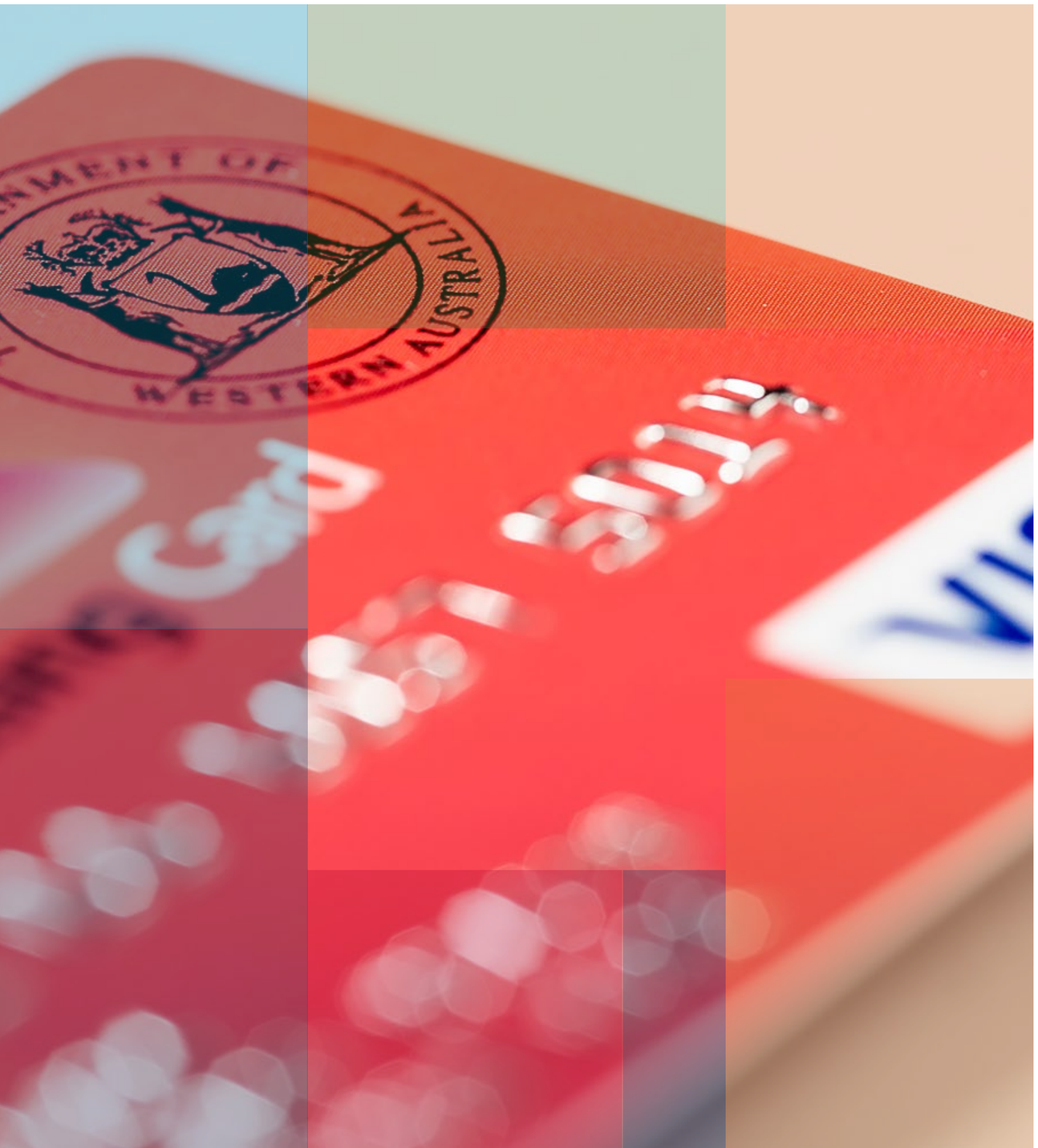
Financials



Certification of Financial Statements

For the financial year ended 30 June 2026

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 financial year ended 30 June 2026 and the financial position as at 30 June 2026.

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

Sally Carbon OAM

Board Chair
East Metropolitan Health Service

11 September 2026

Melissa Grove

Chair, EMHS Board Audit
and Risk Committee
East Metropolitan Health Service

11 September 2026

Neil Cowan

Chief Finance Officer
East Metropolitan Health Service

11 September 2026

Auditor General

INDEPENDENT AUDITOR'S REPORT

2026

East Metropolitan Health Service

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

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

- the statement of financial position as at 30 June 2026, 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 material 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 Health Service for the year ended 30 June 2026 and the financial position as 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.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500

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.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on the audit of controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Health Service. The controls exercised by the Health Service 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 the State's financial reporting framework (the overall control objectives).

In my opinion, in all material respects, the controls exercised by the Health Service are sufficiently adequate to provide reasonable assurance that the controls within the system were suitably designed to achieve the overall control objectives identified as at 30 June 2026, and the controls were implemented as designed as at 30 June 2026.

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 Health Service for the year ended 30 June 2026 reported in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions (legislative requirements). 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 report of the Health Service for the year ended 30 June 2026 is in accordance with the legislative requirements, and the key performance indicators 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 2026.

The Board'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 controls 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 3 Financial Sustainability – Requirement 5 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 Health Service'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 3 - Requirement 5 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 management relating to the report on financial statements, 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 ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements,* the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Board is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2026, 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 my 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 my 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 Health Service for the year ended 30 June 2026 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 Health Service to confirm the information contained in the website version.

A. Morrissey

Aloha Morrissey
Acting Auditor General
Perth, Western Australia
11 September 2026

East Metropolitan Health Service
Statement of comprehensive income
For the year ended 30 June 2026

	Note	2026 $000	2025 $000
Cost of services			
Expenses			
Employee benefits expense	3.1.1	1,485,160	1,375,658
Contracts for services	3.2	462,090	420,078
Patient support costs	3.3	346,854	317,888
Fees for contracted medical practitioners	3.4	34,859	34,995
Finance costs	7.2	732	738
Depreciation and amortisation expense	5.5	81,425	61,430
Repairs, maintenance and consumable equipment	3.5	44,916	43,096
Other supplies and services	3.6	17,923	16,003
Cost of sales	4.6	8,885	4,691
Other expenses	3.7	163,147	149,196
Total cost of services		2,645,991	2,423,773
Income			
Patient charges	4.3	77,174	66,215
Other fees for services	4.4	131	543
Commonwealth grants and contributions	4.2	-	15,600
Other grants and contributions	4.2	2,966	2,667
Donation income	4.5	557	567
Sales and service revenue	4.6	9,120	4,205
Other income and recoveries	4.7	62,468	60,854
Total income other than income from State Government		152,416	150,651
Net cost of services		2,493,575	2,273,122
Income from State Government			
Department of Health - Service Agreement:			
- State component	4.1	1,305,247	1,198,728
- Commonwealth component	4.1	675,521	601,711
Mental Health Commission - Service Agreement	4.1	320,784	295,968
Income from other state government agencies	4.1	39,439	49,010
Resources received	4.1	99,097	93,971
Total income from State Government		2,440,088	2,239,388
Deficit for the period		(53,487)	(33,734)
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation reserve	9.9	146,716	323,588
Total other comprehensive income		146,716	323,588
Total comprehensive income for the period		93,229	289,854

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 2026

	Note	2026 $000	2025 $000
Assets			
Current assets			
Cash and cash equivalents	7.3.1	66,813	96,527
Restricted cash and cash equivalents	7.3.1	63,011	50,468
Receivables	6.1	46,895	49,337
Inventories	6.3	7,615	7,184
Other current assets	6.4	1,511	1,750
Total current assets		185,845	205,266
Non-current assets			
Receivables	6.1	52,994	42,732
Amounts receivable for services	6.2	842,529	781,637
Property, plant and equipment	5.1	1,137,335	1,027,472
Intangible assets	5.2	130	79
Right-of-use assets	5.3	11,695	14,523
Service concession assets	5.4	441,800	405,056
Total non-current assets		2,486,483	2,271,499
Total assets		2,672,328	2,476,765
Liabilities			
Current liabilities			
Payables	6.5	172,789	157,251
Grant liabilities	6.6	955	955
Lease liabilities	7.1	6,444	4,641
Employee benefits provisions	3.1.2	307,019	287,567
Other current liabilities	6.7	1,902	1,271
Total current liabilities		489,109	451,685
Non-current liabilities			
Employee benefits provisions	3.1.2	48,717	45,564
Lease liabilities	7.1	9,259	12,805
Total non-current liabilities		57,976	58,369
Total liabilities		547,085	510,054
Net assets		2,125,243	1,966,711
Equity			
Contributed equity	9.9	1,425,015	1,359,712
Reserves	9.9	787,455	640,739
Accumulated deficit		(87,227)	(33,740)
Total equity		2,125,243	1,966,711

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 2026

	Note	2026 $000	2025 $000
Contributed equity	9.9		
Balance at start of period		1,359,712	1,312,747
Transactions with owners in their capacity as owners:			
Contribution by Owners – Capital appropriations administered by Department of Health		65,303	35,453
Other contributions by owners		-	11,512
Balance at end of period		1,425,015	1,359,712
Reserves	9.9		
Asset revaluation reserve			
Balance at start of period		640,739	317,151
Other comprehensive income for the period		146,716	323,588
Balance at end of period		787,455	640,739
Accumulated surplus			
Balance at start of period		(33,740)	(6)
Deficit for the period		(53,487)	(33,734)
Balance at end of period		(87,227)	(33,740)
Total equity			
Balance at start of period		1,966,711	1,629,892
Total comprehensive income for the period		93,229	289,854
Transactions with owners in their capacity as owners		65,303	46,965
Balance at end of period		2,125,243	1,966,711

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 2026

	Note	2026 $000 Inflows/(Outflows)	2025 $000 Inflows/(Outflows)
Cash flows from State Government			
Contribution by Owners – Capital Appropriations administered by Department of Health		65,303	36,112
Service agreement - Department of Health		1,919,876	1,741,055
Service agreement - Mental Health Commission		320,784	295,968
Funds received from other state government agencies		39,439	49,010
Net cash provided by State Government		2,345,402	2,122,145
Utilised as follows:			
Cash flows from operating activities			
Payments			
Employee benefits		(1,453,928)	(1,318,273)
Supplies and services		(955,912)	(871,651)
Finance costs		(732)	(738)
Receipts			
Receipts from customers		68,933	76,917
Other grants and contributions		2,966	2,667
Donations received		288	95
Other receipts		68,850	59,961
Net cash used in operating activities	7.3.2	(2,269,535)	(2,051,021)
Cash flows from investing activities			
Payments			
Purchase of non-current assets		(79,875)	(48,787)
Receipts			
Proceeds from sale of non-current assets		-	(41)
Net cash used in investing activities		(79,875)	(48,828)
Cash flows from financing activities			
Payments			
Principal elements of lease payments		(2,901)	(2,752)
Payment to accrued salaries account		(10,262)	(7,843)
Net cash used in financing activities		(13,163)	(10,595)
Net increase/(decrease) in cash and cash equivalents		(17,171)	11,701
Cash and cash equivalents at the beginning of the period		146,995	135,294
Total cash and cash equivalents at the end of the period	7.3.1	129,824	146,995

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 2026

Note 1 Basis of preparation

East Metropolitan Health Service (the Health Service) is a Government not-for-profit entity controlled by the State of Western Australia, which is the ultimate parent.

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 11 September 2026.

Statement of compliance

The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASs), the Financial Management Act 2006 (FMA), the Treasurer's Instructions (TIs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) as applied by TIs. Several of these are modified by TIs to vary application, disclosure, format and wording.

The FMA and TIs take precedence over AASs and other authoritative pronouncements of the AASB. 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.

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 8.8 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.

2.1 Health Service objectives (continued)

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'.

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.

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
	2026 $000	2026 $000	2026 $000	2026 $000	2026 $000	2026 $000	2026 $000
Cost of services							
Expenses							
Employee benefits expense	902,010	152,221	180,745	212,752	12,014	25,418	1,485,160
Contracts for services	295,738	85,065	42,211	37,969	962	145	462,090
Patient support costs	237,752	33,929	54,422	11,944	4,394	4,413	346,854
Fees for contracted medical practitioners	26,979	3,193	4,654	33	-	-	34,859
Finance costs	30	4	11	655	14	18	732
Depreciation and amortisation expense	49,495	8,587	11,081	11,644	156	462	81,425
Repairs, maintenance and consumable equipment	24,998	4,026	6,197	5,113	199	4,383	44,916
Other supplies and services	8,531	1,507	2,053	5,516	65	251	17,923
Cost of sales	7,272	433	706	445	4	25	8,885
Other expenses	98,979	16,456	19,681	23,753	1,255	3,023	163,147
Total cost of services	1,651,784	305,421	321,761	309,824	19,063	38,138	2,645,991
Income							
Patient charges	60,383	8,833	5,908	2,016	3	31	77,174
Other fees for services	72	25	19	10	-	5	131
Other grants and contributions	5	2	2	-	-	2,957	2,966
Donation income	198	35	53	10	1	260	557
Sales and service revenue	7,412	464	755	457	5	27	9,120
Other income and recoveries	32,839	802	20,646	735	4	7,442	62,468
Total income other than income from State Government	100,909	10,161	27,383	3,228	13	10,722	152,416
Net cost of services	**1,550,875**	**295,260**	**294,378**	**306,596**	**19,050**	**27,416**	**2,493,575**
Income from State Government							
Department of Health - Service Agreement:							
- State component	902,192	161,451	204,561	13,052	13,407	10,584	1,305,247
- Commonwealth component	465,831	82,174	104,115	-	6,824	16,577	675,521
Mental Health Commission - Service Agreement	6,537	10,126	14	304,107	-	-	320,784
Income from other state government agencies	18,214	3,203	6,401	3,335	60	8,226	39,439
Resources received	57,348	13,073	16,559	11,141	676	300	99,097
Total income from State Government	1,450,122	270,027	331,650	331,635	20,967	35,687	2,440,088
Surplus/(deficit) for the period	**(100,753)**	**(25,233)**	**37,272**	**25,039**	**1,917**	**8,271**	**(53,487)**

During 2025–26, the Health Service revised the methodology used to prepare the Schedule of Income and Expenses by Service. The updated methodology adopts an activity-based costing approach, whereby costs are allocated to services based on the extent to which resources are consumed in delivering Outcome Based Management (OBM) outputs and services. Comparative figures for 2024–25 have been restated, where applicable, to ensure consistency and comparability with the current year presentation.

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
	2025 $000	2025 $000	2025 $000	2025 $000	2025 $000	2025 $000	2025 $000
Cost of services							
Expenses							
Employee benefits expense	822,825	147,567	171,402	194,372	10,923	28,569	1,375,658
Contracts for services	264,560	80,404	37,800	36,370	782	162	420,078
Patient support costs	204,397	33,005	57,698	10,765	1,381	10,642	317,888
Fees for contracted medical practitioners	26,613	3,392	4,869	121	-	-	34,995
Finance costs	15	2	7	681	11	22	738
Depreciation and amortisation expense	36,919	6,771	7,594	9,258	252	636	61,430
Repairs, maintenance and consumable equipment	23,417	4,111	5,269	4,767	428	5,104	43,096
Other supplies and services	6,940	1,395	1,502	5,773	60	333	16,003
Cost of sales	4,451	5	28	207	-	-	4,691
Other expenses	88,282	15,891	18,321	22,878	970	2,854	149,196
Total cost of services	1,478,419	292,543	304,490	285,192	14,807	48,322	2,423,773
Income							
Patient charges	46,904	9,375	8,400	1,496	1	39	66,215
Other fees for services	73	14	18	6	-	432	543
Commonwealth grants and contributions	7,240	-	488	7,872	-	-	15,600
Other grants and contributions	2	2	2	-	-	2,661	2,667
Donation income	327	67	77	23	2	71	567
Sales and service revenue	4,000	-	19	186	-	-	4,205
Other income and recoveries	24,598	870	23,986	1,266	35	10,099	60,854
Total income other than income from State Government	83,144	10,328	32,990	10,849	38	13,302	150,651
Net cost of services	**1,395,275**	**282,215**	**271,500**	**274,343**	**14,769**	**35,020**	**2,273,122**
Income from State Government							
Department of Health - Service Agreement:							
- State component	829,369	149,558	183,723	11,987	9,063	15,028	1,198,728
- Commonwealth component	415,670	73,889	90,767	1	4,477	16,907	601,711
Mental Health Commission - Service Agreement	7,649	8,686	551	279,082	-	-	295,968
Income from other state government agencies	29,010	4,889	6,363	1,790	88	6,870	49,010
Resources received	54,549	12,669	15,301	10,432	330	690	93,971
Total income from State Government	1,336,247	249,691	296,705	303,292	13,958	39,495	2,239,388
Surplus/(deficit) for the period	**(59,028)**	**(32,524)**	**25,205**	**28,949**	**(811)**	**4,475**	**(33,734)**

During 2025–26, the Health Service revised the methodology used to prepare the Schedule of Income and Expenses by Service. The updated methodology adopts an activity-based costing approach, whereby costs are allocated to services based on the extent to which resources are consumed in delivering Outcome Based Management (OBM) outputs and services. Comparative figures for 2024–25 have been restated, where applicable, to ensure consistency and comparability with the current year presentation.

	2026 $000	2025 $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 contracted medical practitioners (CMP)	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	1,331,911	1,242,827
Termination benefits	615	867
Superannuation - defined contribution plans (a)	152,634	131,929
Total employee benefits expense	1,485,160	1,375,623
Add: AASB 16 Non-monetary benefits (b)	-	35
Net employee benefits	1,485,160	1,375,658

(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.

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.

	2026 $000	2025 $000

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)	149,323	136,038
Time off in lieu leave (a)	43,570	40,812
Long service leave (b)	112,659	109,760
Deferred salary scheme (c)	1,467	957
	307,019	287,567
Non-current		
Long service leave (b)	48,717	45,564
Total employee benefits provisions	355,736	333,131

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

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

Within 12 months of the end of the reporting period	110,496	100,438
More than 12 months after the end of the reporting period	82,397	76,412
	192,893	176,850

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 unconditional long service leave provisions and classified as current where there is no right at the end of reporting period to defer settlement for at least 12 months after the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Health Service has the 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	34,760	37,536
More than 12 months after the end of the reporting period	126,616	117,788
	161,376	155,324

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: $10.9 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): $1.8 million.

	2026 $000	2025 $000

3.1.2 Employee benefits provisions (continued)

(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.

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

Within 12 months of the end of the reporting period	296	273
More than 12 months after the end of the reporting period	1,171	684
	1,467	957

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.

3.2 Contracts for services

Public patient services (a)	422,613	378,497
Mental health services (a)	36,981	36,321
Home and community care (a)	923	783
Other contracts	1,573	4,477
Total contracts for services	462,090	420,078

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

3.3 Patient support costs

Drug supplies	85,910	78,972
Pathology	63,112	58,508
Prosthesis	35,446	33,672
Other medical supplies and services	113,204	98,530
Domestic charges	21,746	21,060
Fuel, light and power	10,163	9,570
Food supplies	10,657	10,219
Patient transport costs	6,502	6,528
Research, development and other grants	114	829
Total patient support costs	346,854	317,888

3.4 Fees for contracted medical practitioners (CMP)

Fees for contracted medical practitioners (CMP)		
Clinical	26,423	26,250
Radiology	8,436	8,745
Total fees for contracted medical practitioners	34,859	34,995

CMP, both general practitioners and specialists, are contracted to provide medical services to a hospital via a Medical Services Agreement. CMP are independent contractors operating medical businesses and are not Health Service employees. CMP were previously known as visiting medical practitioners (VMP).

	2026 $000	2025 $000

3.5 Repairs, maintenance and consumable equipment

Repairs, maintenance and consumable equipment

Repairs and maintenance	33,444	31,140
Consumable equipment	11,472	11,956
Total repairs, maintenance and consumable equipment	44,916	43,096

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').

3.6 Other supplies and services

Other supplies and services (recognised as an expense as incurred)

Sanitisation and waste removal services	2,383	2,524
Administration and management services	5,192	3,766
Interpreter services	2,397	2,011
Security services	7,310	6,888
Outsourced health promotion	83	189
Outsourced engineering	60	177
Employee assistance	220	215
Other	278	233
Total other supplies and services	17,923	16,003

3.7 Other expenses

Other expenses

Services provided by Health Support Services: (a)		
ICT services	52,051	48,705
Supply chain services	9,055	8,357
Financial services	1,951	2,940
Human resources services	10,955	11,532
Workers compensation insurance	30,944	31,599
Lease expenses (b)	911	1,119
Other insurances	21,597	19,159
Legal services	675	299
Audit fees	934	1,321
Consultancy fees	6,030	5,229
Printing and stationery	3,680	3,886
Library subscription	1,780	1,616
Expected credit losses expense (c)	6,356	929
Communications	2,603	1,966
Freight, cartage and manual handling fees	889	919
Other employee related expenses	3,144	2,995
Loss on disposal of non-current assets	1,556	198
Motor vehicle expenses	767	653
Computer services	4,161	2,856
Accommodation (d)	490	435
Other	2,618	2,483
Total other expenses	163,147	149,196

(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. The lease expenses also include variable lease payments and maintenance expenses related to the leased assets.

(c) 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').

(d) Lease payments to the Department of Housing and Works for the Government Office Accommodation.

	2026 $000	2025 $000

Note 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 and other grants and contributions	4.2
Patient charges	4.3
Other fees for services	4.4
Donation income	4.5
Commercial activities	4.6
Other income and recoveries	4.7

4.1 Income from State Government

Service Agreement received (a):		
Department of Health - Service Agreement - State component (b)	1,305,247	1,198,728
Department of Health - Service Agreement - Commonwealth component	675,521	601,711
Total service agreement received from Department of Health	1,980,768	1,800,439
Mental Health Commission - Service Agreement	320,784	295,968
Income from other state government agencies (c):		
Insurance Commission of Western Australia - patient fees (motor vehicle injuries)	21,599	32,301
Insurance Commission of Western Australia - non patient (other recoveries)	1,132	3,069
Road Safety Commission - Road Trauma Program (Injury Prevention)	1,576	577
South Metropolitan Health Service - Health Technology Management Services	10,521	8,365
South Metropolitan Health Service - Business Intelligence Services	1,852	2,795
Child and Adolescent Health Service - Data Services	67	-
North Metropolitan Health Service - Data Services	210	-
Other Health Service Providers	2,482	1,903
Total income from other state government agencies	39,439	49,010
Resources received from other state government agencies during the year (d):		
Services received free of charge:		
Health Support Services - shared services		
ICT services	52,051	48,705
Supply chain services	9,055	8,357
Financial services	1,951	2,940
Human resources services	10,955	11,532
PathWest - indirect costs	24,658	21,855
Department of Justice - legal services	456	200
Department of Housing and Works - rental lease management	14	13
Assets transferred in (out):	(43)	369
Total resources received	99,097	93,971
Total income from State Government	2,440,088	2,239,388

(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.

	2026 $000	2025 $000
4.2 Commonwealth and other grants and contributions		
Capital grants	-	15,600
Total commonwealth grants and contributions	-	15,600
Research and other grants	2,966	2,667
Total other grants and contributions	2,966	2,667
4.3 Patient charges		
Inpatient bed charges	57,619	50,058
Inpatient other charges	6,914	5,036
Outpatient charges	12,641	11,121
Total patient charges	77,174	66,215
4.4 Other fees for services		
Non-clinical services to other health organisations	131	543
Total other fees for services	131	543
4.5 Donation income		
General public donations	557	567
Total donations	557	567
4.6 Commercial activities - sales and service revenue		
Sales:		
Cafeteria sales	4,775	4,205
Car parking fees	4,345	-
Total sales	9,120	4,205
Cost of sales:		
Cafeteria	(4,832)	(4,691)
Car parking	(4,053)	-
Total cost of sales	(8,885)	(4,691)
Gross profit/(loss)	235	(486)
4.7 Other income and recoveries		
Abatements	-	35
Rent from commercial properties	918	905
Parking	622	331
Commissions	204	173
Sponsorship	158	640
Training and education	440	35
Clinical trial income	7,055	5,032
Medical reports and certificates	69	75
Pharmaceutical Benefits Scheme (PBS)	52,364	50,247
Reversal asset revaluation decrement - land	-	2,487
Other	638	894
Total other income and recoveries	62,468	60,854

Income recognition
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.

	2026 $000	2025 $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	114,472	97,524
Reconciliation:		
Carrying amount at start of period	97,524	83,441
Additions	-	1,278
Transfers from/(to) other reporting entities	-	4,760
Revaluation increments/(decrements)	16,948	8,045
Carrying amount at end of period	114,472	97,524
Buildings		
Carrying amount	847,106	802,670
Reconciliation:		
Carrying amount at start of period	802,670	551,088
Additions	11,804	2,480
Transfers from/(to) other reporting entities	-	4,857
Transfers from works in progress	2,416	20,159
Disposals	(8,937)	-
Revaluation increments/(decrements) (b)	89,921	256,786
Write-down of assets	-	-
Depreciation	(50,768)	(32,700)
Carrying amount at end of period	847,106	802,670
Site infrastructure		
Gross carrying amount	27,459	27,459
Accumulated depreciation	(15,361)	(13,825)
Carrying amount	12,098	13,634
Reconciliation:		
Gross carrying amount at start of period	27,459	27,459
Accumulated depreciation	(13,825)	(12,289)
Carrying amount at start of period	13,634	15,170
Depreciation	(1,536)	(1,536)
Carrying amount at end of period	12,098	13,634
Leasehold improvements		
Gross carrying amount	3,921	3,762
Accumulated depreciation	(3,167)	(2,891)
Carrying amount	754	871
Reconciliation:		
Gross carrying amount at start of period	3,762	3,308
Accumulated depreciation	(2,891)	(2,542)
Carrying amount at start of period	871	766
Additions	159	454
Depreciation	(276)	(349)
Carrying amount at end of period	754	871

5.1 Property, plant and equipment (continued)	2026 $000	2025 $000
Computer equipment		
Gross carrying amount	16,339	12,010
Accumulated depreciation	(8,090)	(5,818)
Carrying amount	8,249	6,192
Reconciliation:		
Gross carrying amount at start of period	12,010	7,673
Accumulated depreciation	(5,818)	(3,976)
Carrying amount at start of period	6,192	3,697
Additions	4,297	4,061
Transfers from works in progress	-	341
Transfers between asset classes	32	(40)
Depreciation	(2,272)	(1,867)
Carrying amount at end of period	8,249	6,192
Furniture and fittings		
Gross carrying amount	1,947	1,932
Accumulated depreciation	(1,513)	(1,424)
Carrying amount	434	508
Reconciliation:		
Gross carrying amount at start of period	1,932	1,913
Accumulated depreciation	(1,424)	(1,386)
Carrying amount at start of period	508	527
Additions	116	169
Disposals	-	(15)
Transfers between asset classes	(58)	(52)
Write-down of assets (a)	(34)	-
Write-off of assets	-	(12)
Depreciation	(98)	(109)
Carrying amount at end of period	434	508
Motor vehicles		
Gross carrying amount	688	688
Accumulated depreciation	(500)	(462)
Carrying amount	188	226
Reconciliation:		
Gross carrying amount at start of period	688	375
Accumulated depreciation	(462)	(113)
Carrying amount at start of period	226	262
Transfers between asset classes	-	18
Depreciation	(38)	(54)
Carrying amount at end of period	188	226

5.1 Property, plant and equipment (continued)	2026 $000	2025 $000
Medical equipment		
Gross carrying amount	118,902	104,899
Accumulated depreciation	(65,507)	(57,695)
Carrying amount	53,395	47,204
Reconciliation:		
Gross carrying amount at start of period	104,899	96,346
Accumulated depreciation	(57,695)	(52,003)
Carrying amount at start of period	47,204	44,343
Additions	16,560	10,571
Transfers from/(to) other reporting entities	(48)	1,143
Transfers from works in progress	13	141
Disposals	(268)	(118)
Transfers between asset classes	47	276
Write-down of assets (a)	(288)	(64)
Write-off of assets	-	(22)
Depreciation	(9,825)	(9,066)
Carrying amount at end of period	53,395	47,204
Other plant and equipment		
Gross carrying amount	32,838	28,009
Accumulated depreciation	(11,954)	(9,992)
Carrying amount	20,884	18,017
Reconciliation:		
Gross carrying amount at start of period	28,009	22,627
Accumulated depreciation	(9,992)	(8,581)
Carrying amount at start of period	18,017	14,046
Additions	4,218	2,709
Transfers from/(to) other reporting entities	-	82
Transfers from works in progress	725	3,283
Disposals	-	(5)
Transfers between asset classes	(21)	(202)
Write-down of assets (a)	(40)	-
Write-off of assets	-	(5)
Depreciation	(2,015)	(1,891)
Carrying amount at end of period	20,884	18,017
Artworks		
Carrying amount	1,103	1,096
Reconciliation:		
Carrying amount at start of period	1,096	1,080
Additions	7	16
Carrying amount at end of period	1,103	1,096
Works in progress		
Carrying amount	78,652	39,530
Reconciliation:		
Carrying amount at start of period	39,530	37,456
Additions	43,668	28,119
Capitalised to asset classes	(3,154)	(23,925)
Write-down of assets (a)	(1,392)	(2,120)
Carrying amount at end of period	78,652	39,530

	2026 $000	2025 $000
5.1 Property, plant and equipment (continued)		
Total property, plant and equipment		
Gross carrying amount	1,243,427	1,119,579
Accumulated depreciation	(106,092)	(92,107)
Carrying amount	1,137,335	1,027,472
Reconciliation:		
Gross carrying amount at start of period	1,119,579	832,766
Accumulated depreciation	(92,107)	(80,890)
Carrying amount at start of period	1,027,472	751,876
Additions	80,829	49,857
Transfers from/(to) other reporting entities	(48)	10,842
Disposals	(9,206)	(138)
Revaluation increments/(decrements) (b)	106,869	264,830
Write-down of assets (a)	(1,753)	(2,184)
Write-off of assets	-	(39)
Depreciation	(66,828)	(47,572)
Carrying amount at end of period	1,137,335	1,027,472

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

(b) This amount includes professional and project management fees and one-off cost allowances. These amounts are included in the value of current use building assets under the current replacement cost basis.

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.

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 is carried at fair value 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.

In addition, for buildings under the current replacement cost basis, estimated professional and project management fees are included in the valuation of current use assets as required by AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities. These valuations are undertaken annually to ensure that the carrying amount of the assets does not differ materially from their fair value at the end of the reporting period.

	2026 $000	2025 $000
5.1 Property, plant and equipment (continued)		

Land and buildings were revalued as at 1 July 2025 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2026 and recognised at 30 June 2026. In undertaking the revaluation, fair value was determined by reference to market values for land: $5.6 million (2025: $5.5 million) and buildings: $0.9 million (2025: $0.2 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).

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.

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.

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.

As at 30 June 2026 there were no indications of impairment to property, plant and equipment and intangible assets.

5.2 Intangible assets

	2026 $000	2025 $000
Computer software		
Gross carrying amount	503	469
Accumulated amortisation	(415)	(390)
Carrying amount	88	79
Reconciliation:		
Gross carrying amount at start of the period	469	443
Accumulated amortisation	(390)	(360)
Carrying amount at start of the period	79	83
Additions	34	20
Amortisation	(25)	(24)
Carrying amount at end of the period	88	79
Works in progress		
Carrying amount	42	-
Reconciliation:		
Carrying amount at start of period	-	-
Additions	42	-
Carrying amount at end of period	42	-
Total intangible assets		
Gross carrying amount	545	469
Accumulated amortisation	(415)	(390)
Carrying amount	130	79
Reconciliation:		
Gross carrying amount at start of period	469	443
Accumulated amortisation	(390)	(360)
Carrying amount at start of period	79	83
Additions	76	20
Amortisation	(25)	(24)
Carrying amount at end of period	130	79

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.

5.3 Right-of-use assets

	2026 $000	2025 $000
Buildings		
Gross carrying amount	20,308	20,377
Accumulated depreciation	(10,902)	(7,877)
Carrying amount	9,406	12,500
Reconciliation:		
Opening net carrying amount	12,500	13,851
Additions	196	1,969
Depreciation	(3,290)	(3,320)
Carrying amount at end of the period	9,406	12,500
Vehicles		
Gross carrying amount	3,516	2,666
Accumulated depreciation	(1,227)	(643)
Carrying amount	2,289	2,023
Reconciliation:		
Opening net carrying amount	2,023	1,044
Additions	921	1,570
Disposals (leases expired)	(4)	(49)
Depreciation	(651)	(542)
Carrying amount at end of the period	2,289	2,023
Total Right-of-use assets		
Gross carrying amount	23,824	23,043
Accumulated depreciation	(12,129)	(8,520)
Carrying amount	11,695	14,523
Reconciliation:		
Opening carrying amount	14,523	14,895
Additions	1,117	3,539
Disposals (leases expired)	(4)	(49)
Depreciation	(3,941)	(3,862)
Carrying amount at end of the period	11,695	14,523

Initial Recognition
Right-of-use assets are measured at cost which include the following:
- the net present value of the future minimum payments
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset (make good provision)

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.

	2026 $000	2025 $000
5.3 Right-of-use assets (continued)		
The following amounts relating to leases have been recognised in the statement of comprehensive income.		
Depreciation expense of right-of-use assets		
Buildings	3,290	3,320
Vehicles	651	542
Total right-of-use asset depreciation	3,941	3,862
Lease interest expense (included in Finance cost)	732	738
Short-term leases (included in Other Expenses)	8	-
The statement of cash flows shows the following amounts relating to leases:		
Finance costs	732	738
Principal elements of lease payments	2,901	2,752

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.

The Health Service has also entered into Memorandum of Understanding Agreements (MOU) with the Department of Housing and Works for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Housing and Works 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.

	2026 $000	2025 $000
5.4 Service concession assets (SCA)		
Land SCA		
Carrying amount	17,300	14,500
Reconciliation:		
Carrying amount at start of period	14,500	12,000
Revaluation increments/(decrements)	2,800	2,500
Carrying amount at end of period	17,300	14,500
Buildings SCA		
Carrying amount	403,930	368,554
Reconciliation:		
Carrying amount at start of period	368,554	317,555
Revaluation increments/(decrements)	44,590	58,744
Depreciation	(9,214)	(7,745)
Carrying amount at end of period	403,930	368,554
Site infrastructure SCA		
Gross carrying amount	16,831	16,831
Accumulated depreciation	(2,561)	(2,195)
Carrying amount	14,270	14,636
Reconciliation:		
Gross carrying amount at start of period	16,831	16,831
Accumulated depreciation	(2,195)	(1,829)
Carrying amount at start of period	14,636	15,002
Depreciation	(366)	(366)
Carrying amount at end of period	14,270	14,636

	2026 $000	2025 $000
5.4 Service concession assets (SCA) (continued)		
Computer equipment SCA		
Gross carrying amount	207	207
Accumulated depreciation	(207)	(207)
Carrying amount	-	-
Reconciliation:		
Gross carrying amount at start of period	207	211
Accumulated depreciation	(207)	(211)
Carrying amount at end of period	-	-
Furniture and fittings SCA		
Gross carrying amount	763	776
Accumulated depreciation	(739)	(731)
Carrying amount	24	45
Reconciliation:		
Gross carrying amount at start of period	776	776
Accumulated depreciation	(731)	(679)
Carrying amount at start of period	45	97
Depreciation	(21)	(52)
Carrying amount at end of period	24	45
Medical equipment SCA		
Gross carrying amount	6,056	6,856
Accumulated depreciation	(5,408)	(5,908)
Carrying amount	648	948
Reconciliation:		
Gross carrying amount at start of period	6,856	7,242
Accumulated depreciation	(5,908)	(5,638)
Carrying amount at start of period	948	1,604
Disposals	-	(14)
Transfers between asset classes	-	-
Write-off of assets	-	(8)
Depreciation	(300)	(634)
Carrying amount at end of period	648	948
Other plant and equipment SCA		
Gross carrying amount	12,520	12,804
Accumulated depreciation	(7,892)	(7,431)
Carrying amount	4,628	5,373
Reconciliation:		
Gross carrying amount at start of period	12,804	12,870
Accumulated depreciation	(7,431)	(6,281)
Carrying amount at start of period	5,373	6,589
Disposals	(15)	(4)
Depreciation	(730)	(1,212)
Carrying amount at end of period	4,628	5,373
Artworks SCA		
Carrying amount	1,000	1,000
Reconciliation:		
Carrying amount at start of period	1,000	1,000
Carrying amount at end of period	1,000	1,000
Computer software SCA		
Gross carrying amount	1,068	1,068
Accumulated amortisation	(1,068)	(1,068)
Carrying amount	-	-
Reconciliation:		
Gross carrying amount at start of period	1,068	1,068
Accumulated amortisation	(1,068)	(1,068)
Carrying amount at end of period	-	-

	2026 $000	2025 $000
5.4 Service concession assets (SCA) (continued)		
Total service concession assets		
Gross carrying amount	459,675	422,596
Accumulated depreciation	(17,875)	(17,540)
Carrying amount	441,800	405,056
Reconciliation:		
Gross carrying amount at start of period	422,596	369,553
Accumulated depreciation	(17,540)	(15,706)
Carrying amount at start of period	405,056	353,847
Disposals	(15)	(18)
Revaluation increments/(decrements) (a)	47,390	61,244
Transfers between asset classes	-	-
Write-off of assets	-	(8)
Depreciation	(10,631)	(10,009)
Carrying amount at end of period	441,800	405,056

(a) This amount includes professional and project management fees and one-off cost allowances. These amounts are included in the value of current use building assets under the current replacement cost basis.

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.

	2026 $000	2025 $000
5.5 Depreciation and amortisation expense		
Depreciation and amortisation charge for the period:		
Buildings	50,768	32,700
Medical equipment	9,825	9,066
Site infrastructure	1,536	1,536
Leasehold improvements	276	349
Computer equipment	2,272	1,867
Furniture and fittings	98	109
Motor vehicles	38	54
Other plant and equipment	2,015	1,890
Right-of-use asset	3,941	3,827
Service concession asset	10,631	10,009
Total depreciation for the period	81,400	61,407
Total amortisation for the period - Computer software	25	23
Total depreciation and amortisation for the period	81,425	61,430

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.

	2026 $000	2025 $000
5.5 Depreciation and amortisation expense (continued)		

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 to15 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.

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

	2026 $000	2025 $000
Current		
Patient fee debtors (a)	29,154	24,139
Other receivables	8,924	6,991
Less: Allowance for impairment of receivables	(17,286)	(13,991)
Accrued income	19,374	25,507
GST receivable (b)	6,729	6,691
Total current	46,895	49,337
Non-current		
Accrued salaries suspense account (c)	52,994	42,732
Total receivables	99,889	92,069

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 $1.07 million in ex-gratia payments for the 2025-26 period (2024-25: $1.19 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.

(b) 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.

(c) Accrued salaries suspense account contains amounts paid annually into the Treasurer's special purpose account. It is restricted for meeting 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. This account is classified as non-current for 10 out of the 11 years.

6.1.1 Movement of the allowance for impairment of receivables

Balance at start of period	13,991	16,151
Expected credit losses (note 3.7 'Other expenses')	6,356	929
Amounts written off during the period	(1,989)	(2,407)
Amount recovered during the period	117	1
Debt waivers during the period (a)	(1,189)	(683)
Balance at end of period	17,286	13,991

(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)

	2026 $000	2025 $000
Non-current	842,529	781,637
Total amounts receivable for services	842,529	781,637

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).

6.3 Inventories

Current		
Pharmaceutical stores - at cost	6,702	6,253
Engineering stores - at cost	913	931
Total inventories	7,615	7,184

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.

6.4 Other current assets

Current		
Prepayments	1,511	1,750
Total other assets	1,511	1,750

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.

6.5 Payables

Current		
Accrued expenses	93,407	89,772
Trade creditors	16,672	13,803
Accrued salaries	58,724	50,153
Other creditors	3,986	3,523
Total current	172,789	157,251

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 5.3 Timely Payment of Accounts requires payments for goods, services and construction works valued at less than $1 million, and not subject to an exemption, to be paid within 20 calendar days of the receipt of an invoice or the provision of goods or services whichever is later. Payments of over $1 million are required to be settled within 30 calendar days of the receipt of a correctly rendered invoice, or provision of goods or services whichever is later unless alternative payment terms are specified in the contract or as agreed with the vendor.

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.

6.6 Grant liabilities

Current	955	955
	955	955
Expected satisfaction of grant liabilities		
Later than 1 year, and not later than 5 years	955	955
Balance at end of period	955	955

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.

		2026 $000	2025 $000
6.7	**Other current liabilities**		
	Current		
	Refundable deposits	283	266
	Paid parental leave scheme	185	23
	Unearned income	1,018	603
	Other	416	379
	Total current	1,902	1,271

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
Capital commitments	7.4

7.1 Lease liabilities

	2026 $000	2025 $000
Current	6,444	4,641
Non-current	9,259	12,805
	15,703	17,446

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 Right-of-use assets.

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.

7.2 Finance costs

	2026 $000	2025 $000
Finance costs		
Finance lease charges	732	738

Finance costs include the interest component of lease liability repayments.

7.3 Cash and cash equivalents

7.3.1 Reconciliation of cash

	2026 $000	2025 $000
Current		
Cash and cash equivalents	66,813	96,527
Restricted cash and cash equivalents (a)	63,011	50,468
Total cash and cash equivalents at end of period	129,824	146,995

(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.

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.

7.3.2 Reconciliation of net cost of services to net cash flows used in operating activities

	Note	2026 $000	2025 $000
Net cost of services (statement of comprehensive income)		(2,493,575)	(2,273,122)
Non-cash items	Note		
Depreciation and amortisation expense	5.5	81,425	61,430
Expected credit loss expense	3.7	6,356	929
Services received free of charge	4.1	99,140	93,602
Net (gain)/loss on disposal of non-current assets	3.7	1,556	198
Donation of non-current assets		(270)	(473)
Write down of property, plant and equipment	3.7	1,753	2,184
Reversal asset revaluation decrement - land	4.7	-	(2,487)
Write-off of receivables	6.1.1	(3,178)	(3,090)
Adjustment for other non-cash items		(471)	(663)
(Increase)/decrease in assets			
GST receivable	6.1	(38)	(1,248)
Other current receivables	6.1	(815)	179
Inventories	6.3	(431)	(872)
Prepayments and other current assets	6.4	239	(673)
Increase/(decrease) in liabilities			
Current payables	6.5	15,538	23,383
Current employee benefits provisions	3.1.2	19,452	46,169
Other current liabilities	6.7	631	244
Non-current employee benefits provisions	3.1.2	3,153	3,288
Net cash used in operating activities (statement of cash flows)		(2,269,535)	(2,051,021)

7.4 Capital commitments

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

	2026 $000	2025 $000
Within 1 year	68,132	23,977
Later than 1 year, and not later than 5 years	1,698	341
Balance at end of period	69,830	24,318

The totals presented for capital commitments are inclusive of GST.

Capital commitments of $69.8 million primarily comprise $26.3 million associated with the Byford Health Hub, a State Government election commitment to establish a health facility in the southern region; $9.7 million for capital works and equipment replacement associated with the acquisition of St John of God Mt Lawley Hospital, supporting the State Government's objective of increasing public health bed capacity; and $3.1 million for capital works and professional fees associated with the Bentley Secure Extended Care Unit, a State Government initiative to provide an additional 24 specialised mental health beds. The balance includes $12.1 million of major and minor capital works across the Health Service hospital sites relating to refurbishment, maintenance and works to sustain or increase service capacity.

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, 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.

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 is not exposed to market risk for changes in interest rates as it does not have borrowings other than lease liabilities.

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:

	2026 $000	2025 $000
Financial assets		
Cash and cash equivalents	66,813	96,527
Restricted cash and cash equivalents	63,011	50,468
Financial assets at amortised cost (1)	93,160	85,378
Amounts receivable for services	842,529	781,637
Total financial assets	1,065,513	1,014,010
Financial liabilities		
Financial liabilities measured at amortised cost	189,376	175,365
Total financial liabilities	189,376	175,365

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

8.1 Financial risk management (continued)

c) Credit risk exposure

The following table details the credit risk exposure on the Health Service's receivables using a provision matrix.

		Days past due				
	Total	Current	< 30 days	31-60 days	61-90 days	>91 days*
	$000	$000	$000	$000	$000	$000
30 June 2026						
Expected credit loss rate		4%	11%	33%	32%	73%
Estimated total gross carrying amount at default	57,452	29,009	5,469	1,338	1,660	19,976
Expected credit losses	(17,286)	(1,152)	(628)	(438)	(535)	(14,533)
30 June 2025						
Expected credit loss rate		2%	7%	24%	32%	73%
Estimated total gross carrying amount at default	56,637	30,541	6,690	1,623	1,518	16,265
Expected credit losses	(13,991)	(744)	(500)	(387)	(491)	(11,869)

*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.

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

		Interest rate exposure				Maturity dates			
	Weighted average effective interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal amount	Up to 3 months	3 months to 1 year	1 - 5 years	More than 5 years
	%	$000	$000	$000	$000	$000	$000	$000	$000	$000
2026										
Financial Assets										
Cash and cash equivalents		66,813	-	-	66,813	66,813	66,813	-	-	-
Restricted cash and cash equivalents		63,011	-	-	63,011	63,011	63,011	-	-	-
Receivables - non-interest bearing (1)		93,160	-	-	93,160	93,160	40,166	-	52,994	-
Amounts receivable for services		842,529	-	-	842,529	842,529	-	-	-	842,529
		1,065,513	-	-	1,065,513	1,065,513	169,990	-	52,994	842,529
Financial Liabilities										
Payables	-	172,789	-	-	172,789	172,789	172,789	-	-	-
Lease liabilities	4.62%	15,703	15,703	-	-	15,703	-	6,444	4,585	4,673
Other current liabilities		884			884	884	884			
		189,376	15,703	-	173,673	189,376	173,673	6,444	4,585	4,673
2025										
Financial Assets										
Cash and cash equivalents		96,527	-	-	96,527	96,527	96,527	-	-	-
Restricted cash and cash equivalents		50,468	-	-	50,468	50,468	50,468	-	-	-
Receivables - non-interest bearing (1)		85,378	-	-	85,378	85,378	42,646	-	42,732	-
Amounts receivable for services		781,637	-	-	781,637	781,637	-	-	-	781,637
		1,014,010	-	-	1,014,010	1,014,010	189,641	-	42,732	781,637
Financial Liabilities										
Payables	-	157,251	-	-	157,251	157,251	157,251	-	-	-
Lease liabilities	4.38%	17,446	17,446	-	-	17,446	-	4,641	7,700	5,105
Other current liabilities		668	-	-	668	668	668			
		175,365	17,446	-	157,919	175,365	157,919	4,641	7,700	5,105

(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.

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

At the reporting date, the Health Service is not aware of any material 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 **2026**	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Land (notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Vacant land	-	-	-	-
Specialised land	-	5,613	126,159	131,772
Buildings (notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Residential and commercial carpark	-	944	-	944
Specialised buildings	-	-	1,250,092	1,250,092
	-	6,557	1,376,251	1,382,808

Assets measured at fair value **2025**	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Land (notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Vacant land	-	-	-	-
Specialised land	-	5,490	106,534	112,024
Buildings (notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Residential and commercial carpark	-	234	-	234
Specialised buildings	-	-	1,170,991	1,170,991
	-	5,724	1,277,525	1,283,249

There were no transfers between Level 1 and 2 during the current and the previous period.

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.

8.3 Fair value measurements (continued)

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.

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, high utility land values are measured by drawing comparison between the subject asset as a going concern and market pricing data of assets having similar utility and service capacity.

The assessed highest and best use value is based upon comparable utility transactions and is adjusted for valuation deferment recognition. Valuation deferment is the practice of delaying the recognition or calculation of an asset's value until a future date, primarily used to manage uncertainty, account for value over time, restrictions on ownership and current use considerations. The value of the land reflects differences between public and private sector market associated with title conversion, time deferments, and other factors including encumbrances, title status, management orders or lease conditions.

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.

In addition, professional and project management fees estimated and added to the current replacement costs provided by Landgate for current use buildings represent significant Level 3 inputs used in the valuation process. The fair value of these assets will increase with a higher level of professional and project management fees.

8.3 Fair value measurements (continued)

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.

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)

	Land	Buildings
	$000	$000
2026		
Fair value at beginning of period	106,534	1,170,991
Additions	-	14,220
Revaluation increments/(decrements) recognised in profit or loss	-	-
Revaluation increments/(decrements) recognised in other comprehensive income	19,625	133,781
Disposals	-	(8,937)
Depreciation	-	(59,963)
Fair value at end of period	126,159	1,250,092
2025		
Fair value at beginning of period	73,461	866,543
Additions	23,657	29,275
Revaluation increments/(decrements) recognised in profit or loss	1,360	-
Revaluation increments/(decrements) recognised in other comprehensive income	8,056	315,560
Depreciation	-	(40,387)
Fair value at end of period	106,534	1,170,991

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.

9.1 Events occurring after the end of the reporting period

The WA Government has acquired Mount Lawley Hospital from St John of God Health Care. The 196-bed facility will deliver additional beds into the public health system, and will be fully transitioned as a public hospital within the East Metropolitan Health Service on 31 August 2026.

Effective 26 August 2026, the 60-bed private hospital co-located within the St John of God Midland Public Hospital site, will transition into public hospital beds. This will make the Midland Public Hospital campus, a fully public hospital campus of 367 beds. The facility will continue to be operated by St John of God Health Care under the Public Private Partnership between the State and St John of God Health Care until 2035.

9.2 Future impact of Australian Accounting Standards not yet operative

The Health Service cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 9 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 9. 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
AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments This Standard amends AASB 7 and AASB 9 as a consequence of the issuance of Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) by the International Accounting Standards Board in May 2024. The Health Service has not assessed the impact of the Standard.	1 Jan 2026
AASB 2024-3 Amendments to Australian Accounting Standards – Annual Improvements Volume 11 This Standard amends AASB 1, AASB 7, AASB 9, AASB 10 and AASB 107 as a consequence of the issuance of Annual Improvements to IFRS Standards – Volume 11 by the International Accounting Standards Board in July 2024. The Health Service has not assessed the impact of the Standard.	1 Jan 2026
AASB 18 (NFP) Presentation and Disclosure in Financial Statements (Appendix D) This Standard replaces AASB 101 with respect to the presentation and disclosure requirements in financial statements applicable to not-for-profit entities. This Standard is a consequence of the issuance of IFRS 18 Presentation and Disclosure in financial Statements by the International Accounting Standards Board in April 2024. This Standard also makes amendments to other Australian Accounting Standards set out in Appendix D of this Standard. The Health Service has not assessed the impact of the Standard.	1 Jan 2028

9.3 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:

	2026	2025
Compensation of members of the Accountable Authority		
Compensation band		
$ 0 - $ 10,000	2	-
$ 10,001 - $ 20,000	2	-
$ 20,001 - $ 30,000	1	-
$ 30,001 - $ 40,000	4	1
$ 40,001 - $ 50,000	4	8
$ 50,001 - $ 60,000	2	-
$ 80,001 - $ 90,000	-	1
Total	15	10
Compensation of senior officers		
Compensation band		
$ 0 - $ 50,000	-	2
$ 50,001 - $ 100,000	3	2
$ 100,001 - $ 150,000	1	-
$ 150,001 - $ 200,000	3	-
$ 200,001 - $ 250,000	5	9
$ 250,001 - $ 300,000	7	5
$ 350,001 - $ 400,000	2	-
$ 400,001 - $ 450,000	-	1
$ 500,001 - $ 550,000	-	1
$ 550,001 - $ 600,000	1	-
Total	22	20
Short-term employee benefits (a)	5,023	4,269
Post-employment benefits	599	532
Other long-term benefits	147	89
Total compensation of key management personnel	5,769	4,890

(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.

9.4 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)

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 contributions from Department of Health	9.9
Superannuation payments to GESB	3.1.1
Remuneration for services provided by Office of the Auditor General	9.8
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.

9.5 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.

9.6 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.

	2026 $000	2025 $000

9.7 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	14,953	8,475
Receipts		
Commonwealth contributions (note 4.1)	104,611	90,456
State contributions (note 4.1)	214,821	204,972
Other	1,352	540
	335,737	304,443
Payments	(316,664)	(289,490)
Balance at end of period	19,073	14,953

H&LB Fund

The account was established on 26 May 2026 to receive royalty income from William Cook Australia Pty Ltd, donations and interest revenue. Funds held in the account are used to support research and the advancement of public health vascular surgery and medical imaging in Western Australia.

Balance at start of period	12,300	-
Receipts		
Interest	53	-
	12,353	-
Payments	-	-
Balance at end of period	12,353	-

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

9.8 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	485	469

	2026 $000	2025 $000

9.9 Equity

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	1,359,712	1,312,747
Contributions by owners (a)		
Contribution by Owners – Capital Appropriations administered by Department of Health (b)	65,303	35,453
Transfer of net assets from Mental Health Commission (c)	-	11,512
Total contributions by owners	1,425,015	1,359,712
Total contributed equity at end of period	1,425,015	1,359,712

(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.

TI 8.8 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.

(b) *TI 8.8 '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'*.

(c) *In accordance with the Minister's direction, the assets and liabilities relating to the Next Step Drug and Alcohol Services were transferred from the Mental Health Commission to the Health Service on 18 November 2024. This transfer of assets and liabilities was formally designated as contribution by owner under AASB 1004 and forms part of the contributed equity of the Health Service.*

Breakdown of assets and liabilities transferred to the Health Service relating to the Next Step Drug and Alcohol Services is provided below. Income and expenditure attributable to the transferred activities of the Next Step Drug and Alcohol Services are not separately shown due to immateriality.

Assets	
Cash	2,969
Receivables (27th Pay)	507
Land	4,760
Buildings	4,858
Medical equipment	1,097
Plant and equipment	82
Right-of-use assets - Motor Vehicles leased	28
Other assets	225
Total assets	14,526
Liabilities	
Employee benefits provisions	(2,986)
Lease liabilities	(28)
Total liabilities	(3,014)
Net assets	11,512
Equity	
Contributed equity	11,512

Asset revaluation reserve		
Balance at start of the period	640,739	317,151
Changes in asset revaluation surplus:		
Land	19,749	8,056
Buildings	126,967	315,532
Total asset revaluation reserve at end of period	787,455	640,739

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'.

		2026 $000	2025 $000
9.10	Supplementary financial information		
	a) Write-offs		
	Debts written off under the authority of the Accountable Authority	1,989	2,154
	Public and other property written off under the authority of the Minister	-	-
	Debts written off under the authority of the Minister	-	253
		1,989	2,407
	See also Note 6.1.1 Movement of the allowance for impairment of receivables		
	b) Debt waivers		
	Debts waived under the authority of the Accountable Authority	1,189	683
		1,189	683
9.10	Supplementary financial information (continued)		
	Debt waivers are discretionary in nature and under justifiable and reasonable circumstances, can be used by the Accountable Authority to permanently forgive a debt.		
	See also Note 6.1.1 Movement of the allowance for impairment of receivables		
	Losses of public money, and public and other property through theft or default	-	563
	Amounts recovered	-	(43)
		-	520
9.11	Administered trust accounts		

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	12	19
Add receipts	46	62
	58	81
Less payments	(48)	(69)
Balance at end of period	10	12

Note 10 Explanatory statement

All variances between 2026 actual results and 2026 estimates (original budget) are shown below. Narratives are provided for key major variances, which are greater than 10% and $24.05 million for the statement of comprehensive income, statement of cash flows and $24.9 million for the statement of financial position.

Statement of comprehensive income	Note	Estimates 2026 $000	Actuals 2026 $000	Variance between 2026 actuals and 2026 estimates $000
Expenses				
Employee benefits expense		1,366,405	1,485,160	118,755
Contracts for services		421,063	462,090	41,027
Patient support costs		316,394	346,854	30,460
Fees for contracted medical practitioners		34,850	34,859	9
Finance costs		739	732	(7)
Depreciation and amortisation expense		61,112	81,425	20,313
Repairs, maintenance and consumable equipment		37,929	44,916	6,987
Other supplies and services		15,892	17,923	2,031
Cost of sales		4,671	8,885	4,214
Other expenses		145,570	163,147	17,577
Total cost of services		2,404,625	2,645,991	241,366
Income				
Patient charges		67,247	77,174	9,927
Other fees for services		518	131	(387)
Other grants and contributions		2,708	2,966	258
Donation income		576	557	(19)
Sales and service revenue		4,671	9,120	4,449
Other income and recoveries		57,131	62,468	5,337
Total income other than income from State Government		132,851	152,416	19,565
Net cost of services		2,271,774	2,493,575	221,801
Income from State Government				
Department of Health - Service Agreement:				
- State component		1,217,398	1,305,247	87,849
- Commonwealth component	1	611,082	675,521	64,439
Mental Health Commission - Service Agreement		300,578	320,784	20,206
Income from other state government agencies		49,439	39,439	(10,000)
Resources received		95,232	99,097	3,865
Total income from State Government		2,273,729	2,440,088	166,359
Surplus/(deficit) for the period		1,955	(53,487)	(55,442)
Other comprehensive income				
Items not reclassified subsequently to profit or loss				
Changes in asset revaluation reserve		-	146,716	146,716
Total other comprehensive income		-	146,716	146,716
Total comprehensive income/(loss) for the period		1,955	93,229	91,274

Note 10 Explanatory statement (continued)

Statement of financial position	Note	Estimates 2026 $000	Actuals 2026 $000	Variance between 2026 actuals and 2026 estimates $000
Assets				
Current assets				
Cash and cash equivalents		51,665	66,813	15,148
Restricted cash and cash equivalents		50,468	63,011	12,543
Receivables		42,155	46,895	4,740
Inventories		7,184	7,615	431
Other current assets		1,751	1,511	(240)
Total current assets		153,223	185,845	32,622
Non-current assets				
Receivables		52,923	52,994	71
Amounts receivable for services		842,749	842,529	(220)
Property, plant and equipment		1,035,318	1,137,335	102,017
Intangible assets		79	130	51
Right-of-use assets		10,677	11,695	1,018
Service concession assets	2	395,090	441,800	46,710
Total non-current assets		2,336,836	2,486,483	149,647
Total assets		2,490,059	2,672,328	182,269
Liabilities				
Current liabilities				
Payables	3	120,163	172,789	52,626
Grant liabilities		955	955	-
Lease liabilities		3,975	6,444	2,469
Employee benefits provisions	4	275,595	307,019	31,424
Other current liabilities		1,271	1,902	631
Total current liabilities		401,959	489,109	87,150
Non-current liabilities				
Employee benefits provisions		50,816	48,717	(2,099)
Lease liabilities		10,746	9,259	(1,487)
Total non-current liabilities		61,562	57,976	(3,586)
Total liabilities		463,521	547,085	83,564
Net assets		2,026,538	2,125,243	98,705
Equity				
Contributed equity		1,417,584	1,425,015	7,431
Reserves		640,739	787,455	146,716
Accumulated deficit		(31,785)	(87,227)	(55,442)
Total equity		2,026,538	2,125,243	98,705

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2026

Note 10 Explanatory statement (continued)

Statement of cash flows	Note	Estimates 2026 $000	Actuals 2026 $000	Variance between 2026 actuals and 2026 estimates $000
Cash flows from State Government				
Contribution by Owners – Capital Appropriations administered by Department of Health		57,871	65,303	7,432
Service agreement - Department of Health		1,767,367	1,919,876	152,509
Service agreement - Mental Health Commission		300,578	320,784	20,206
Funds received from other state government agencies		49,440	39,439	(10,001)
Net cash provided by State Government		2,175,256	2,345,402	170,146
Utilised as follows:				
Cash flows from operating activities				
Payments				
Employee benefits		(1,373,125)	(1,453,928)	(80,803)
Supplies and services		(917,300)	(955,912)	(38,612)
Finance costs		(739)	(732)	7
Receipts				
Receipts from customers		66,525	68,933	2,408
Other grants and contributions		2,708	2,966	258
Donations received		576	288	(288)
Other receipts		69,299	68,850	(449)
Net cash used in operating activities		(2,152,056)	(2,269,535)	(117,479)
Cash flows from investing activities				
Payments				
Purchase of non-current assets	5	(55,146)	(79,875)	(24,729)
Receipts				
Proceeds from sale of non-current assets		-	-	-
Net cash used in investing activities		(55,146)	(79,875)	(24,729)
Cash flows from financing activities				
Payments				
Principal elements of lease payments		(2,725)	(2,901)	(176)
Payment to accrued salaries account		(10,191)	(10,262)	(71)
Net cash used in financing activities		(12,916)	(13,163)	(247)
Net increase (decrease) in cash and cash equivalents		(44,862)	(17,171)	27,691
Cash and cash equivalents at the beginning of the period		146,995	146,995	-
Total cash and cash equivalents at the end of the period		102,133	129,824	27,691

All variances between actual results for 2026 and 2025 are shown below. Narratives are provided for key major variances, which are greater than 10% and $24.24 million for the statement of comprehensive income and statement of cash flows and $24.77 million for the statement of financial position.

Statement of comprehensive income	Note	Actuals 2026 $000	Actuals 2025 $000	Variance between 2026 and 2025 actual results $000
Expenses				
Employee benefits expense		1,485,160	1,375,658	109,502
Contracts for services	6	462,090	420,078	42,012
Patient support costs		346,854	317,888	28,966
Fees for contracted medical practitioners		34,859	34,995	(136)
Finance costs		732	738	(6)
Depreciation and amortisation expense		81,425	61,430	19,995
Repairs, maintenance and consumable equipment		44,916	43,096	1,820
Other supplies and services		17,923	16,003	1,920
Cost of sales		8,885	4,691	4,194
Other expenses		163,147	149,196	13,951
Total cost of services		2,645,991	2,423,773	222,218
Income				
Patient charges		77,174	66,215	10,959
Other fees for services		131	543	(412)
Commonwealth grants and contributions		-	15,600	(15,600)
Other grants and contributions		2,966	2,667	299
Donation income		557	567	(10)
Sales and service revenue		9,120	4,205	4,915
Other income and recoveries		62,468	60,854	1,614
Total income other than income from State Government		152,416	150,651	1,765
Net cost of services		2,493,575	2,273,122	220,453
Income from State Government				
Department of Health - Service Agreement:				
- State component	7	1,305,247	1,198,728	106,519
- Commonwealth component	7	675,521	601,711	73,810
Mental Health Commission - Service Agreement		320,784	295,968	24,816
Income from other state government agencies		39,439	49,010	(9,571)
Resources received		99,097	93,971	5,126
Total income from State Government		2,440,088	2,239,388	200,700
Surplus/(deficit) for the period		(53,487)	(33,734)	(19,753)
Other comprehensive income				
Items not reclassified subsequently to profit or loss				
Changes in asset revaluation reserve		146,716	323,588	(176,872)
Total other comprehensive income		146,716	323,588	(176,872)
Total comprehensive income/(loss) for the period		93,229	289,854	(196,625)

Statement of financial position	Note	Actuals 2026 $000	Actuals 2025 $000	Variance between 2026 and 2025 actual results $000
Assets				
Current assets				
Cash and cash equivalents		66,813	96,527	(29,714)
Restricted cash and cash equivalents		63,011	50,468	12,543
Receivables		46,895	49,337	(2,442)
Inventories		7,615	7,184	431
Other current assets		1,511	1,750	(239)
Total current assets		185,845	205,266	(19,421)
Non-current assets				
Receivables		52,994	42,732	10,262
Amounts receivable for services		842,529	781,637	60,892
Property, plant and equipment	9	1,137,335	1,027,472	109,863
Intangible assets		130	79	51
Right-of-use assets		11,695	14,523	(2,828)
Service concession assets	2	441,800	405,056	36,744
Total non-current assets		2,486,483	2,271,499	214,984
Total assets		2,672,328	2,476,765	195,563
Liabilities				
Current liabilities				
Payables		172,789	157,251	15,538
Grant liabilities		955	955	-
Lease liabilities		6,444	4,641	1,803
Employee benefits provisions		307,019	287,567	19,452
Other current liabilities		1,902	1,271	631
Total current liabilities		489,109	451,685	37,424
Non-current liabilities				
Employee benefits provisions		48,717	45,564	3,153
Lease liabilities		9,259	12,805	(3,546)
Total non-current liabilities		57,976	58,369	(393)
Total liabilities		547,085	510,054	37,031
Net assets		2,125,243	1,966,711	158,532
Equity				
Contributed equity		1,425,015	1,359,712	65,303
Reserves		787,455	640,739	146,716
Accumulated deficit		(87,227)	(33,740)	(53,487)
Total equity		2,125,243	1,966,711	158,532

Statement of cash flows	Note	Actuals 2026 $000	Actuals 2025 $000	Variance between 2026 and 2025 actual results $000
Cash flows from State Government				
Contribution by Owners – Capital Appropriations administered by Department of Health	5	65,303	36,112	29,191
Service agreement - Department of Health	7	1,919,876	1,741,055	178,821
Service agreement - Mental Health Commission		320,784	295,968	24,816
Funds received from other state government agencies		39,439	49,010	(9,571)
Net cash provided by State Government		2,345,402	2,122,145	223,257
Utilised as follows:				
Cash flows from operating activities				
Payments				
Employee benefits	8	(1,453,928)	(1,318,273)	(135,655)
Supplies and services		(955,912)	(871,651)	(84,261)
Finance costs		(732)	(738)	6
Receipts				
Receipts from customers		68,933	76,917	(7,984)
Other grants and contributions		2,966	2,667	299
Donations received		288	95	193
Other receipts		68,850	59,961	8,889
Net cash used in operating activities		(2,269,535)	(2,051,022)	(218,513)
Cash flows from investing activities				
Payments				
Purchase of non-current assets	5	(79,875)	(48,787)	(31,088)
Receipts				
Proceeds from sale of non-current assets		-	(41)	41
Net cash used in investing activities		(79,875)	(48,828)	(31,047)
Cash flows from financing activities				
Payments				
Principal elements of lease payments		(2,901)	(2,752)	(149)
Payment to accrued salaries account		(10,262)	(7,843)	(2,419)
Net cash used in financing activities		(13,163)	(10,595)	(2,568)
Net increase/(decrease) in cash and cash equivalents		(17,171)	11,700	(28,872)
Cash and cash equivalents at the beginning of the period		146,995	135,294	11,701
Total cash and cash equivalents at the end of the period		129,824	146,994	(17,170)

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2026
Note 10 Explanatory statement (continued)

Explanation of significant variances between 2026 estimates and 2026 actuals and between 2026 and 2025 actual results

1. **Income from State Government – Department of Health - Service Agreement - Commonwealth Component.**
The Health Service received additional funding under its 2025-26 Service Agreement with the Department of Health from the Commonwealth for:
$47 million to deliver additional health services and address cost pressures arising from award wage increases, price escalation, and other operational expenses.
$17 million for specific funded initiatives, including Co-Hive, Dialysis Clinics and HIV Treatment program.

2. **Service concession assets**
The Health Service has a Public Private Partnership (PPP) arrangement with St John of God Healthcare operating the St John of God Midland Public Hospital. In 2025-26, the value of the land and buildings associated with the hospital increased by $2.8 million and $44.6 million respectively.

3. **Payables**
The increase in payables is consistent with the growth in the Health Service's activities during the year, including the provision of new services as explained in note 6 and 8 of these explanatory notes. The higher level of activity resulted in increased expenditure, which in turn led to a corresponding increase in payables at the end of the financial year.

4. **Employee benefits provisions**
The increase in employee benefits provisions is consistent with the increase in employee benefits expense, as outlined under note 8 of these explanatory notes.

5. **Purchase of non-current assets**
The increase in acquisitions of non-current assets is primarily attributable to the progression of major capital projects, including the Royal Perth Hospital Emergency Department expansion and other infrastructure projects. Some of these projects are managed by Office of Major Infrastructure Delivery (OMID) on behalf of the Health Service.

6. **Contracts for services**
In 2025-26, additional payments of $42 million were made under the Public Private Partnership (PPP) arrangement with St John of God Healthcare to support the provision of additional general and mental health services.

7. **Income from State Government – State and Commonwealth**
The Health Service received additional funding under its 2025-26 Service Agreement with the Department of Health, comprising:
$130 million to address cost pressures associated with award wage increases, price escalation, and other operational expenses;
$27 million to support the delivery of additional health activity, including increased activity in Hospital in the Home services;
$15 million to facilitate the transition of Mount Lawley Hospital; and
$9 million for specific funded initiatives.

8. **Employee benefits**
The variance is primarily attributable to the following factors:
$90 million increase resulting from award wage increases, the provision of new services, and the recruitment of additional staff to support the delivery of healthcare services;
$47 million increase arising from the flow-on effects of these workforce-related costs, including higher penalty rates, allowances, superannuation contributions, and workers' compensation insurance premiums;
$23 million decrease attributable to a reduction in leave liabilities.

9. **Property, plant and equipment**
The increase in the property, plant and equipment was primarily driven by the revaluation of land and buildings. In 2025-26, the value of the Health Service's land increase by $16.9 million and the value of its buildings increased by $89.9 million.