transactions with the ultimate parent during the year.

14. Events after the reporting period

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

END OF AUDITED FINANCIAL STATEMENTS