



Peter Mac
Peter MacCallum Cancer Centre
Victoria Australia

ANNUAL REPORT 2019–2020

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BREAKING NEW GROUND. CHANGING LIVES.

“We are a cancer centre unsurpassed in the world, where humanity, caring service and relentless research share equal value.

Nothing but the best is good enough in the treatment of cancer.”

— Sir Peter MacCallum, Co-founder

VISION

To provide the best in cancer care, accelerating discovery and translating to cures. Peter Mac is a proud, mission-driven organisation that leads on a global scale.

VALUES

Excellence – ensuring that clinical practice is evidence-based and patient-centred and is provided by qualified and experienced staff who are accountable and appropriately credentialed.

Innovation – fostered by supporting research and a learning culture.

Compassion – adhering to the strongest ethical standards to ensure a culture of openness, mutual respect and trust is at our core.

ABOUT PETER MAC

PETER MAC IS...



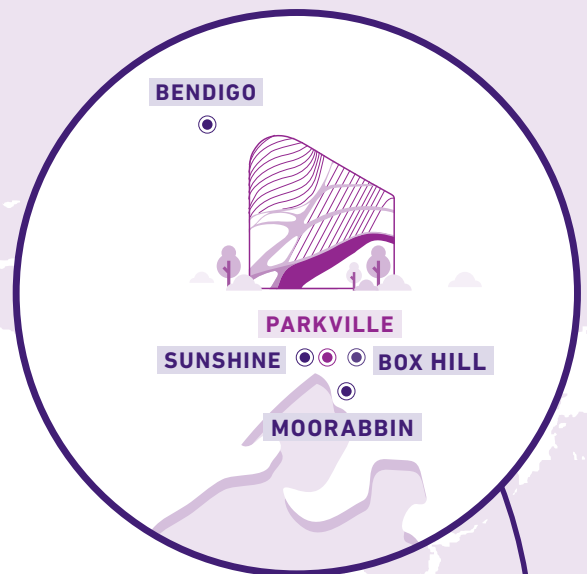
A world leading cancer research, education and treatment centre



Australia's **only public health service** solely dedicated to caring for people affected by cancer



Peter Mac has **more than 3,200 employees**, including more than **700 laboratory and clinical researchers across four different research areas** – laboratory, clinical, translational, health services and implementation research



5 SITES across Victoria, with local, national and international partnerships



Clinical operations

 **37,940** PATIENTS

 **41,436** INPATIENT SEPARATIONS

 **179,750** SPECIALIST APPOINTMENTS

 **87,000** ALLIED HEALTH OCCASIONS OF SERVICE
(inpatients and outpatients)

 **9,311** TELEHEALTH APPOINTMENTS
↑ 481% INCREASE from the previous year



Financial Performance

 **\$726.3M**
REVENUE

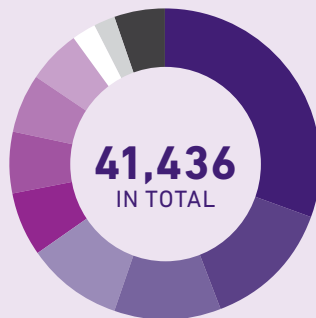
 **\$124.7M**
RESEARCH INCOME

 **\$399,000**
SURPLUS AS PER STATEMENT OF PRIORITIES



Patients by cancer tumour stream

- Haematology
- Breast
- Melanoma & Skin
- Gastrointestinal
- Head & Neck
- Lung
- Gynaecology
- Genitourinary
- Sarcoma
- Paediatrics/Late Effects
- Other (non-tumour stream)



Surgery

 **3,417**
ELECTIVE SURGERY PATIENTS



Research

 **41**
RESEARCH LABORATORIES

 **327**
ACTIVE CLINICAL TRIALS

 **793**
TOTAL PUBLICATIONS
including 136 in high-impact journals



Workforce

 **3,203**
EMPLOYEES

 **2,521**
FULL TIME EQUIVALENT (FTE) EMPLOYEES

 **700**
RESEARCHERS
(incl. 160 research students)

 **170**
VOLUNTEERS

2019-2020 SNAPSHOT



Radiotherapy

 **7,761**
PATIENTS TREATED

 **103,002**
RADIOTHERAPY TREATMENTS


 **16**
LINEAR ACCELERATORS

 **4**
SUPERFICIAL RADIOTHERAPY MACHINES



Pathology

 **209,915**
PATHOLOGY REQUESTS

 **32,641**
MOLECULAR PATHOLOGY TESTS

 **575**
AVERAGE PATHOLOGY REQUESTS PER DAY



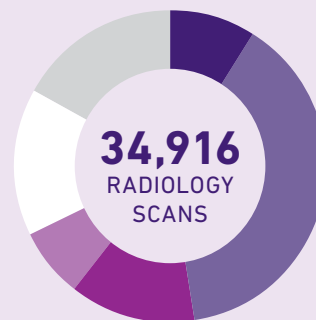
Imaging

 **1,838** NUCLEAR MEDICINE SCANS

 **9,298** PET SCANS

 **927** RADIONUCLIDE THERAPY PATIENT CONSULTATIONS

 **394** RADIONUCLIDE THERAPY TREATMENTS



- Interventional procedures
- CT scans
- MRI scans
- Mammograms
- Ultrasound scans
- X-Ray scans



Cellular Immunotherapy (CAR-T)

 **24**
PATIENTS

treated with first approved standard of care commercial CAR-T Kymriah for B-ALL leukaemia and aggressive lymphoma patients over 2019-20 year.

13
CAR-T CLINICAL TRIALS



underway at peak activity

PETER MAC SERVICES



CLINICAL

Allied Health
Ambulatory Services
Anaesthesia
Breast
Cancer Imaging
Cancer of unknown origin
Clinical Operations
Clinical Services
Clinical Tumour Streams
Dental
Diabetes
Education & Training
Educators
Extended Recovery Unit
Genitourinary
Gynae-oncology
Haematology
Head and neck
Health Information Services
Infection Prevention
Inpatient Services
Internal Medicine
Lower Gastrointestinal
Lung
Medical Oncology
Melanoma and skin
Neuro-oncology
Nurse Coordinators
Nursing
ONTrac @ Peter Mac
Paediatric
Palliative Care
Pathology
Perioperative
Pharmacy
Psychosocial Oncology
Program
Radiation Oncology
Sarcoma
Stomal Therapy
Surgical Oncology
Upper Gastrointestinal



RESEARCH

Blood Cell Therapies
Cancer Based Cell Therapy
Cancer Experiences & Nursing Research
Centre for Biostatistics and Clinical Trials Centre for Immunotherapy
Research Office of Cancer Research
Parkville Cancer Clinical Trials Unit
Pathology Clinical Trials



CORPORATE

Business Intelligence
Cell Therapies
Centre of Excellence in Cellular Immunotherapy
Commercialisation
Communications
Executive Office
Finance
Nexomics
People and Culture
Peter Mac Foundation



SUPPORT

Australian Cancer Survivorship Centre
Cleaning Services
Core Facilities
Facilities & PPP
Information Management & Information
Communication
Technology Interpreters
Kitchen
Operational Planning & Performance
Prevention & Wellbeing
Procurement & Support Services
Quality & Safety
Spiritual Care
Volunteers

REPORT FROM THE BOARD CHAIR

The 2019-20 year has been one of continued achievement, amid adaptation, at the Peter MacCallum Cancer Centre.

We began the year celebrating our 70th anniversary as Australia's only public hospital dedicated to cancer treatment, research and education. This significant longevity is testament to our dedicated staff and the vision and foresight of co-founders Sir Peter MacCallum and Dr Rutherford Kaye-Scott back in 1949.

This year, resilience and flexibility has been called upon as, like all Victorian health services and healthcare workers across the state, we continued to pursue our mission in the midst of the global COVID-19 pandemic.

We were fortunate to appoint Dr Shelley Dolan as Chief Executive during 2019-20 and have been greatly appreciative of her strong leadership since she began at Peter Mac on 23 September 2019.

Under Dr Dolan's guidance, and that of the Peter Mac Board and Executives, the 2019-20 year has seen Peter Mac progress several large, strategic projects, which will be critical to our ability to delivery world-class cancer treatments into the future.

Peter Mac has continued to be a national leader in work to bring breakthrough CAR T-cell therapies to Australians, through clinical trials and advocacy for local manufacturing along with our partners.

The year also required significant work towards the launch of the Parkville precinct Electronic Medical Record (on 8 August 2020) and the opening of Peter Mac's Palliative Care Unit as part of a Precinct service (on 14 September 2020). It included progress towards the installation of a Gamma Knife, a radiotherapy machine widely accepted as providing the best standard in radiosurgery for

adults and children with brain tumours. Purchased through funding from generous donors to the Peter MacCallum Cancer Foundation and the Victorian Government, this treatment will save lives and improve quality of life for some of the state's most unwell cancer patients.

Alongside this we have made substantial progress on Peter Mac's strategy for the coming five years, with the preparation of our strategy for 2020-2025.

During 2019-20 Peter Mac clinicians treated 37,940 patients and there were 41,436 inpatient separations (individual patient stays). During the COVID-19 pandemic, patients were transitioned to telehealth appointments where appropriate. And in the week starting Monday, 20 April 2020, we reached a peak of 63 per cent of clinic appointments being delivered virtually (with 40 per cent by phone and 23 per cent by videoconferencing).

Peter Mac contributed to the voices advocating for continued cancer care during the COVID-19 pandemic, engaging with media and stakeholders to encourage patients to continue seeking care.

I want to thank Dr Dolan and her team and all our staff for their exceptional work this year. I would also to express my thanks to fellow Directors for their input and responsiveness throughout the year. The Board welcomes new Director Associate Professor Rosemary McKenzie, who was appointed from 1 July 2019, and thanks Professor Jane Gunn for her three years of service.

We thank the Victorian Government, the Premier and the Minister for Health for their support and leadership during a year of unprecedented challenges.

We thank our commercial partners, research collaborators, funders and donors who we view as valued collaborators.

We thank our staff, in every role at Peter Mac, for their commitment, dedication and humanity.

And finally, and most importantly, we want to acknowledge and thank our patients, families and the broader Victorian community – for their support of Peter Mac.

Responsible bodies' declaration

In accordance with the Financial Management Act 1994, I am pleased to present the report of operations for Peter MacCallum Cancer Centre for the year ending 30 June 2020.



M Morand

The Hon. Professor Maxine Morand

Chair, Board of Directors
Peter MacCallum Cancer Centre
1 October 2020

REPORT FROM THE CHIEF EXECUTIVE

Hospitals always operate in a complex environment, and as we watched the evolution of the COVID-19 pandemic across Europe and the United States it was clear that 2019-20 was going to be more challenging than most.

Here in Victoria, the pandemic has required significant adjustments from patients their families and our staff. It has required detailed scenario planning, rapid responses, and increased communication and support for our people.

However the pandemic has also shown us what can be achieved when we work together, streamline processes and implement innovative solutions.

We have done this in the context of our Victorian hospital cluster, requiring us to fill a specific role as a specialist hospital, while supporting healthcare colleagues who were at the centre of the COVID-19 response.

At each of our five campuses – in Parkville, Bendigo, Box Hill, Moorabbin and Sunshine – this meant ensuring we continued to deliver the highest quality cancer care for our patients.

Cancer treatments - surgery, radiation therapy, haematological therapies, chemotherapy, hormone therapy and immunotherapy, including CAR T-cell therapy – have all remained available.

We had 41,436 inpatient separations – which means individual stays from patients in the hospital. Our pharmacy team manufactured and supplied 45,795 doses of chemotherapy for patients and delivered 84,483 prescription items for outpatients and another 44,281 medicines for admitted patients.

And there are many other impressive statistics, demonstrating the magnitude of Peter Mac's impact contained within this annual report.

Our 700 research staff too continued to deliver a constant stream of discoveries, journal publications, successful grant applications and prestigious international conference presentations.

There were a total of 793 publications, 136 of which were in high-impact journals. There were 327 active clinical trials and research income of \$124.7M million.

These are significant achievements on their own. But in the context of such a tumultuous and changing year, they are absolutely astonishing.

All of these efforts have been guided by our Strategic Directions 2015-19, while at the same time recalibrating towards the outcomes outlined in the Strategic Directions 2020-2025.

In 2019-20 Peter Mac was also able to deliver a \$399,000 surplus as per Statement of Priorities, in the context of \$726.3 million total revenue.

I want to sincerely thank the 3,203 individuals who worked for Peter Mac throughout the year, representing a total of 2,521 full-time equivalent staff.

They have delivered high-quality health care and demonstrated remarkable resilience and flexibility in very challenging circumstances.

They have also demonstrated great empathy. For our patients and each other.

I also want to thank our patients and families for working with us to ensure we could continue to provide all services safely.

Thank you too, to the broader communities we serve, and are part of. To our amazing volunteers, to colleagues at the Department of Health and Human Services, to the Victorian Minister for Health, the Federal Minister for Health and the Victorian and Commonwealth Governments.

The year began with our 70th anniversary celebrations.

It was in 1949 that Sir Peter MacCallum and Dr Rutherford Kaye-Scott convinced the Victorian Government to establish the state's first dedicated cancer centre.

And 70 years on, Sir Peter's words still ring true: "Nothing but the best is good enough in the treatment of cancer".



A handwritten signature in black ink that reads "Shelley".

Dr Shelley Dolan

Chief Executive
Peter MacCallum Cancer Centre
1 October 2020

YEAR IN REVIEW

STRATEGIC DIRECTION: PROVIDING THE WORLD'S BEST CANCER CARE

While the effects of COVID-19 have been immensely serious globally during 2019-20, cancer remains a major public health challenge and a leading cause of death across the world.

Peter Mac has therefore joined with other cancer-focused organisations to send a clear message during the pandemic – that high-quality research-driven cancer care must continue.

In support of this, and as Victoria's first wave of COVID-19 waned in June, Peter Mac hosted the Victorian Minister for Health for a press conference. The Minister's message added to Peter Mac's efforts to encourage patients to return to seeking cancer care. This media event was supported by Professor Declan Murphy and one of his patients, who spoke to the value of undertaking tests and cancer treatment during the pandemic. Peter Mac also progressed this theme independently and in partnership with stakeholders, through mechanisms including patient letters, partner newsletters, media activities and social media.

Operationally Peter Mac adapted quickly to the delivery of cancer care, amid the changing state environment and with a clear imperative to plan for the unknown.

The Peter Mac COVID-19 Incident Team was set up in mid-March with senior representation from all operational, research and clinical areas to ensure the rapid resolution of issues. More than 1,000 staff were rapidly equipped to work from home. And to ensure continuity of hospital operations,

Operational Directors undertook scenario planning in line with guidance from the Victorian and Australian Governments as well as the World Health Organisation.

Against this backdrop and throughout 2019-20, Peter Mac continued to deliver world's best cancer care to our patients and advance a program of ground-breaking fundamental, translational and clinical trial research that is improving patient outcomes and progressing the next generation of cancer treatments and cures.

Of particular note during the period, Peter Mac continued to be global leaders in the clinical application of emerging immunotherapy and targeted radioactive cancer treatments – CAR T-cell therapy in blood cancers and emerging theranostic treatment of prostate cancer.

NEW TREATMENT APPROACH FOR HEAD AND NECK CANCERS

In February 2020, the American Society for Clinical Oncology (ASCO) included findings of a trial co-led by Peter Mac investigators in its annual review of major advances against cancer. The practice-changing advances in the treatment of head and neck squamous cell carcinoma were recorded in an international, multi-centre clinical trial co-led by Peter Mac's Professor Danny Rischin and Dr Barbara Burtness from the Yale University School of Medicine in the US. They found that the immunotherapy drug pembrolizumab, alone or in combination with chemotherapy, is more effective in the treatment of recurrent and metastatic head and neck squamous cell carcinomas (HNSCC) than the standard-of-care treatment. Professor Rischin, Director of Medical Oncology at Peter Mac said the discovery was a major advance, labelling

it as the first treatment to improve survival in these cancers in over a decade. The findings were included in the *Clinical Cancer Advances 2020: Annual Report on Progress against Cancer* from the American Society of Clinical Oncology. Professor Rischin presented at the ASCO annual meeting earlier in 2019, and the final results of the trial were published in the leading medical journal *The Lancet* in November 2019.

OFFICIAL LAUNCH OF THE PROSTATE THERANOSTICS & IMAGING CENTRE OF EXCELLENCE (PROSTIC)

In June, Peter Mac officially opened a world-leading Centre of Excellence to accelerate research and development of next-generation targeted treatments for prostate cancer. The centre – named ProSTIC – was made possible through a \$US5 million (\$AU7.4 million) grant from the US-based Prostate Cancer Foundation, and the generous philanthropy of Mr Stein Erik Hagen, a Prostate Cancer Foundation board member. ProSTIC is leading state-of-the-art research to deliver new theranostic prostate cancer treatments – integrating clinical trials with pre-clinical and discovery research. It is led by nuclear medicine specialist Professor Michael Hofman bringing together nuclear medicine, medical oncology, radiation oncology, urology and laboratory-based doctors and researchers with a strong patient-centred philosophy. Theranostic treatment for prostate cancer involves targeting prostate specific membrane antigen (PSMA) on prostate cancer cells – first with a tracer to reveal the cancer’s spread and then with a radioactive molecule that kills cancer cells. Peter Mac is at the global forefront of the development of this new and targeted approach for the treatment of prostate cancer.

TOP HONOURS REFLECT DECADES OF DEDICATION

Peter Mac clinicians are regularly honoured for their contributions to science and medicine, as they pursue the delivery of world’s best cancer care. One example of this was the awarding of a top US honour to Peter Mac’s Professor David Ball in May. Professor Ball was made an Honorary Fellow of the American College of Radiology, an honour that is bestowed on non-US residents

who have made a pre-eminent contribution to the science or practise of radiology or radiation oncology. College President Dr Debra Monticciolo said Professor Ball, who is Chair of Peter Mac’s lung service, was “widely recognised by his peers ... for making a global impact in lung cancer care”. “During his leadership tenure, Peter MacCallum Cancer Centre’s lung service has developed from a purely clinical service into the most active, internationally recognised and productive multi-disciplinary lung cancer research group in Australia, producing 83 peer-reviewed publications in the last two years alone,” she said. Professor Ball started as Director of Peter Mac’s lung service in 1981.

HELPING MORE YOUNG CANCER PATIENTS RECOVER AT HOME

A Melbourne-developed treatment decision model - which allows young cancer patients to avoid a hospital stay and instead recover from mild infections at home - is now being adopted by UK hospitals. Developed by Professors Karin Thursky and Monica Slavin from Peter Mac, and Dr Gabrielle Haeusler from Peter Mac and Murdoch Children’s Research Institute, the “AUS-rule” tool has been successfully introduced by several Australian hospitals to reduce paediatric hospital stays. During the COVID-19 pandemic, adoption was fast-tracked in the UK to help free up hospital resources when it was safe to do so. AUS-rule helps doctors decide which children with febrile neutropenia (FN) – which is fever with a low white blood cell count - are suitable for home management using antibiotics and temperature monitoring. This is a common complication of childhood cancer care and a major cause of hospital admission. Dr Haeusler said more than half of these patients do not have a severe infection and can be treated at home, reducing the time spent in hospital by about three to four days. The AUS-rule (Australia-UK-Switzerland) name reflects the international collaboration that led to the decision model being developed – as it includes input from UK and Swiss researchers. A paper “Re-evaluating and recalibrating predictors of bacterial infection in children with cancer and febrile neutropenia”, authored by Dr Haeusler and colleagues, was published in June 2020 in the journal *E Clinical Medicine*.

SHARING RESEARCH-LED CARE, WITH WORLD LEADING CLINICIANS AND RESEARCHERS

Peter Mac was selected to host the 2020 annual Global Academic Programs (GAP) Conference with the theme *New Frontiers – Leading Inspired Cancer Care*. The conference is a forum where leading US cancer institute - the MD Anderson Cancer Center - and its global network of sister institutions collaborate to develop impactful, innovative ideas and research that help lessen the world's cancer burden. The conference rotates host sites between Houston and a sister institution each year. Peter Mac was originally scheduled to host the conference in May 2020. However, the COVID-19 pandemic forced an adjustment to plans and the conference has been rescheduled as a virtual conference to be held from 16 to 19 November 2020. This is the first time the MD Anderson Cancer Center has invited an Australian institution to host the GAP conference.

VICTORIAN PUBLIC HEALTHCARE AWARDS FINALISTS

In November, Peter Mac celebrated the achievements of two finalists in the Victorian Public Healthcare Awards. Peter Mac clinicians Dr Joe Kong and Professors Sandy Heriot and Rob Ramsay were finalists for their work developing a test to predict which patients with locally advanced rectal cancers might be diverted into a "watch and wait" group, potentially avoiding the need for lower bowel removal surgery and its life-long consequences. Separately, Peter Mac Director of Prevention and Wellbeing Geraldine McDonald and Strengthening Hospital Responses to Family Violence Project Lead Jackie D'Abaco were finalists for their work on the Peter Mac says No to Family Violence program.

New intensive care beds at Peter Mac

As part of Victoria's response to the COVID-19 pandemic and in support of the Royal Melbourne Hospital, Peter Mac took rapid action to improve facilities, in the event that additional intensive care beds would be required. Working with the Intensive Care Leadership Team at the Royal Melbourne, Peter Mac Chief Operating Officer Nicole Tweddle managed a project that would see 14 intensive care beds installed at Peter Mac. Ventilators and other equipment were purchased with the support

of the Victorian Government and 54 intensive care trained nurses undertook refresher training. Fortunately, at the time of writing, the facility has not been required to become operational. However, Peter Mac stands ready to support precinct health services and further contribute to the care of seriously ill Victorians should the need arise.

STRATEGIC DIRECTION: ACCELERATE DISCOVERY AND TRANSLATIONAL RESEARCH

Peter Mac's research endeavours are focused on conducting research that breaks new ground in cancer discovery-based science, diagnosis and treatment.

Our 700-strong research workforce maintains this focus with diligence, intelligence and empathy. The discoveries that have been made in our labs and clinical trials are life changing for cancer patients today, while also progressing next generation of treatments and cures for those who will follow.

However, in support of efforts to protect our patients and to reduce the potential for transmission of COVID-19, in late March the difficult decision was taken to reduce onsite laboratory research activities and support a significant proportion of professional staff to work from home. This also enabled Peter Mac to focus on the operations of the hospital, and to reduce footfall in important clinical spaces. While many research activities – such as those requiring complex computation – along with manuscript and grant-related writing continued regardless, it was inevitable that some projects would be delayed by such an impactful global event.

Despite this, there are hundreds of significant achievements.

NEW COMBINATION THERAPY FOR AGGRESSIVE COLORECTAL CANCER

An international trial involving Peter Mac patients with aggressive colorectal cancer has shown a new combination therapy can dramatically improve survival. Associate Professor Jayesh Desai, a Peter Mac oncologist who was one of the Lead Investigators on the trial said the results were practice-changing. More than 650 patients with colorectal cancer, which had spread

elsewhere and was no longer responding to mainline treatments, took part in the BEACON CRC trial. Speaking in October, Associate Professor Desai said the trial had shown a way to dramatically extend life expectancy for these patients. All trial participants had colorectal cancer with a BRAF gene mutation. Previous efforts to target mutant BRAF in colorectal cancers have showed limited success, due mostly to rapid resistance that develops when targeting BRAF with single drugs. But the trial showed a combination of drugs that effectively shut down multiple cancer-promoting pathways at once can help to overcome this hurdle in many difficult to treat colorectal cancers. Melbourne sites for the BEACON CRC trial include patients from Peter Mac and the Royal Melbourne Hospital managed by the Parkville Cancer Clinical Trials Unit (PCCTU). Results were presented at the European Society for Medical Oncology 2019 conference, and the related paper was published online by the *New England Journal of Medicine*.

UNDERSTANDING WHY MEN GET MORE CANCER THAN WOMEN

In November 2019, Peter Mac-led research has shed new light on why men are more likely than women to get cancer. The research, led by Peter Mac's Dr Sue Haupt and team was able to uncover a new role for the X chromosome in affecting cancer risk and mortality. To do this, they studied the DNA of men and women diagnosed with 12 different types of non-reproductive cancers. They focused on the gene TP53 - which produces a natural protector of our genome – and looked for differences in the mutation of this gene, and irregular behaviour of its partner proteins. Dr Haupt, who is co-lead author on the study said TP53 is the most commonly mutated gene in human cancer, with more than half of all human cancers harbouring a genetic alteration that interferes with the function of p53 protein. The scientists showed, for the first time, that TP53 mutations are more common in males than females, which could account in part for the greater cancer risk in men. Prof Ygal Haupt, the study's senior author, said the findings suggest genetically-assigned sex should be taken into consideration when it comes to risk assessment and the treatment of cancers. The Peter Mac-led research was undertaken

in collaboration with scientists at the Walter and Eliza Hall Institute of Medical Research, MD Anderson Cancer Centre in the USA and the Karolinska Institute in Sweden. The research was published in the journal *Nature Communications*.

ATTRACTING CANCER RESEARCH GRANTS

In September 2019, the Peter MacCallum Cancer Foundation provided seed funding for 22 ground-breaking cancer research projects with the potential to rapidly advance worldwide knowledge in how best to treat and cure cancers. The projects were funded through the Foundation's 2019 Endowment Fund Grants program, thanks to generous donors, following a rigorous peer review process. Recipients ranged from a project using new generation CRISPR/Cas9-mediated genomic engineering to enhance CAR T-cell efficacy in solid cancers, to understanding spatial patterning of resistance in ovarian cancer. In total, \$1,124,316 was awarded to kick-start exciting new cancer research initiatives. Peter Mac has also continued to attract funding for ground breaking research in 2019-20 through the National Health and Medical Research Council (NHMRC). In August 2019, the NHMRC's "Investigator Grants" round allocated \$19.62 million for 12 Peter Mac projects commencing in 2020. This was from 27 applications, representing an institutional success rate of 44 per cent. Six of those 12 successful grants were awarded to talented early career researchers, now providing them the best opportunity to progress as the next generation of emerging research leaders.

Then in December, another 10 research projects were funded through the latest NHMRC Ideas Grants round, at a success rate of over one in five - nearly double the national success rate of 11.1 per cent. A further two Ideas grants were awarded to Peter Mac researchers affiliated with Monash University, with a third being transferred to Peter Mac from another institute, bringing the total to 13. Most recently, in May 2020, 12 Peter Mac researchers were again awarded NHMRC or MRFF Investigator Grant funding to support discovery-based studies on cancer development and research into improved cancer detection and prognosis, and more precise cancer treatments commencing in 2021. Peter Mac's overall success rate in the scheme was 40 per cent, well above the

national average. Peter Mac's Executive Director Research Professor Ricky Johnstone said the standard of the grants submitted by Peter Mac researchers was simply outstanding.

ACCOLADES FOR OUTSTANDING RESEARCHERS

Peter Mac's Professor Monica Slavin, Professor Karin Thursky, Professor Gail Risbridger and Associate Professor Prue Francis were elected as Fellows of the Australian Academy of Health and Medical Sciences in October 2019. They were four of 40 new Fellows in the 2019 induction, noted for outstanding achievements and exceptional contributions to health and medical science in Australia. In the same month Peter Mac's Professor Sarah-Jane Dawson, Professor Mark Dawson and, again, Professor Karin Thursky were awarded prestigious Dame Kate Campbell Fellowships from The University of Melbourne in recognition of outstanding research performance. And in Peter Mac's own awards program Dr Anna Trigos and Dr Gabrielle Haeusler were awarded joint winners of the Peter Mac Postgraduate Medal for most outstanding performance in PhD studies. Dr Trigos was also lead author on a study awarded the Joseph F. Sambrook Prize for Research Excellence, alongside senior author Dr David Goode and co-authors Prof Rick Pearson and Prof Tony Papenfuss. Dr Haeusler received the Postgraduate Medal for her studies centred on fever and neutropenia (FN) in children, a condition where numbers of neutrophil white blood cells reach abnormally low levels as a result of cancer treatments, increasing a child's risk of infection. Then in February Professor Mark Dawson was again honoured, being named the 2020 recipient of the McCulloch & Till Award from the International Society for Experimental Haematology. This was the first time an Australian has received the honour which was established in 2004 in recognition of two pioneers in the field of haematology.

BOOSTING THE POWER OF IMMUNOTHERAPY

Scientific advancements often require multidisciplinary collaboration, and a discovery in May this year was no exception. Researchers

have now found a way to add a new tool to the immunotherapy arsenal, by activating two different types of immune cells at the same time. This has been shown to boost the effects of immunotherapy to find and kill cancer cells in solid tumours. This new approach was developed by Peter Mac researchers led by Dr Junyun Lai, Dr Sherly Mardiana, Professor Phillip Darcy and Dr Paul Beavis. This new approach can allow immunotherapies to be as effective in treating solid cancers as they have been in certain blood cancers, such as some types of leukaemia."

SUPERCHARGING CELLULAR IMMUNE THERAPIES TO COMBAT SOLID TUMOURS

A team at Peter Mac and Monash Biomedicine Discovery Institute (BDI), led by Professor Tony Tiganis, may have found a way to extend cellular immune therapies therapy to the treatment of solid tumours. The team's findings were published in December 2019 in *The EMBO Journal*. Professor Tiganis said the challenge has been to make CAR T-cells effective against solid tumours, such as breast and colon cancers. Firstly, CAR T-cells need to get in and infiltrate the solid tumour. Secondly, once there, CAR T-cells need to overcome the hostile and immunosuppressive tumour microenvironment that inhibits T cells and progressively renders them ineffective. But Professor Tiganis and his team demonstrated that these challenges can be overcome by targeting the enzyme PTPN2 in CAR T-cells. "This enzyme is a key negative regulator of T-cell function, it controls the activation of T-cells and their ability to acquire effector function," he said. The study builds on work Professor Tiganis and Dr Florian Wiede have conducted at Monash University over the past 10 years exploring the role of PTPN2 in T-cells. The research has been complemented by a study published recently in *Nature Immunology* by a group at Harvard University, which also shows that the deletion of PTPN2 enhances the ability of T-cells to combat solid tumours. The researchers will now work towards translating their findings to the clinic at Peter Mac. The study was funded supported by Cancer Council Victoria and the National Health and Medical Research Council.

PETER MAC RESEARCHERS AMONG THE WORLD'S MOST HIGHLY CITED

In November 2019, Peter Mac's Professor Sherene Loi, Professor Grant McArthur and Professor Ben Solomon were included in the worldwide annual Web of Science Highly Cited Researchers 2019 list. The highly-anticipated list identifies scientists from across the world who produced multiple papers ranking in the top 1 per cent by citations for their field and year of publication, demonstrating significant research influence among their peers.

NEW APPROACH TO OVARIAN CANCER TREATMENT

A Peter Mac-led team of scientists have discovered a new approach to tackling ovarian cancer, by raising the stress levels inside cancer cells. High-grade serous ovarian cancer (HGSOC) is the most common form of ovarian cancer and accounts for 70 to 80 per cent of ovarian cancer deaths. While some new treatments have been approved for the treatment of ovarian cancer, overall survival rates have not improved for several decades. In a study published in May in the journal *Nature Communications*, the researchers found that these HGSOC cells are sensitive to a new class of treatment that causes cancer cells to stop growing and in some cases die, which could slow the growth of human ovarian cancers in mice. Researchers from Peter Mac, John Curtin School of Medical Research and Walter and Eliza Hall Institute of Medical Research collaborated on the study. This new approach offers hope for potentially improved outcomes for HGSOC patients who have developed resistance to current standard-of-care chemotherapies.

STRATEGIC DIRECTION: FOCUS ON PREVENTION AND WELLBEING

An organisation that exists to provide cancer care cannot ignore the corresponding need to engage in prevention activities and to do everything possible to enhance the wellbeing of patients, staff and our community. Effective wellbeing programs that lift the spirits and connect patients to new supports have a significant and positive impact irrespective of a patient's cancer prognosis.

Although COVID-19 restrictions initially limited the breadth of wellbeing activities that Peter Mac was able to offer, including the temporary closure of our Wellbeing Centre, the restrictions have also created new opportunities to support wellbeing. Many programs were moved to online delivery, making them accessible to people who may not previously have been able to access Peter Mac programs and services.

Activities to enhance wellbeing at Peter Mac during 2019-20 have included the publication of *Stories from Peter Mac*, a stunning collection of stories and poems written by patients, carers and staff, as well as such activities as oncology massage, art programs and peer support groups.

Peter Mac also hosted a ward visit by players from the Carlton Football Club in February 2020. This was the latest in an enduring relationship that started some 25 years ago with the first play-off for the Peter Mac Cup – a trophy that is contested once a year when Carlton and Collingwood football clubs meet during the AFL season.

Health, wellbeing and engagement activities at Peter Mac have spanned a spectrum from free writing programs to guide the writing of a poem, short story or essay through to the mandated staff flu vaccination program.

In the context of COVID-19 this preventative activity was more important than ever and more than 93.4 per cent of all Peter Mac staff obtained a flu vaccination, with 94.8 per cent of clinical staff receiving the vaccination. This results exceeded State Government targets on both measures.

Other activities to promote patient and staff wellbeing at Peter Mac included:

HELPING WOMEN UNDERSTAND THEIR RISK OF BREAST CANCER

In December, results were published that confirmed the accuracy of a Peter Mac online tool that was developed to help women understand and reduce their risk of breast cancer. In a study of almost 16,000 women, published in *JNCI Cancer Spectrum*, the iPrevent tool gave accurate predictions of breast cancer risk over a ten-year period. iPrevent is free and available on the Peter Mac website. Peter Mac's Professor Kelly-Anne

Phillips, who developed the tool and led the study, said the tool used medical and family history and gauged modifiable risk factors such as alcohol intake, exercise, body size and use of female hormones such as hormone replacement therapy and hormonal contraceptives. Professor Sanchia Aranda, CEO, Cancer Council Australia said that she hoped that women would use the tool to help inform discussions with their doctor. "Many women mistakenly believe they are not at risk of breast cancer if they have no family history," Professor Aranda said. "iPrevent is an important tool to help women understand their individual risk of breast cancer and the active steps they can take to reduce their risk."

PROMOTING CULTURAL SAFETY FOR ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE

In the context of cancer, indigenous people across the world face general health disadvantages and a higher prevalence of risk factors. They also experience poorer outcomes. As part of our commitment to improving wellbeing and cancer care for our Aboriginal and Torres Strait Islander patients and families, Peter Mac initiated a program of cultural safety training in the latter half of 2019. The sessions were run by the Victorian Aboriginal Community Controlled Health Organisation (VACCHO), the peak body for the health and wellbeing of Aboriginal peoples living in Victoria. This training was designed to strengthen staff understanding of how to work, and communicate, effectively with Aboriginal and Torres Strait Islander people. Topics covered included: Aboriginal people, communities and culture; Aboriginal Identity; Impact of history on Aboriginal people; and practical strategies to implement cultural safety into practice.

PEER SUPPORT FOR PEOPLE WITH LUNG CANCER

On World Lung Cancer Day (1 August 2019) Peter Mac launched a peer support group for patients and carers with lung cancer. Peter Mac groups already existed for people with breast cancer and for carers, but the new group was offered to give lung cancer patients a safe, supportive space to share their experiences. Patient Lisa Briggs shared her story

to support the launch. Lisa was at home caring for her newborn when she coughed up blood and was rushed to the emergency department. She was diagnosed with stage four lung cancer, which had spread to multiple organs. However, although Lisa was told there was no cure, she was able to start on a targeted therapy that helped to improve her quality of life. Lisa said that stigma was a common issue for lung cancer patients. "Many people don't want to be vocal about their condition and yet talking about is what brings so much hope and support," she said. The peer support group is being facilitated by Peter Mac's Prevention and Wellbeing area, under the guidance of Director of Prevention and Wellbeing Geraldine McDonald.

PATIENT PARLIAMENT

Peter Mac is deeply committed to partnering with patients utilising a co-design methodology in the development and review of services. As part of this, Peter Mac's Patient Parliament was held on Thursday 12 September, providing patients with an opportunity to shape the experience of future patients and carers at Peter Mac. The majority of themes that emerged were consistent with those received through Peter Mac's compliments and complaints process and the Victorian Healthcare Experiences Survey results. These included an investment in information and communication; in navigating the cancer experience; in building capacity (to tailor care to patient lives, and contribute to improvement programs, for example) and to build or adjust support networks. A full report of the event was published by Peter Mac in November 2019 and included verbatim feedback from participants.

CRACKED OPEN

The "Cracked Open" interactive and multi-media exhibition, in October 2019, also brought together a collection of poems written by our patients during free writing workshops staged by Peter Mac. The poems were printed on large posters and hung in Level 7 of our building – and each had a QR code allowing a passer-by to scan it with their mobile phone and hear audio from the patient describing what motivated their poem.

PROVIDING HEALTHY – AND APPEALING – FOOD FOR PATIENTS

During August 2019, Peter Mac's Food Service staff released a new patient menu with greater variety and more freshly-baked items to better appeal to patients. The menu was designed by chefs in consultation with dietitians and consumers. Focus groups were organised to undertake extensive taste testing. The old 28 day cycle menu was replaced with a more flexible 14 day menu cycle. 108 recipes were reviewed and 28 new items included. While popular dinner items were maintained, the focus was on freshly-cooked, nutritious meals with seasonal vegetables, increased vegetarian options, lighter lunch options, new sandwich fillings and freshly baked items for morning tea.

SUPPORTING WELLBEING DURING COVID-19

The COVID-19 pandemic created remarkably rapid changes for staff and patients and therefore greater uncertainty and stress. In a situation that called for leadership, Peter Mac's Psychosocial Oncology team, led by Professor Steve Ellen, filled a major need in providing support for staff, helping them to manage stress and change, alongside the other available supports. Promoting mental health was a focus of internal communications efforts. These included weekly Mid-week Wellbeing sessions, live broadcast to all Peter Mac staff who wished to tune in.

In a similar vein the Peter Mac Care Champions program was established just-in-time, with the first training sessions provided for staff volunteers in April and May 2020. The Compassion and Resilience Education (CARE program) originated as a study day for Peter Mac's nurses in 2019, focusing on compassion fatigue and self-care. The expanded peer support Care Champions program was established in the midst of the COVID-19 response. Peter Mac's Care Champions receive training to become accredited mental health first aid practitioners and offer support to their colleagues through our CARE Champions peer support network.

Peter Mac's Prevention and Wellbeing team's expertise was also utilised in the development of a wellbeing program for people in quarantine or

isolation. The online 'Wellbeing Victoria' platform is now being utilised by many public hospitals in Victoria and other jurisdictions.

STRATEGIC DIRECTION: DEVELOP NEW BUSINESS MODELS AND COMMERCIAL VENTURES

The development and accessibility of CAR T-cell therapies (or CAR-T) remains a key focus of Peter Mac's commercial ventures, with significant achievements made in 2019-20. The year has laid the preconditions for more rapid business growth as well as the expansion of production capability.

AUSTRALIA'S FIRST T-CELL THERAPY MANUFACTURING LICENSE ISSUED

In August, the Therapeutic Goods Administration awarded a T-cell manufacturing licence to Cell Therapies Pty Ltd, a cell and gene therapy GMP-manufacturing company. Before this, on-shore commercial manufacture of CAR T-cell therapy products was not permitted. This will change existing practice which requires blood to be collected from a patient in Australia before it is sent overseas for manufacturing and then returned, for the patient infusion to take place in Australia. In coming months, Melbourne will join a handful of sites in the US and Europe where breakthrough T-cell treatments can be commercially manufactured, thus significantly reducing the time required to deliver these complex therapies to Australian patients. Cell Therapies Pty Ltd is an independent company, majority owned by Peter Mac, which has previously supplied T-cell based therapies for use in Peter Mac clinical trials. The development was particularly noteworthy in the context of COVID-19 which has disrupted global travel and supply chains and underscored the value of Australian "in-house" domestic manufacturing capability.

COMMERCIAL MANUFACTURE AND SUBSIDY FOR CAR T-CELL THERAPY

There was further progress towards the commercial manufacturing of CAR T-cell therapies in Australia in January, along with an announcement from the Federal Government to expand the availability of government-funded

therapy. Cell Therapies Pty Ltd signed an agreement with the multinational pharmaceutical company Novartis to manufacture its Kymriah product (tisagenlecleucel) in Melbourne for Australia and the region. This is the first and only Australian site approved to make Novartis' CAR T-cell therapy product. At the same time, Federal Minister for Health Greg Hunt announced expanded subsidised access to CAR T-cell therapy to patients with relapsed or refractory Diffuse Large B Cell Lymphoma (DLBCL), and also Transformed Follicular Lymphoma and Primary Mediastinal B Cell Lymphoma. This approval was in addition to the existing CAR-T approval for paediatric and adolescent young adult patients with acute lymphoblastic leukaemia and the access will assist about 250 additional patients in Australia each year. Dr Michael Dickinson, a haematologist and Peter Mac's Disease Group Lead for Aggressive Lymphoma said there were very few options available for patients where conventional therapies no longer work. CAR T-cell therapy is a once-off, individualised treatment that uses the patient's own reprogrammed T-cells to fight their cancer. It is primarily used to treat blood cancers however clinical trials are underway to also apply CAR T-cell therapies to solid tumours. These developments will support a March 2019 funding commitment from the Commonwealth Government, which announced an \$80 million investment (with an additional \$25 million coming from Peter Mac and the Peter MacCallum Cancer Foundation) to establish a Centre of Excellence in Cellular Immunotherapy (CoE in CIT) at Peter Mac. By leveraging the existing manufacturing and clinical capabilities, the CoE in CIT aims to build on these approved CAR T-cell therapies via its development pipeline for novel cellular immunotherapies that will be fast-tracked to cancer patients with unmet need.

DEVELOPING NEW THERAPIES FOR BLOOD CANCERS

In August, Peter Mac scientists working with the drug company Senhwa Biosciences, announced they had developed a new way to target cancer, which can stall disease progression in patients who are no longer responding to conventional treatments. The experimental drug CX-5461 was developed through basic and pre-clinical

laboratory research at Peter Mac in collaboration with scientists at the John Curtin School of Medical Research, at the Australian National University. The Phase I trial involved 16 Peter Mac patients with hard-to-treat blood cancers and the results were published in the journal *Cancer Discovery*. Professor Rick Pearson, Associate Director Laboratory Research at Peter Mac whose lab led the discovery-based studies, said the first-in human trial showed CX-5461 could produce positive results in blood cancer patients who had otherwise developed resistance or were not responding to conventional treatments. CX-5461 is considered the first in a potential new class of anti-cancer drugs that work by targeting ribosomes, the energy-making factories that cancer cells rely on to grow. The trial also confirmed CX-5461 was safe at doses associated with a clinical benefit, and with manageable side effects. Professor Pearson said the drug represented a paradigm-shift in the way we think about how cancer cells can be killed. The laboratory development of CX-5461 was also led by Professor Grant McArthur and Dr Gretchen Poortinga, at Peter Mac, and Professor Ross Hannan at Peter Mac and The John Curtin School of Medical Research, at the Australian National University. The Phase 1 trial was led by Peter Mac clinicians Dr Amit Khot and Associate Professor Simon Harrison.

TARGETING STEM CELLS THAT DRIVE AGGRESSIVE BLOOD CANCER

An international research team, led by Peter Mac scientists, have found a way to target acute myeloid leukaemia (AML) at its source - a discovery that could yield a more effective treatment for this aggressive and often incurable blood cancer. The project brought together Peter Mac's Professor Mark Dawson and Dr Laura MacPherson, along with researchers in Europe and Australia including at the Walter and Eliza Hall Institute of Medical Research (WEHI), Monash Institute for Pharmaceutical Sciences (MIPS) and Cancer Therapeutics Cooperative Research Centre. Together they identified a new druggable target in AML stem cells, which are the 'roots' that sustain this type of cancer. Although these stem cells are rare, they are likely to be the main cause for resistance to current anti-cancer therapies. Professor Dawson said current treatments for AML

were good at eliminating the majority of cancer cells but they can leave the rare leukemic stem cells behind, resulting in the cancer coming back after treatment. In the paper, which was published in December in the journal Nature, the scientists describe how the protein HBO1 is essential for the survival of leukemic stem cells. When HBO1 is lost, these cells are no longer able to drive cancer growth in laboratory models of human and mouse AML. "This is a very exciting discovery as targeting leukemic stem cells holds the key to curing AML," Professor Dawson said. "My team are now working hard to transition our scientific discoveries to the clinic where we hope to benefit patients in Australia and beyond."

STRATEGIC ENABLER: COLLABORATIVE PARTNERSHIP AND NETWORKS

PETER MAC SIGNS NEW DEALS FOR MOORABBIN

In October, Peter Mac confirmed it would continue to provide radiation therapy services in Moorabbin, renewing an agreement with Monash Health. This agreement gives patients in Melbourne's south-east access to the state-of-the-art radiation therapy offered by Peter Mac closer to where they live. Peter Mac upgraded radiation therapy equipment at Moorabbin earlier in 2019 and the centre now has two dedicated wide bore radiotherapy CT scanners and a state-of-the-art Varian TrueBeam linear accelerator, with another having come online in 2020. Moorabbin Campus Manager Damien Phillips said: "This equipment upgrade means we can provide more high precision radiation therapy to more patients".

COLEBATCH FELLOWSHIP FROM CANCER COUNCIL VICTORIA

In June, Peter Mac Radiation Oncologist Associate Professor Shankar Siva was awarded the prestigious Colebatch Clinical Research Fellowship by Cancer Council Victoria. Associate Professor Siva will use the five-year, \$1.5 million fellowship to investigate using stereotactic ablative body radiotherapy to boost the effect of immunotherapy. He will also work to identify predictive blood and tissue-based biomarkers of response for patients

receiving these combined therapies. "I hope my research will significantly benefit cancer patients by providing them with access to effective, precision SABR + immunotherapy treatment, as well as identifying patients who are most likely to respond to this treatment," Associate Professor Siva said. This research will focus on lung, kidney, prostate and breast cancer. The Colebatch Clinical Fellowship is awarded every five years. Previous Peter Mac recipients are Prof Sherene Loi (2014) and Prof Kelly-Anne Philips (2005). The fellowship is named in memory of Dr John Colebatch (1909 – 2005) who pioneered the use of chemotherapy in Australia in the 1950s to treat and, ultimately, cure childhood leukaemia. Cancer Council Victoria CEO Todd Harper said a generous bequest was helping to fund ground-breaking research. "(This will) provide Victorian patients with the opportunity to access the latest in cutting-edge treatment to extend survival and, potentially, cure their cancer," he said. Cancer Council Victoria supports more than 90 biomedical researchers with grants, fellowships and scholarships.

MICHAEL JEFFORD TO CHAIR INTERNATIONAL COMMITTEE

Professor Michael Jefford, Director of the Australian Cancer Survivorship Centre (ACSC) based at Peter Mac, will soon take the helm of the American Society of Clinical Oncology's Cancer Survivorship Committee. ASCO is a peak professional cancer organisation with nearly 45,000 members. The committee provides leadership and oversight of ASCO's cancer survivorship activities across the globe. This Australian-first appointment recognises Professor Jefford's international standing in cancer survivorship and his significant contributions around service delivery, research, policy and program development, and to the international literature regarding cancer survivorship. He will be Chair Elect in 2020/2021 before taking the Chair position for 2021/2022. Peter Mac Chief Executive Dr Shelley Dolan said the appointment was a fantastic tribute to Professor Jefford's track record and international leadership in improving the lives of cancer survivors. "Michael is a leading voice in cancer survivorship globally and we know he will make a massive contribution as the ASCO CSC Chair," Dr Dolan said in June 2020. "From

everyone at Peter Mac, we congratulate you on this incredible achievement and the difference you are making for cancer survivors.”

COLLABORATIVE RESEARCH TO BENEFIT PATIENTS WITH CANCER OF UNKNOWN PRIMARY

The endeavour to improve diagnosis and treatment for patients with Cancer of the Unknown Primary (CUP) has received a \$2.4 million boost from the Medical Research Future Fund. CUP is a metastatic cancer which has spread from elsewhere in the body, but the site of origin remains unknown. There are 2,700 new cases of CUP in Australia every year, and the lack of a definitive primary site can restrict treatment options to palliative chemotherapy. The new funding will allow Peter Mac clinicians to investigate whether Fibroblast Activation Protein (FAP) is an effective marker for revealing the location of the primary tumour in CUP cases on a new type of PET scan. If successful, this marker could be used to deliver a targeted radionuclide treatment. The collaborative research is supported by Professor Sean Grimmond and Dr Richard Tothill from the University of Melbourne Centre for Cancer Research (UMCCR), as well as Professor Penny Schofield from the Swinburne University of Technology. “Cancer of the Unknown Primary only accounts for a small number of patients diagnosed but unfortunately this group have quite poor outcomes and poor survival rates,” said Professor Linda Mileschkin who is leading the research, in collaboration with Peter Mac’s Professor Rod Hicks. “That’s in part because, as oncologists, it’s hard to treat patients when we don’t know where the tumour came from.” Federal Minister for Health Greg Hunt visited Peter Mac to announce the funding as part of an overall \$35 million Medical Research Future Fund grant allocation. Minister Hunt also met Peter Mac patient Dale, who was diagnosed with a CUP in 2012. “My hope and my belief is that this will give real prospects for potentially thousands of patients over the years ahead,” Minister Hunt said of the Peter Mac-led trial.

QUESTIONS ABOUT CANCER AND COVID

From March, Peter Mac began experiencing a higher than usual volume of calls from patients and their families. To better support these individuals Peter Mac sought support from Cancer

Council Victoria’s Information and Support line. The line offers a particular focus on queries about cancer and COVID-19 and has been of great assistance to patients during the pandemic.

STRATEGIC ENABLER: SPECIALIST CANCER EDUCATION AND TRAINING

HAND HYGIENE AND INFECTION PREVENTION

Cancer education and training at Peter Mac refers to all training – from short internal courses, through to internationally recognised Doctorate programs. In the context of COVID-19 programs such as those offered by Peter Mac’s Infection Prevention team were critically important. Even before the pandemic spread to Australia, the topic of infection prevention has always been at top of mind. Since 2008 hand hygiene auditing has been a significantly important process measure. In August, Peter Mac launched a new hand hygiene online training package for auditors. This is a novel approach to maintain social distancing and still be able to provide auditor training. It is expected that other health services will be able to use this strategy in the future. The infection prevention team have assisted the hand hygiene auditors to routinely audit via electronic processes and have substantially increased the amount of auditing able to be achieved. This ultimately provides Peter Mac with a consistent and reliable measure of the hand hygiene compliance across our clinical areas.

PATIENT SAFETY AND WORLD’S BEST CANCER CARE

In March, Peter Mac staff were invited to participate in an all-staff survey: Our patient safety culture. The survey was conducted by the Australian Commission on Safety and Quality in Health. All staff – both clinical and non-clinical – were encouraged to consider their role in patient safety. In September 2019, new information boards were rolled out across Peter Mac to highlight how staff work together to deliver “World’s Best Cancer Care”. The World’s Best Cancer Care Boards contain the latest quality and safety data, updates on quality improvement initiatives and other important information relevant to the area

where they are located. All information is grouped to address Peter Mac's World's Best Cancer Care (WBCC) Framework, which was updated with staff input in 2019. Keeping staff informed is just as important as formal training programs. Stella Kravtsov, Peter Mac's National Standards and Audit Manager said the aim was to give staff easy access to information they need to understand ongoing quality and safety improvement initiatives, as well as relevant key metrics on care provision. "It is also important for us to show the progress we are making, areas for ongoing improvement and how this is guided by our World's Best Cancer Care (WBCC) Framework," she said. The boards also show Peter Mac's Clinical Governance Framework in action, and how Peter Mac is working to meet the National Safety and Quality Health Service Standards.

PETER MAC LEA MEDAL WINNER 2020: PROMOTING WOMEN IN SCIENCE

Research leadership and ongoing education is also prioritised at Peter Mac. In 2020, the winner of Peter Mac's prestigious Lea Award was Dr Anna Trigos, with a highly commended award presented to Dr Pilar Dominguez. The Lea Medal is awarded to recognise and promote emerging female research leaders in their early to mid-career and provides \$40,000 in financial support to enable opportunities for career advancement. Named after the Latin word for "Lioness" the award seeks to address the disparity in women holding mid-to-senior positions in research. Dr Trigos is a Postdoctoral researcher in computational biology. Her research focuses on transcriptomics, genomics and the spatial analysis of the tumour microenvironment. Dr Trigos said her research vision was to develop a career in computational cancer research that has a clear impact on patients, truly bridging the gap between laboratory research, computational biology and the clinic. Dr Trigos plans (COVID-19 restrictions permitting) to complete a three month research visit to the University of California and Stanford University to extend the scope of her expertise and build collaborative ties with world-leading experts. Dr Dominguez received \$10,000 to support her attendance at the prestigious EMBO Laboratory Leadership course in Germany, when COVID-19 restrictions permit. Her career goal is to start her

own research group focused on new treatments for blood cancer and this course will help her to acquire the leadership and management skills a successful independent researcher requires. The Lea Medal Award is generously funded by the Peter MacCallum Cancer Foundation.

STRATEGIC ENABLER: THE BEST CANCER WORKFORCE

STAMPING OUT BULLYING AND HARASSMENT AND PROMOTING GENDER EQUITY

Bullying and harassment can cause serious health issues in the workplace, with everyone playing a role in creating a healthier working environment. In 2019-20, the Department of Health and Human Services - in collaboration with WorkSafe Victoria - launched the Know Better, Be Better awareness campaign. This campaign encouraged healthcare professionals to identify and speak-up about bullying and harassment, and was shared at Peter Mac. During September, Peter Mac reached out to staff, requesting their participation in important gender equity focus groups. The information, stories and experiences discussed during the focus groups is used to strengthen the actions taken as part of the Peter Mac's Gender Equity Strategy.

STRENGTHENING LEADERSHIP IN RESEARCH

In March, Peter Mac's Executive Director Cancer Research, Prof Ricky Johnstone, announced the appointment of three new Associate Directors covering clinical, translational and health services and implementation science. The newly appointed Associate Directors for Research were Professor Karin Thursky as Associate Director Health Service Research and Implementation Science; Associate Professor Jayesh Desai as Associate Director Clinical Research and Professor Mark Dawson as Associate Director Research Translation. The announcements came at a time when strong leadership was paramount. At the time Peter Mac was working to support its world-class research activities to continue in innovative ways, including remotely, amid the COVID-19 pandemic. The new research leaders joined the existing leadership team of Professor Johnstone, Professor Rick Pearson who is Associate Director Laboratory

Research and Dr Carol Ginns, who is Associate Director Research Support and Development.

RECOGNITION FOR STAFF EFFORTS DURING COVID-19

In March, Chief Executive Dr Shelley Dolan sought to create a weekly award that would recognise the extraordinary efforts of staff during the COVID-19 pandemic. And hence, the DIVOC-91 awards were born. Aptly named by a research staff member as COVID-19 backwards, the DIVOC-91 trophy recognised staff who had 'gone above and beyond' in their efforts to reverse the trend during COVID-19. By June, there were more than 20 winners, who had each been recognised at virtual all-staff briefing events. Each person's story was documented on the Peter Mac intranet and the camaraderie that was created by the award was evident across the organisation.

STRATEGIC ENABLER: ADVANCED TECHNOLOGY AND INFRASTRUCTURE

BETTER UTILISING TELEHEALTH

In an example of fortuitous timing, Peter Mac's telehealth platform was updated in September 2019. At that time, the video call platform that Peter Mac used for video consulting changed. While the change was mandated, there was a smooth transition to the new platform which offered updated features for patients and clinicians. The change laid the way for Peter Mac to set new records for telehealth during COVID-19, for doctors, nurses and allied health specialists. In the past, telehealth consultations were mostly used by a handful of regional patients to save them a long drive into the city. But by April 2020, Peter Mac had expanded telehealth with more than 15 times the amount of virtual medical consultations across all cancer types as well as services such as physio, psychology and dietetics. Transferring thousands of consultations to telehealth meant waiting rooms were quieter and there was less risk for patients who needed to travel to Peter Mac's campuses for

their treatment. It has also allowed more frequent reviews as required to optimise patient care and ensure patients are ready for their care on the day of treatment. It facilitates engagement of local healthcare providers in real-time with their patients. This rapid advancement in the use of telehealth has changed the health paradigm, and Peter Mac has supported calls to extend Medicare rebates for telehealth, so they continue even after the COVID-19 pandemic.

A NEW SHARED ELECTRONIC MEDICAL RECORD FOR PARKVILLE

The most significant technology and infrastructure change of the period is undoubtedly the change to a new state-of-the-art electronic medical record (EMR). The Parkville electronic medical record (EMR) went live at the Peter MacCallum Cancer Centre, Royal Women's Hospital and the Royal Melbourne Hospital, connecting and transforming clinical care and research across the precinct. It is a \$140 million collaboration between the three health services, and the Royal Children's Hospital, to improve patient care by providing clinicians with all the information they need about their patients in one secure location. The new system was on time, and budget, to go live in May 2020 but was postponed when the COVID-19 pandemic took hold in Australia. At the time, the Chief Executives of the four hospitals explained the decision to staff. "The predicted impact of COVID-19 on our health services in the coming months will be unprecedented," they said. Together, the four partner health services redesigned the implementation and go-live plans to ensure staff could safely adopt the new system while also managing the pressures of the pandemic. Since its introduction, the EMR has provided clinicians with a range of tools to support high quality care including a new patient portal - Health Hub - that connects patients with important information about their care and treatment.

BOARD OF DIRECTORS

Peter MacCallum Cancer Centre's Board consists of nine directors appointed by the Victorian Government. The Board leads the strategic direction for the management, administration and control of Peter MacCallum Cancer Centre, its funds and its facilities. Directors are appointed for a term of up to three years and may be re-appointed to serve for up to nine years.

BOARD DIRECTORS

Professor Maxine Morand (Chair)
 Ms Deirdre Blythe
 Associate Professor Kate Cherry
 Ms Louise Davidson AM
 Mr Ian Dunn AM
 Mr Matt O'Keefe
 Mr Des Pearson AO
 Associate Professor Leslie Reti AM
 Associate Professor Rosemary McKenzie

AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

Mr Des Pearson AO (Chair)
 Ms Louise Davidson AM
 Ms Deirdre Blythe

FINANCE COMMITTEE

Mr Matt O'Keefe (Chair)
 Ms Deirdre Blythe
 Mr Ian Dunn AM

QUALITY COMMITTEE

Associate Professor Leslie Reti AM (Chair)
 Mr Des Pearson AO
 Mr Ian Dunn AM
 Associate Professor Rosemary McKenzie

RESEARCH COMMITTEE

Associate Professor Kate Cherry (Chair)
 Professor Maxine Morand
 Associate Professor Les Reti AM

COMMUNITY ADVISORY COMMITTEE

Mr Ian Dunn AM (Chair)
 Associate Professor Kate Cherry

EMR COMMITTEE

Mr Matt O'Keefe (Chair)
 Professor Maxine Morand
 Associate Professor Les Reti AM

PRIMARY CARE & POPULATION HEALTH ADVISORY COMMITTEE

Associate Professor Rosemary McKenzie (Chair)
 Associate Professor Kate Cherry

PEOPLE & CULTURE COMMITTEE

Ms Louise Davidson AM (Chair)
 Mr Matt O'Keefe
 Professor Maxine Morand

REMUNERATION COMMITTEE

Professor Maxine Morand (Chair)
 Ms Louise Davidson AM
 Mr Matt O'Keefe

ACCOUNTABLE OFFICER

Interim Chief Executive Officer
 Ms Lisa Dunlop (from 1 July 2019 – 22 September 2019)

Chief Executive Dr Shelley Dolan (from 23 September 2019)

PURPOSE, FUNCTIONS, POWERS AND DUTIES

Peter MacCallum Cancer Institute is a public health service incorporated under the Health Services Act 1998 (Vic) (the Act) and uses as its trading name, Peter MacCallum Cancer Centre (Peter Mac). Peter Mac, through its Board of Directors, reports to the Victorian Minister for Health, the Hon Jenny Mikakos MP.

The powers, functions and duties of Peter Mac are as prescribed by the Act.

The core objective of Peter Mac is to provide public health services in accordance with the National Healthcare Agreement principles. The National Healthcare Agreement stipulates that states and territories will provide health and emergency services through the public hospital system, based on the following Medicare principles:

- a. Eligible persons are to be given the choice to receive, free of charge as public patients, health and emergency services of a kind or kinds that are currently, or were historically provided by hospitals.
- b. Access to such services by public patients free of charge is to be on the basis of clinical need and within a clinically appropriate period.
- c. Arrangements are to be in place to ensure equitable access to such services for all eligible persons, regardless of their geographic location.
- d. Provide high quality health services to the community which aim to meet community needs effectively and efficiently.
- e. Integrate care as needed across service boundaries in order to achieve continuity of care and promote the most appropriate level of care to meet the needs of individuals.
- f. Ensure that we aim for improvements in individual health outcomes and population health status by allocating resources according to best practice health care approaches.
- g. Ensure that we strive to continuously improve quality and foster innovation.
- h. Support a broad range of high-quality health research to contribute to new knowledge and take advantage of knowledge gained elsewhere.
- i. Operate in a business-like manner which maximises efficiency, effectiveness and cost-effectiveness and ensures the financial viability of Peter Mac.
- j. Ensure that mechanisms are available to inform consumers and protect their rights and facilitate consultation with the community.
- k. Operate a public health service as authorised by or under the Act.
- l. Carry out any other activities that may be conveniently carried out in connection with the operation of a public health service or calculated to make more efficient any of Peter Mac's assets or activities.

Board Secretary
Robyn Sparre

BOARD

CHIEF EXECUTIVE OFFICER

CHIEF OPERATING OFFICER

Nicole Tweddle

Medical Director, Medical Oncology
Professor Danny Rischin

Medical Director, Radiation Oncology
Professor Gerard Hanna

General Manager, Cancer Imaging
Michelle McDade

Director, Parkville Cancer Clinical Trials
Professor Mark Rosenthal

Medical Director, Haematology
Professor John Seymour AM

Operations Director, Inpatient Service
Ruth Griffiths

Director, Pharmacy
Senthil Lingaratnam

Manager, Parkville Cancer Clinical Trials
Marian Lieschke

Medical Director, Surgery
Professor Alexander Heriot

Operations Director, Ambulatory Services
Patriece Shelley

Director, Patient Access & Flow
Demi Diaz

Project Director, Connecting Care EMR
Janine Antcliffe
*Until January 2021

CHIEF MEDICAL OFFICER

Dr David Speakman

Deputy Chief Medical Officer
Associate Professor Katherine Burbury

Medical Director (Honorary), Parkville Integrated Palliative Care Service
Associate Professor Brian Le

Head of Infectious Diseases
Professor Monica Slavin

Manager, Volunteer Services
Anne Franzi

Medical Director, Victorian Adolescent and Young Adult Cancer Service
Dr Jeremy Lewin

Director, Psychosocial Oncology
Professor Steven Ellen

Director, Infection Prevention
Associate Professor Leon Worth

Manager, Health Information Services
Kathryn Baxter

Head of Internal Medicine
Vacant

Manager, OnTrac
Kate Thompson

Director, Prevention & Wellbeing
Geraldine McDonald

Program Manager, WCMICS
Kathy Quade

Tumour Stream Directors

CHIEF NURSING OFFICER

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Director, Allied Health
Associate Professor Alicia Martin

Director, Academic Nursing Unit
Professor Meinir Krishnasamy

Manager, Nursing Workforce
Jeannette Marcen

Director, Cancer Education
Dr Caroline Owen

Tumour Stream Clinical Nurse Consultants

Nurse Practitioners

EXECUTIVE DIRECTOR, CLINICAL GOVERNANCE & STRATEGIC PROJECTS

Lisa Dunlop

Director, IMCT
Erminia Schiavone

Director, Procurement & Support Services
Dana Peters

Engineering Services Officer
Nigel Christie

Capital Projects Manager
Ben Evans

Director, Quality & Safety
Kylie Thitchener

Manager & Lead Advisor, Improvement Projects
Simon Castles

Manager, Business Intelligence
Cathy Ma

Voluntary Assisted Dying Care Navigators

Director, Facilities & PPP
Sally Christie

Director, Bone & Soft Tissue Sarcoma Tumour Stream
Professor Peter Choong

Director, Paediatric Oncology Tumour Stream
Dr Greg Wheeler

Director, Head & Neck Tumour Stream
Professor David Wiesenfeld

Director, Upper Gastrointestinal Tumour Stream
Associate Professor Benjamin Thomson

Director, Lung Tumour Stream
Associate Professor Louis Irving

Director, Breast Tumour Stream
Professor Bruce Mann

Director, Central Nervous System Tumour Stream
Professor Kate Drummond

Director, Gynaecology Tumour Stream
Associate Professor Orla McNally

Director, Melanoma & Skin Tumour Stream
Associate Professor Chris McCormack

Director, Lower Gastrointestinal Tumour Stream
Professor Alexander Heriot

Director, Genitourinary Oncology
Professor Declan Murphy

Tumour Stream Directors

ORGANISATIONAL STRUCTURE

Correct as of 30 June

Dr Shelley Dolan

Director, Communications
Vanessa O'Shaughnessy

Policy Advisor
Alexia Myrtle

EXECUTIVE DIRECTOR, FOUNDATION

Jennifer Doubell OAM

Philanthropy & Fundraising Director
Carl Young

Business Manager
Lucy D'Emanuele

Communications Manager
Kristi-Lyn Charter

EXECUTIVE DIRECTOR, CANCER RESEARCH

Professor Ricky Johnstone

Associate Director, Laboratory Research
Professor Rick Pearson

Associate Director, Clinical Research
Associate Professor Jayesh Desai

Associate Director, Health Services Research and Implementation Science
Professor Karin Thursky

Associate Director, Research Translation
Professor Mark Dawson

Associate Director, Research Support and Development
Dr Carol Ginns

Johnstone Lab Team

EXECUTIVE DIRECTOR, BUSINESS VENTURES

Associate Professor Dominic Wall

Director, Pathology / Group Leader Pathology Research
Professor Stephen Fox

General Manager, Nexomics
David Lee

Operations Director, Pathology
Peter Gambell

Director, Commercialisation
Amanda Reese

Director of Partnerships
Vacant

CHIEF FINANCIAL OFFICER

Lucy Franzmann

Deputy Chief Finance Officer / Financial Controller
Mark Grigg

Commercial Finance Manager
Ben Nuttal

Payroll Systems and Quality Assurance Manager
John Ruiz

Finance Systems Improvement Manager
Flora MacInnes

EXECUTIVE DIRECTOR, PEOPLE AND CULTURE

Helen Hovenga

Director, People and Culture
Marco de Marte

Manager, Employee Relations
Stacey Walker

Manager, Organisational Development
Adrienne Hunter

Manager, People Systems & Reporting
Bianca Widgery

Manager, Medical Workforce Unit
Sonya Steve

Manager, Health, Safety and Wellbeing
Michelle Lane

Manager, Capability & Development
Meredith Crowe

Project Manager
Namalka Arambewala

GENERAL COUNSEL & CORPORATE SECRETARY

Elizabeth Kennedy

Senior Legal Counsel
Sue Allen

Facility Manager, St Andrews Place
Roger Marshallsea

Art Collection Curator
Svetlana Karovich

EMPLOYMENT AND CONDUCT PRINCIPLES

Peter Mac's culture reflects the organisational values of excellence, innovation and compassion, and is underpinned by a passion to deliver the best in cancer care, treatment and research.

This year, ensured our employment practices aligned with the Victorian Public Sector Employment Standards and continued to demonstrate achievements in relation to our attraction and recruitment practices. Gender Equality, Diversity and Inclusion was and continues to be a major focus for Peter Mac in preparation for the introduction of the Gender Equality Act 2020.

The orientation program continues to ensure staff begin their career at Peter Mac with an understanding of the patient experience. The program highlights the role individual staff can have in leading change and improving the patient experience. It includes presentations from patient ambassadors, whose stories help to ground knowledge in the reality of the cancer journey.

Throughout the year and in response to the rapidly changing environment, new workforce models, programs of care for staff and initiatives to increase engagement and build capability have been delivered. This has included transitioning large portions of the workforce to work remotely. Whilst striving to maintain business as usual without compromising our high standard of care.

VALUING A HEALTHY WORKFORCE

The health of the workforce remains a priority for Peter Mac. The staff wellbeing strategy aims to provide a safe work environment for staff and to promote and support all aspects of their health and wellbeing.

There is a focused commitment on incident and injury prevention, ensuring staff have the right

skills and capability to perform their roles safely and effectively.

The approach includes:

- Accessible and trained health and safety representatives who actively participate in the identification and management of employees work environment.
- Manual handling program, shared throughout Peter Mac by a group of non-lift trainers, to educate staff in safe handling practices.
- Workplace assessments at an organisational and individual level to ensure the identification of sound ergonomic practices, focused on eliminating or reducing muscle fatigue and injury. This has been expanded to address the needs of those employees now working from home.
- The introduction of a Flexible Working Procedure, flexible work arrangements can offer employees opportunities that meet the varying and complex needs of a modern workforce, while maximising the interests of Peter Mac, our patients and our employees.
- Personal, professional development and wellbeing education programs featuring workshops on stress awareness and building resilience, courageous conversations, managing challenging behaviours, customer service, understanding change and transition and reflective practice.
- A benefits program which provides discounts and a range of physical, financial and mental health options to staff in line with our wellbeing strategy.

WORKFORCE STATISTICS

Labour Category	June Current Month FTE		June YTD FTE	
	2019-20	2018-19	2019-20	2018-19
Nursing Services	571.79	518.26	544.40	505.86
Administration & Clerical	544.35	530.74	526.55	510.09
Medical Support Services	952.83	862.89	938.05	888.64
Hotel & Allied Services	69.20	64.54	70.27	67.56
Medical Officers	80.02	70.89	73.84	72.51
Hospital Medical Officers	133.20	121.65	126.88	120.66
Sessional Clinicians	96.75	83.32	92.51	81.01
Ancillary Support	73.65	94.87	70.85	68.32
Grand Total	2,521.79	2,347.16	2,443.35	2,314.65

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety Statistics	2019-20	2018-19	2017-18
The number of reported hazards/incidents for the year per 100 FTE	14.69	8.50	14.92
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	4.04	4.34	3.6
The average cost per WorkCover claim for the year (\$'000s)	25,643.25	33,425.00	19,732.00

OCCUPATIONAL VIOLENCE

Occupational violence statistics	2019-20	2018-19
WorkCover accepted claims with an occupational violence cause per 100 FTE	0.04	0.04
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.22	0.24
Number of occupational violence incidents reported	77	74
Number of occupational violence incidents reported per 100 FTE	3.15	3.26
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	1.3%	1.35%

Definitions:

Occupational violence – any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.

Incident – an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.

Accepted WorkCover claims – Accepted WorkCover claims that were lodged in 2019-20.

Lost time – is defined as greater than one day.

Injury, illness or condition – This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

CONSULTANCIES INFORMATION

In 2019-20 there were 7 consultancies where the total fee payable to the consultants were \$10,000 or greater.

The total expenditure incurred during 2019-20 in relation to these consultancies is \$233,000 (excl. GST). Details are provided in the table below.

CONSULTANCIES IN 2019-20 COSTING IN EXCESS OF \$10,000

Consultant	Purpose of Consultancy	Start Date	End Date	Total fee approved (excl. GST) \$'000s	Total expenditure approved (excl. GST) \$'000s	Future commitment approved (excl. GST) \$'000s
Alison Coughlan Pty Ltd	Strategic Advice	01 July 2019	30 June 2020	24	24	0
Maurice Bisetto	Strategic Advice	01 July 2019	30 June 2020	30	30	0
Nous Group Pty Ltd	Strategic Advice	01 July 2019	30 June 2020	75	75	0
Open Advisory Pty Ltd	Clinical Service Planning	01 July 2019	30 June 2020	36	36	0
Paxton Consulting Pty Ltd	Strategic Advice	01 July 2019	30 June 2020	24	24	0
Peter R E Turvey	Commercialisation Advice	01 July 2019	30 June 2020	22	22	0
Hilton Consulting Pty Ltd	Strategic Advice	01 July 2019	30 June 2020	22	22	0

CONSULTANCIES IN 2019-20 COSTING LESS THAN \$10,000

Using the definition set out in FRD 22H, the total spend on consultancies costing less than \$10,000 in 2019-20 was \$35,920 (excl. GST) across seven consultants.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

The total ICT expenditure incurred during 2019-20 was \$17,078,758 (excl. GST) with the details shown below.

Business as Usual ICT expenditure	Non-Business as Usual ICT expenditure		
Total (excluding GST)	Total = Operational expenditure and Capital Expenditure (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
\$(c) million	\$(a+b) million \$000s	\$(a) million \$000s	\$(b) million \$000s
\$17.079	\$5.792	0.247	\$5.545

DISCLOSURES REQUIRED UNDER LEGISLATION

FREEDOM OF INFORMATION ACT 1982

The Freedom of Information Act 1982 (Vic) (FOI) provides the public with a right to apply for access to documents in accordance with this Act. Procedures for requesting information from records held by Peter Mac are outlined in the Freedom of Information brochure, available from Peter Mac or from DHHS, the Department of Justice and the Public Records Office of the State Library.

Requests for access to information in documentary form in the custody of Peter Mac should be made to Teresa Trotta, Freedom of Information Officer, Health Information Services, Peter MacCallum Cancer Centre, Locked Bag 1, A'Beckett Street, Victoria, 8006. The application fee for FOI requests is \$29.60, unless it is waived or reduced on hardship grounds.

During 2019-2020, Peter Mac received 131 FOI requests. Of these requests 103 were for medical record documents, one was for a legal request, 23 were for patient or next of kin request, three were made by a politician, and one was made by an independent researcher. Peter Mac provides a report on these requests to the Department of Justice.

BUILDING ACT 1993

The Minister for Finance has issued instructions in accordance with the Building Act 1993 – No.126/1993, such that all public entities are required to ensure that all buildings under their control are safe and fit for occupation, comply with statutory requirements, buildings are maintained to a standard in which they remain safe and fit for occupancy, and to report annually on measures taken to ensure compliance with the Building Act 1993.

The Victorian Comprehensive Cancer Centre (VCCC) in which Peter Mac is situated was designed and built as part of the Victorian Governments Public Private Partnership scheme whereby Plenary Health are the owner of the building and have responsibility to maintain the building for a period of 25 years. Honeywell have been sub contracted by Plenary Health as facility managers of the building. In June 2016 Peter Mac moved into the Parkville VCCC building.

Plenary Health are responsible and hold the Certificate of Occupancy for the Parkville campus building. They are also responsible to ensure building standards and condition assessments, fire safety audits, essential safety measures maintenance are completed at least annually or as per schedule. The building received the Department of Health and Human Services Fire Risk Management certification in 2019. The 2020 certification has been delayed due to COVID-19 but is scheduled for later this year.

Plenary ensures building permits are obtained for any new projects and, where required, Certificates of Occupancy or Certificates of Final Inspection when these projects are completed.

For Moorabbin, Box Hill, Sunshine and Bendigo campuses responsibility to comply with the act lies with the host organisation.

PROTECTED DISCLOSURE ACT 2012

Peter MacCallum Cancer Centre has a procedure for receiving complaints and notifications of public sector corruption and misconduct. A person who detects or has reasonable grounds for suspecting improper conduct (which includes corrupt conduct) is encouraged to raise any concerns with the designated Peter Mac Disclosure Officer. Elizabeth Kennedy, General Counsel and Corporate Secretary was the Disclosure Officer for Peter Mac for the year under review.

Alternatively, under the procedure and s51 of the Independent Broad-Based Anti-Corruption Commission Act 2011 a person may also make a report directly to the Independent Broad-Based Anti-Corruption Commission (IBAC) about the existence of conduct they believe to be corrupt. There have been no disclosures reported to IBAC in the year ending 30 June 2020.

STATEMENT ON NATIONAL COMPETITION POLICY

Peter Mac complies with the Victorian government's competitive neutrality policy and complies with the National Competition Policy in relevant business activities.

CARERS RECOGNITION ACT 2012

Peter Mac as a care support organisation has complied with its obligations under section 11 of the Act and takes all practicable measures to ensure that:

- Its employees and agents have an awareness and understanding of carer relationship principles under the Act
- Persons who are in care relationships and who are receiving services in relation to that care relationship from Peter Mac have an awareness and understanding of the care relationship principles
- It reflects the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships

ENVIRONMENTAL PERFORMANCE

Peter Mac is committed to operating in an environmentally responsible manner. This includes building a strong and sustainable future, continually aiming to improve environmental performance by achieving best practice outcomes, complying with relevant federal and state legislation, and reducing the organisation's environmental footprint.

VCCC building manager, Honeywell, operates an environmental management system which is certified to the AS/NZS/ISO 14001 Standard and is in accordance with all applicable laws relating to the environment. Honeywell's approach towards creating, promoting and maintaining an environmentally sensitive and sustainable service delivery approach is detailed in the Environmental Management Plan.

In 2019-20, Honeywell set objectives and targets to improve the building's environmental impacts, ensured operational control procedures were implemented and monitored and recorded the environmental system implemented. Targets, utilities consumption and environmental audit results were reported monthly.

VCCC General Statistics	2019-20
Building Area -excluding car parking (sqm)	76,630
Greenhouse Gas Emissions	2019-20
Victoria elec (kwh)	0.98
Victoria gas (GJ)	51.40
Total (tCO2e) scope 1 & 2	32,874
Total CO2e per building Square Meter *	0.43
Energy	2019-20
Electrical Energy (kWh)	29,322,531
Electrical Energy (GJ)	105,561
Natural Gas (GJ)	80,265
Diesel (GJ)	170
Total Energy Usage (GJ)	185,996

Normalised Energy Consumption	
Total Energy per unit of floor space (GJ/sqm/year)	2.43
Water	
	2019-20
Potable water (kL)	151,061
Normalised Water Consumption	
Potable water per unit of floor space (kL/sqm/year)	1.97
Waste	
	2019-20
General waste (Tonnes)	360
Clinical Waste (Tonnes)	77
Recycling (Tonnes)	122
Battery & E-Waste Recycling	0.80
Other (cytotoxic, Anatomical, GMO, Pharmaceutical)	94
Total Waste (Tonnes)	654
Normalised Waste Consumption	
Waste recycling rate (% of General)	34%

* Approximately 83% of usage is for PMCC, 3% for carpark the remainder is for Building Partners.

LOCAL JOBS ACT 2003

The Victorian Industry Participation Policy Act 2003 requires Peter MacCallum Cancer Centre to consider competitive local suppliers, including small to medium enterprises, when awarding contracts valued at \$3 million or more in metropolitan Melbourne or for state-wide activities. This is factored into any tender evaluation conducted by Peter Mac. There was one contract awarded in FY19/20 for clinical equipment. Melbourne Health, our Procurement Agent facilitated the RFQ process and lodged it with Industry Capability Network Victoria (ICN) on 11 December 2019. The equipment is due for instalment September/October 2020 and ready for clinical use November 2020. The total value of the contract was \$10,549,314. There was one local job created and 41% percent 'local content' committed. There were 21 small and medium sized businesses engaged as either the principal contractor or as part of the supply chain. There were no apprenticeships, traineeships or cadetships created or retained.

SAFE PATIENT CARE ACT 2015

Peter MacCallum Cancer Centre has no matters to report in relation to its obligations under section 40 of the Safe Patient Care Act 2015.

CAR PARKING FEES

Peter MacCallum Cancer Centre complies with the DHHS hospital circular on car parking fees and details of car parking fees and concession benefits can be viewed at: <https://www.petermac.org/location/melbourne/getting-peter-mac/parking>

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

Details in respect of the items listed below have been retained by Peter Mac and are available to the relevant Ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable):

- a. Declarations of pecuniary interests have been duly completed by all relevant officers;
- b. Details of shares held by senior officers as nominee or held beneficially;
- c. Details of publications produced by Peter Mac about itself, and how these can be obtained;
- d. Details of changes in prices, fees, charges, rates and levies charged by Peter Mac;
- e. Details of any major external reviews carried out on Peter Mac;
- f. Details of major research and development activities undertaken by Peter Mac that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;
- g. Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- h. Details of major promotional, public relations and marketing activities undertaken by Peter Mac to develop community awareness of Peter Mac and its services;
- i. Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- j. A general statement on industrial relations within Peter Mac and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations;
- k. A list of major committees sponsored by Peter Mac, the purposes of each committee and the extent to which those purposes have been achieved;
- l. Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

ATTESTATIONS

Peter MacCallum Cancer Institute is a public health service incorporated under the Health Services Act 1998 (Vic) (the Act), and uses as its trading name, Peter MacCallum Cancer Centre (Peter Mac). Peter Mac, through its Board of Directors, reports to the Victorian Minister for Health, the Hon Jenny Mikakos MP.

FINANCIAL MANAGEMENT COMPLIANCE

I, Professor Maxine Morand, on behalf of the Responsible Body, certify that Peter MacCallum Cancer Centre has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.



Prof Maxine Morand
 Chair, Board of Directors
 Peter MacCallum Cancer Centre
 1/09/2020

DATA INTEGRITY DECLARATION

I, Dr Shelley Dolan certify that Peter MacCallum Cancer Centre has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Peter MacCallum Cancer Centre has critically reviewed these controls and processes during the year.



Dr Shelley Dolan
 Chief Executive
 Peter MacCallum Cancer Centre
 1/09/2020

CONFLICT OF INTEREST DECLARATION

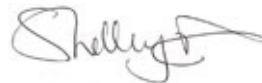
I, Dr Shelley Dolan, certify that Peter MacCallum Cancer Centre has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 Compliance reporting in health portfolio entities (Revised) and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within Peter MacCallum Cancer Centre and members of the board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each executive board meeting.



Dr Shelley Dolan
Chief Executive
Peter MacCallum Cancer Centre
1/09/2020

INTEGRITY, FRAUD AND CORRUPTION DECLARATION

I, Dr Shelley Dolan, certify that Peter MacCallum Cancer Centre has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Peter Mac during the year.



Dr Shelley Dolan
Chief Executive
Peter MacCallum Cancer Centre
1/09/2020

STATEMENT OF PRIORITIES

PART A: END OF YEAR REPORT

In 2019-20 the Peter MacCallum Cancer Institute will contribute to the achievement of the Government's commitments within Health 2040: Advancing health, access and care by:

Goals	Strategies	Deliverables	Update
BETTER HEALTH A system geared to prevention as much as treatment Everyone understands their own health and risks Illness is detected and managed early Healthy neighbourhoods and communities encourage healthy lifestyles	BETTER HEALTH Reduce State wide Risks Build Healthy Neighbourhoods Help people to stay healthy Target health gaps	<ul style="list-style-type: none"> Implement a Prehabilitation Service for patients booked to have major surgery in order to ensure patients are in optimal health prior to their surgery, reduce morbidity and length of stay with a goal of 75% attendance. 	ACHIEVED Service has been established and patient uptake remains above 85%.
		<ul style="list-style-type: none"> Develop the CAR-T Centre of Excellence model of care and establish new / deepen existing partnerships to establish, grow and inform a national cellular therapies network of health service and research partners. 	ACHIEVED Governance and additional structures in place. National referral management process established with every Australian treatment site. Global trial partnerships expanding. Translational Research Laboratory initiated.

Goals	Strategies	Deliverables	Update
<p>BETTER ACCESS</p> <p>Care is always being there when people need it</p> <p>Better access to care in the home and community</p> <p>People are connected to the full range of care and support they need</p> <p>Equal access to care</p>	<p>BETTER ACCESS</p> <p>Plan and invest</p> <p>Unlock innovation</p> <p>Provide easier access</p> <p>Ensure fair access</p>	<ul style="list-style-type: none"> In partnership with Melbourne Health, The Royal Children's Hospital and The Royal Women's Hospital, implement the Connecting Care Project (EMR) across the Parkville precinct to ensure streamlined, consistent and seamless care across the precinct. 	<p>GOOD PROGRESS</p> <p>(achieved after the reporting date)</p> <p>EMR go-live date was postponed due to COVID-19. EPIC EMR went live across Parkville Precinct on 8 August 2020.</p>
		<ul style="list-style-type: none"> Establish an onsite Palliative Care inpatient unit as a new component of the Parkville Integrated Palliative Care Service on Level 1 increasing access for patients requiring inpatient palliative care. 	<p>GOOD PROGRESS</p> <p>Inpatient Palliative Care Unit opened on 14 September 2020.</p> <p>(achieved after the reporting date)</p>
		<ul style="list-style-type: none"> Complete the Clinical Services Plan to determine the clinical needs over the next 5 years, and inform service delivery and next Strategic Plan. 	<p>IN PROGRESS</p> <p>Due to COVID-19, clinical service planning is ongoing. However the organisation has developed a new five-year strategic plan, which includes articulation of clinical service priorities.</p>
Goals	Strategies	Deliverables	Update
<p>BETTER CARE</p> <p>Targeting zero avoidable harm</p> <p>Healthcare that focusses on outcomes</p> <p>Patients and carers are active partners in care</p> <p>Care fits together around people's needs</p>	<p>BETTER CARE</p> <p>Put quality First</p> <p>Join up care</p> <p>Partner with patients</p> <p>Strengthen the workforce</p> <p>Embed evidence</p> <p>Ensure equal care</p>	<ul style="list-style-type: none"> Partner with our patients to develop and implement the Patient Portal as part of the Connecting Care project. 	<p>GOOD PROGRESS</p> <p>Due to COVID-19, EMR go-live was postponed to August 2020. Work is now progressing across the Parkville Precinct on increasing usage of the patient portal.</p>
		<ul style="list-style-type: none"> Expand the Compassion and Resilience Education (CARE) program, which is aimed at developing resilience, and personal and professional wellbeing, from nursing staff to all Peter Mac Staff with a target of ten sessions this year. 	<p>ACHIEVED</p> <p>Expanded Care Champion Peer Support Program, making it available to all staff.</p>

Goals	Strategies	Deliverables	Update
	<p>SUPPORTING THE MENTAL HEALTH SYSTEM.</p> <p>Improve service access to mental health treatment to address the physical and mental health needs of consumers</p>	<ul style="list-style-type: none"> Roll out of the electronic health questionnaire (eHAQ) across all tumour streams, this includes screening for complex needs and levels of distress using the distress thermometer – 60% of all new patients will complete this prior to their first appointment. 	<p>IN PROGRESS</p> <p>E-HAQ in use across all tumour streams, although roll-out was delayed due to COVID-19 pandemic. Work continues to include distress thermometer and evaluate completion rates.</p>
	<p>ADDRESSING OCCUPATIONAL VIOLENCE</p> <p>Foster an organisational wide occupational health and safety risk management approach, including identifying security risks and implementing controls, with a focus on prevention and improved reporting and consultation.</p>	<p>Implement the department's security training principles to address identified security risks.</p> <ul style="list-style-type: none"> Implement an online learning package for all staff as part of the new Learning Management System (LMS) as part of the mandatory training requirements for staff. 	<p>ACHIEVED</p> <p>The Learning Hub went live for Peter Mac employees on 4 December 2019. Occupational Violence & Aggression online training package established to supplement face to face training which was restricted due to COVID-19.</p>
		<ul style="list-style-type: none"> Revise the Code Black procedure and training program in conjunction with Security. 	<p>ACHIEVED</p> <p>New procedure endorsed and training provided.</p>

Goals	Strategies	Deliverables	Update
	<p>ADDRESSING BULLYING AND HARASSMENT</p> <p>Actively promote positive workplace behaviours, encourage reporting and action on all reports.</p> <p>Implement the department's <i>Framework for promoting a positive workplace culture: preventing bullying, harassment and discrimination and Workplace culture and bullying, harassment and discrimination training: guiding principles for Victorian health services.</i></p>	<ul style="list-style-type: none"> Introduction of Bullying Harassment and Discrimination Contact Officers across the organisation. Revise and update the training modules emphasising a zero tolerance and incorporating an updated code of conduct and expected behaviours. Implement a "case tracker" system to better record, monitor instances of harassment and bullying and provide feedback to staff more generally that these instances are being investigated. 	<p>ACHIEVED</p> <p>Officers appointed and trained. Updated posters created and distributed to help staff understand supports and contacts available.</p> <hr/> <p>ACHIEVED</p> <p>Bullying, Harassment & Discrimination (BHD) training updated. Victorian Public Sector Code of Conduct values and behaviours reinforced.</p> <hr/> <p>ACHIEVED</p> <p>Case Tracker system established in January 2019.</p>
	<p>SUPPORTING VULNERABLE PATIENTS</p> <p>Partner with patients to develop strategies that build capability within the organisation to address the health needs of communities and consumers at risk of poor access to health care.</p>	<ul style="list-style-type: none"> Develop a Diversity and Inclusion Plan to improve diversity responsiveness, equitable access, and safe and inclusive services for people with diverse cultural needs. Develop and implement a "carer's policy" which outlines the roles and responsibilities of staff and carers when patients are admitted. 	<p>IN PROGRESS</p> <p>Diversity and Inclusion Plan endorsed. Working Group governance and operating frameworks to be co-designed.</p> <hr/> <p>ACHIEVED</p> <p>New policy developed and available in iPolicy.</p>

Goals	Strategies	Deliverables	Update
	<p>SUPPORTING ABORIGINAL CULTURAL SAFETY</p> <p>Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices across all parts of the organisation to recognise and respect Aboriginal culture and deliver services that meet the needs, expectations and rights of Aboriginal patients, their families, and Aboriginal staff.</p>	<ul style="list-style-type: none"> • Deliver a training program to 80 staff on Aboriginal Cultural Safety to ensure staff better understand the needs of our Aboriginal patients, families and staff. 	<p>ACHIEVED</p> <p>Cultural Safety Training delivered by Victorian Aboriginal Community Controlled Health Organisation (VACCHO) to more than 100 staff. Further work underway to make training available to all staff via the Learning Hub.</p>
		<ul style="list-style-type: none"> • Work with our Precinct partners to better co-ordinate care for our Aboriginal patients, families and staff by scoping the establishment of the Parkville Directorate for Aboriginal Health, and investigating the inclusion of traditional healing practices for Aboriginal and Torres Strait Islander patients. 	<p>IN PROGRESS</p> <p>Funding established to appoint a full-time Aboriginal Health Liaison Officer at Peter Mac.</p>
	<p>ADDRESSING FAMILY VIOLENCE</p> <p>Strengthen responses to family violence in line with the <i>Multiagency Risk Assessment and Risk Management</i></p> <p>Framework (MARAM) and assist the government in understanding workforce capabilities by championing participation in the census of workforces that intersect with family violence.</p>	<ul style="list-style-type: none"> • Implement Stage two of the Strengthening Hospital Response to Family Violence (SHRVF) Program which will include a system audit review, assessing the value and impact of SHRVF that will be overseen by The Royal Women's Hospital and the University of Melbourne with funding from the Collier Charitable Fund. 	<p>ACHIEVED</p>

Goals	Strategies	Deliverables	Update
	<p>IMPLEMENTING DISABILITY ACTION PLANS</p> <p>Continue to build upon last year's action by ensuring implementation and embedding of a disability action plan, which seeks to reduce barriers, promote inclusion and change attitudes and practices to improve the quality of care and employment opportunities for people with disability.</p>	<ul style="list-style-type: none"> Develop a policy on accessibility and embed principles into recruitment procedures. 	<p>ACHIEVED</p> <p>Policy supporting universal design to make facilities and services accessible to people of all abilities developed. This policy will inform recruitment procedures.</p>
		<ul style="list-style-type: none"> Review flexible employment arrangements for staff. 	<p>IN PROGRESS</p> <p>Flexible Working Arrangements procedure developed and implemented March 2020. Flexible arrangements modelled successfully, as per state-wide adjustments to work practices to respond to COVID-19.</p>
	<p>SUPPORTING ENVIRONMENTAL SUSTAINABILITY</p> <p>Contribute to improving the environmental sustainability of the health system by identifying and implementing projects and/or processes to reduce carbon emissions.</p>	<ul style="list-style-type: none"> Continue to raise awareness of environmental sustainability initiatives via the Environmental Sustainability Committee and the annual environmental action plan. 	<p>IN PROGRESS</p> <p>Environmental Sustainability Committee has continued to actively promote sustainability activities.</p>
		<ul style="list-style-type: none"> Increase recycling rates from 18% to 20% of waste. 	<p>ACHIEVED</p> <p>General waste recycling rate above 30%.</p>
		<ul style="list-style-type: none"> Continue to review and monitor expenditure on energy, water and waste management to assess the effectiveness of environmental sustainability initiatives. 	<p>IN PROGRESS</p> <p>Application to replace lights in the carpark with LED globes submitted, but funding round put on hold. Lighting and air-conditioning controls for upper building levels updated with estimated saving of about \$15,000 per annum.</p>

PART B: PERFORMANCE PRIORITIES

High Quality and Safe Care

Infection prevention and control	Target	Result
Compliance with the Hand Hygiene Australia program	83%	82.4%
Percentage of healthcare workers immunised for influenza	84%	88%

Healthcare associated infections (HAI's)	Target	Result
Rate of patients with surgical site infection	No outliers	Achieved
Rate of patients with SAB1 per 10,000 occupied bed days	≤ 1	1.6*

* A number of strategies are in place to reduce this rate to zero, and these methods continue to be reviewed and refined. In the last quarter of 2019-2020 the infection rate was zero.

Patient experience	Target	Result
Victorian Healthcare Experience Survey – data submission		Full compliance
Victorian Healthcare Experience Survey – percentage of positive patient experience – Quarter 1	95%	98.1% From Q1 monitor
Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 2	95%	94.8% From Q2 monitor
Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 3	95%	98.1% From Q3 monitor
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care – Quarter 1	75%	84.8% From Q1 monitor
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care – Quarter 2	75%	79.4% From Q2 monitor
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care – Quarter 3	75%	80.4% From Q3 monitor
Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 1	70%	85.9% From Q1 monitor
Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 2	70%	88.3% From Q2 monitor
Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 3	70%	82.9% From Q3 monitor
Hand hygiene - Quarter 4	Data not available	Data not available

Adverse events	Target	Result
Sentinel events – root cause analysis (RCA) reporting	All RCA reports submitted within 30 business days	Achieved

Governance, Leadership and Culture Disclosure Index

The annual report of the Peter MacCallum Cancer Centre is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Organisational culture	Target	Result
People matter survey – percentage of staff with an overall positive response to safety and culture questions	80%	92%
People matter survey – percentage of staff with a positive response to the question, "I am encouraged by my colleagues to report any patient safety concerns I may have"	80%	95%
People matter survey – percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area"	80%	95%
People matter survey – percentage of staff with a positive response to the question, "My suggestions about patient safety would be acted upon if I expressed them to my manager"	80%	94%
People matter survey – percentage of staff with a positive response to the question, "The culture in my work area makes it easy to learn from the errors of others"	80%	89%
People matter survey – percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation"	80%	92%
People matter survey – percentage of staff with a positive response to the question, "This health service does a good job of training new and existing staff"	80%	84%
People matter survey – percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised"	80%	88%
People matter survey – percentage of staff with a positive response to the question, "I would recommend a friend or relative to be treated as a patient here"	80%	97%

Note: The 2019-20 People Matters Survey was postponed indefinitely due to the COVID-19 pandemic.

Timely access to care

Elective surgery	Target	Result
Percentage of urgency category 1 elective surgery patients admitted within 30 days	100%	100%
Percentage of urgency category 1, 2 and 3 elective surgery patients admitted within clinically recommended time	94%	84.4%
Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category	5% or 15% proportional improvement from prior year	35.2%
Number of patients on the elective surgery waiting list*	840	503
Number of hospital initiated postponements per 100 scheduled elective surgery admissions	≤ 7 /100	4.3
Number of patients admitted from the elective surgery waiting list	3,400	3,417

* The target shown is the number of patients on the elective surgery waiting list as at 30 June 2020

Specialist clinics	Target	Result
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	97.5%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	99.1%

Effective financial management

Key performance indicator	Target	Result
Operating result (\$m)	\$0.00	\$0.4m
Average number of days to pay trade creditors	60 days	50 days
Forecast number of days available cash (based on end of year forecast)	14 days	15.8 days
Actual number of days available cash, measured on the last day of each month.	14 days	Achieved
Average number of days to receive patient fee debtors	60 days	51 days
Public and Private WIES activity performance to target	100%	100.31%
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	1.1
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$250,000 (i.e. +/- 0.25)	4.08

PART C: ACTIVITY AND FUNDING

Funding type	Target Activity	Actual Activity
WIES Public	16,035	17,017
WIES Private	7,039	5,862
WIES DVA	129	178

Acute Non-Admitted	Activity	Budget (\$000)	Actual Activity
Home Enteral Nutrition	1,282	277	1,193
Radiotherapy WAUs Public Non-DVA	292,068	70,079	320,318
Radiotherapy WAUs DVA	2,092	620	2,227
Specialist Clinics – Public and Private	95,367	24,202	97,023

DISCLOSURE INDEX

The annual report of the Peter MacCallum Cancer Centre is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
MINISTERIAL DIRECTIONS		
<i>Report of Operations</i>		
<i>Charter and purpose</i>		
FRD 22H	Manner of establishment and the relevant Ministers	27, 28
FRD 22H	Purpose, functions, powers and duties	28
FRD 22H	Nature and range of services provided	8-9
FRD 22H	Activities, programs and achievements for the reporting period	14-26
FRD 22H	Significant changes in key initiatives and expectations for the future	10-13
<i>Management and structure</i>		
FRD 22H	Organisational structure	30-31
FRD 22H	Workforce data/ employment and conduct principles	32-33
FRD 22H	Occupational Health and Safety	33
<i>Financial Information</i>		
FRD 22H	Summary of the financial results for the year	53-54
FRD 22H	Significant changes in financial position during the year	54
FRD 22H	Operational and budgetary objectives and performance against objectives	54
FRD 22H	Subsequent events	125
FRD 22H	Details of consultancies under \$10,000	34
FRD 22H	Details of consultancies over \$10,000	34
FRD 22H	Disclosure of ICT expenditure	35

Legislation	Requirement	Page reference
Legislation		
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	36
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	36
FRD 22H	Application and operation of <i>Protected Disclosure 2012</i>	37
FRD 22H	Statement on National Competition Policy	37
FRD 22H	Application and operation of <i>Carers Recognition Act 2012</i>	37
FRD 22H	Summary of the entity's environmental performance	38
FRD 22H	Additional information available on request	39
Other relevant reporting directives		
FRD 25C	Local Jobs First Act disclosures	38
SD 5.1.4	Financial Management Compliance attestation	40
SD 5.2.3	Declaration in report of operations	11
Attestations		
	Attestation on Data Integrity	40
	Attestation on managing Conflicts of Interest	41
	Attestation on integrity, fraud and corruption	41
Other reporting requirements		
	• Reporting of outcomes from Statement of Priorities 2019-20	42-50
	• Occupational Violence reporting	33
	• Reporting obligations under the <i>Safe Patient Care Act 2015</i>	38
	• Reporting of compliance regarding Car Parking Fees (if applicable)	38

SUMMARY OF FINANCIAL RESULTS

For the year ending 30 June 2020, Peter Mac (parent entity) recorded a net surplus of \$28,918,000 after taking into account the impact of capital, depreciation and net results from its operations. Refer to page 60, Comprehensive Operating Statement. The Victorian Government provides separately for depreciation costs via capital payments in response to submissions by health services. For this reason, DHHS monitor Peter Mac's financial performance against the Net Operating Result included in the Statement of Priorities. Excluding capital and specific items, Peter Mac recorded an operating surplus of \$399,000, compared to the budgeted breakeven target for 2019-20, and an operating surplus of \$247,000 in the previous year.

There were no subsequent events to balance date. The impact of the pandemic or other events on the future operations of Peter MacCallum Cancer Centre is unknown.

FIVE YEAR FINANCIAL SUMMARY

Peter Mac (Parent entity)	2019-20 \$000s	2018-19 \$000s	2017-18 \$000s	2016-17 \$000s	2015-16 \$000s
Total revenue	726,330	666,413	624,932	523,402	387,267
Total expenses	(697,412)	(666,306)	(622,915)	(575,387)	(407,878)
Net result from transactions	28,918	107	2,017	(51,985)	(20,611)
Total other economic flows	(4,785)	(10,092)	(3,152)	2,155	609
Net result	24,133	(9,985)	(1,135)	(49,830)	(20,002)
Total assets	1,689,736	1,648,687	1,619,020	1,652,014	1,686,977
Total liabilities	(1,370,883)	(1,314,108)	(1,259,986)	(1,276,385)	(1,320,512)
Net assets / Total equity	318,853	334,579	359,034	375,629	366,465

Reconciliation between the Net result from transactions reported in the financial statements to the Operating result as agreed in the Statement of Priorities.

	2019-20 \$000s
Peter Mac (Parent entity)	
Net operating result	399
Capital and specific items	
Capital purpose income	122,166
Specific income	8,711
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	0
State supply items consumed up to 30 June 2020	0
Assets provided free of charge	0
Assets received free of charge	238
Expenditure for capital purpose	(2,502)
Depreciation and amortisation	(55,586)
Impairment of non-financial assets	0
Finance costs (other)	(44,508)
Net result from transactions	28,918

Notes:

FINANCE COSTS (OTHER) – STATE FUNDED ACTIVITY

Where through a Public-Private-Partnership (PPP) project, Peter Mac received recurring funding for the project, the funding received is treated as State Government Capital Grants – Funding for Peter Mac PPP Project. The corresponding interest charges relating to the PPP finance lease are excluded from the Operating result.

SIGNIFICANT CHANGES IN THE BALANCE SHEET (PARENT ENTITY ONLY)

Net assets have decreased \$15.7 million over the financial year. This is driven by an increase in Liabilities due to Deferred Capital Revenue and Leave Provisions impacted by COVID-19. This is partly offset by an increase in Total Assets due to Work-In-Progress Capital related to the Electronic Medical Record, Palliative Care Ward and Gamma Knife installation.

OPERATIONAL AND BUDGETARY OBJECTIVES FOR 2019-20

The primary operational and budgetary objectives for the year were to meet the access, activity and financial targets agreed between Peter Mac and the Minister for Health as set out in the 2019-20 Statement of Priorities. For SUBSEQUENT EVENTS Refer to Note 8.7

Peter Mac's net result from transactions has improved compared to prior years due to a reduction in depreciation, other economic flows and financing costs.

This is driven by end of life IT equipment no longer depreciated, long service leave adjustments due to bond rate changes in other economic flows and an adjustment to the PPP financing costs.

FINANCIAL STATEMENTS

Peter Mac's Annual Report 2019-20 was made available to the Minister for Health and Members of Parliament in October 2020. The Annual Report 2019-20 will be released to the public at Peter Mac's Annual General Meeting in December 2020.

BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for Peter MacCallum Cancer Centre and the Consolidated Entity have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of Peter MacCallum Cancer Centre and the Consolidated Entity at 30 June 2020.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 16 October 2020.



The Hon. Maxine Morand
Chair

Peter MacCallum Cancer
Centre 16 October 2020



Shelley Dolan
Chief Executive Officer

Peter MacCallum Cancer
Centre 16 October 2020



Lucy Franzmann
Chief Financial Officer

Peter MacCallum Cancer
Centre 16 October 2020

FINANCIAL STATEMENTS

The background features several abstract geometric lines. A thin white line starts from the left edge, goes up and right, then down and right, then down and left, and finally down and right towards the bottom right. A thin purple line starts from the top right, goes down and left, then up and right. A solid purple shape is located in the bottom right corner, forming a triangle with a horizontal base and a vertical right side.

Independent Auditor's Report

To the Board of the Peter MacCallum Cancer Centre

Opinion	<p>I have audited the consolidated financial report of the Peter MacCallum Cancer Centre (the health service) and its controlled entities (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> • consolidated entity and health service balance sheets as at 30 June 2020 • consolidated entity and health service comprehensive operating statements for the year then ended • consolidated entity and health service statements of changes in equity for the year then ended • consolidated entity and health service cash flow statements for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the health service as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the health service and the consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the health service and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the health service and the consolidated entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the health service and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the health service and the consolidated entity. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
29 October 2020



Travis Derricott
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Parent 2020 \$000s	Parent 2019 \$000s	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Revenue and Income from transactions					
Operating activities	2.1	725,472	665,397	748,102	685,101
Non-operating activities	2.1	858	1,016	2,781	3,641
Total Revenue and Income from transactions		726,330	666,413	750,883	688,742
Expenses from transactions					
Employee expenses	3.1	(350,703)	(315,059)	(358,234)	(321,103)
Supplies and consumables	3.1	(140,368)	(124,377)	(140,445)	(125,580)
Finance costs	3.1	(70,685)	(88,130)	(70,685)	(88,130)
Depreciation and amortisation	4.4	(55,586)	(61,305)	(55,685)	(61,387)
Public/private partnership operating expenses	3.1	(19,448)	(18,748)	(19,448)	(18,748)
Other administrative expenses	3.1	(31,011)	(26,974)	(44,201)	(38,270)
Other operating expenses	3.1	(29,611)	(31,713)	(29,524)	(31,684)
Other non-operating expenses	3.1	-	-	-	-
Total expenses from transactions		(697,412)	(666,306)	(718,222)	(684,902)
Net result from transactions - net operating balance		28,918	107	32,661	3,840
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	3.2	(2,220)	(3,614)	(2,444)	(3,614)
Net gain/(loss) on financial instruments at fair value	3.2	(699)	(662)	(2,325)	3,387
Other gain/(loss) from other economic flows	3.2	(1,866)	(5,816)	(1,876)	(5,842)
Total other economic flows included in net result		(4,785)	(10,092)	(6,645)	(6,069)
Net result before tax		24,133	(9,985)	26,016	(2,229)
Income tax benefit/(expense)	3.6	-	-	(118)	115
Net result after tax		24,133	(9,985)	25,898	(2,114)
Other comprehensive income					
Items that will not be reclassified to net result					
Changes to property, plant and equipment revaluation surplus	4.2.2	-	63,255	-	63,255
Items that may be reclassified subsequently to net result					
Changes to cash flow hedging reserve		(54,513)	(78,280)	(54,513)	(78,280)
Total other comprehensive income		(54,513)	(15,025)	(54,513)	(15,025)
Comprehensive result for the year		(30,380)	(25,010)	(28,615)	(17,139)

This Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET AS AT 30 JUNE 2020

	Note	Parent 2020 \$000s	Parent 2019 \$000s	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current assets					
Cash and cash equivalents	6.2	78,110	50,334	87,706	60,175
Receivables	5.1	33,773	35,539	33,728	34,229
Investments and other financial assets	4.1	-	-	77,526	76,826
Inventories	4.5	4,080	4,376	4,715	4,376
Prepayments		5,533	1,695	5,611	1,846
Total current assets		121,496	91,944	209,286	177,452
Non-current assets					
Receivables	5.1	27,370	23,288	27,370	23,288
Property, plant and equipment	4.2.1	1,487,547	1,489,293	1,488,362	1,489,789
Intangible assets	4.3	51,611	43,034	53,292	44,139
Deferred tax assets	5.4	-	-	402	520
Investments in subsidiaries	8.8	1,712	1,128	-	-
Total non-current assets		1,568,240	1,556,743	1,569,426	1,557,736
Total assets		1,689,736	1,648,687	1,778,712	1,735,188
Current liabilities					
Payables	5.2	84,441	45,072	85,230	46,016
Borrowings	6.1	65,163	51,765	65,163	51,765
Provisions	3.4	90,439	76,594	91,626	77,468
Other liabilities	5.3	108	6,258	108	6,297
Total current liabilities		240,151	179,689	242,127	181,546
Non-current liabilities					
Payables	5.2	1,185	1,708	1,185	1,708
Borrowings	6.1	874,265	934,463	874,265	934,463
Provisions	3.4	17,796	15,275	17,956	15,447
Other liabilities	5.3	237,486	182,973	237,486	182,973
Total non-current liabilities		1,130,732	1,134,419	1,130,892	1,134,591
Total liabilities		1,370,883	1,314,108	1,373,019	1,316,137
Net assets		318,853	334,579	405,693	419,051
Equity					
Property, plant & equipment revaluation surplus	4.2.6	170,272	170,272	170,272	170,272
Cash flow hedging reserve		(237,486)	(182,973)	(237,486)	(182,973)
Restricted specific purpose reserve	SCE	26,383	26,383	83,094	83,094
Contributed capital	SCE	258,433	236,247	258,879	236,793
Accumulated surpluses/ (deficits)	SCE	101,251	84,650	130,307	111,246
		318,853	334,579	405,066	418,432
Non-controlling interest		-	-	627	619
Total equity		318,853	334,579	405,693	419,051

SCE - Statement of Changes in Equity

This Statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Parent	Note	Property, plant & equipment revaluation surplus \$000s	Cash flow hedging reserve \$000s
Balance as at 1 July 2018		107,017	(104,693)
Net result for the year		-	-
Other comprehensive income for the year		63,255	(78,280)
Transfer from accumulated surplus		-	-
Contributed capital received from Victorian Government		-	-
Balance as at 30 June 2019		170,272	(182,973)
Effect of adoption of AASB 15, 16 and 1058	8.11	-	-
Restated balance at 1 July 2019		170,272	(182,973)
Net result for the year		-	-
Other comprehensive income for the year		-	(54,513)
Transfer to accumulated surplus - on disposal of business		-	-
Transfer from accumulated surplus		-	-
Contributed capital received from Victorian Government		-	-
Administrative restructure - net assets received		-	-
Administrative restructure - net assets transferred		-	-
Balance at 30 June 2020		170,272	(237,486)

This statement should be read in conjunction with the accompanying notes.

Restricted specific purpose reserve \$000s	Contributed capital \$000s	Accumulated surpluses/ (deficits) \$000s	Non-controlling interest \$000s	Total \$000s
28,408	235,646	92,610	-	358,988
-	-	(9,985)	-	(9,985)
-	-	-	-	(15,025)
(2,025)	-	2,025	-	-
-	601	-	-	601
26,383	236,247	84,650	-	334,579
-	-	(7,532)	-	(7,532)
26,383	236,247	77,118	-	327,047
-	-	24,133	-	24,133
-	-	-	-	(54,513)
-	-	-	-	-
-	-	-	-	-
-	22,186	-	-	22,186
-	-	-	-	-
-	-	-	-	-
26,383	258,433	101,251	-	318,853

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Consolidated	Note	Property, plant & equipment revaluation surplus \$000s	Cash flow hedging reserve \$000s
Balance as at 1 July 2018		107,017	(104,693)
Net result for the year		-	-
Other comprehensive income for the year		63,255	(78,280)
Transfer from accumulated surplus		-	-
Contributed capital received from Victorian Government		-	-
Options reserve		-	-
Issued capital		-	-
Balance as at 30 June 2019		170,272	(182,973)
Effect of adoption of AASB 15, 16 and 1058	8.11	-	-
Restated balance at 1 July 2019		170,272	(182,973)
Net result for the year		-	-
Other comprehensive income for the year		-	(54,513)
Transfer from accumulated surplus		-	-
Contributed capital received from Victorian Government		-	-
Options reserve		-	-
Issued capital		-	-
Balance at 30 June 2020		170,272	(237,486)

Restricted specific purpose reserve \$000s	Contributed capital \$000s	Accumulated surpluses/ (deficits) \$000s	Non-controlling interest \$000s	Total \$000s
80,175	236,338	116,269	629	435,735
-	-	(2,104)	(10)	(2,114)
-	-	-	-	(15,025)
2,919	-	(2,919)	-	-
-	601	-	-	601
-	(13)	-	-	(13)
-	(133)	-	-	(133)
83,094	236,793	111,246	619	419,051
-	-	(7,532)	-	(7,532)
83,094	236,793	103,714	619	411,519
-	-	25,890	8	25,898
-	-	-	-	(54,513)
-	(603)	603	-	-
-	22,789	-	-	22,789
-	-	-	-	-
-	(100)	100	-	-
83,094	258,879	130,307	627	405,693

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Parent 2020 \$000s	Parent 2019 \$000s	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Cash flow from operating activities					
Operating Grants from Government		342,727	284,206	342,727	284,206
Capital Grants from Government		4,762	3,867	4,762	3,867
Patient Fees received		15,371	13,397	15,371	13,397
Private practice fees received		72,732	66,699	72,732	66,699
Donations and bequests received		37,766	26,278	51,925	36,529
GST received from the ATO		10,028	10,015	11,100	10,745
Interest and dividends received		39	289	757	398
Research and program grants		93,220	78,990	102,807	85,990
Car park income received		2,484	2,329	2,484	2,329
Other receipts		16,946	18,988	16,999	19,705
Total receipts		596,075	505,058	621,664	523,865
Employee expenses paid		(328,690)	(295,559)	(334,833)	(299,610)
Non salary labour costs		(11,640)	(10,203)	(11,640)	(10,203)
Payments for supplies and consumables		(231,028)	(190,771)	(249,888)	(207,030)
Finance costs		(1,310)	(10)	(1,310)	(10)
Total payments		(572,668)	(496,543)	(597,671)	(516,853)
Net cash flow from / (used in) operating activities	8.1	23,407	8,515	23,993	7,012
Cash flow from investing activities					
Capital donations and bequests received		2,055	2,525	2,055	2,525
Other capital receipts		24,907	9,043	24,907	9,043
Purchase of investments		(584)	-	(993)	(4,740)
Payments for non-financial assets		(16,065)	(18,912)	(16,472)	(18,999)
Purchase of Intangible Assets		(6,113)	(2,656)	(6,130)	(2,656)
Proceeds from sale of non-financial assets		-	86	-	86
Proceeds from sale of investments		(4)	-	(2)	1
Net cash flow from / (used in) investing activities		4,196	(9,914)	3,365	(14,740)
Cash flows from financing activities					
Repayment of borrowings (DHHS)		(1,646)	(1,785)	(1,646)	(1,785)
Proceeds from borrowings (DHHS)		4,141	-	4,141	-
Cash outflow for leases		(2,322)		(2,322)	
Contributed capital from Government		-	70	-	70
Net cash flow from / (used in) financing activities		173	(1,715)	173	(1,715)
Net increase/(decrease) in cash and cash equivalents held		27,776	(3,114)	27,531	(9,443)
Cash and cash equivalents at the beginning of the financial year		50,334	53,448	60,175	69,618
Cash and cash equivalents at the end of the financial year	6.2	78,110	50,334	87,706	60,175

This Statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

1 Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Peter MacCallum Cancer Centre (Peter Mac) and its controlled entities for the period ended 30 June 2020. The report provides users with information about Peter Mac's stewardship of resources entrusted to it.

1.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASBs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of *AASB 101 Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions authorised by the Assistant Treasurer.

Peter Mac is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to 'not-for-profit' Health Service under the AASBs.

1.2 Reporting entity

Peter MacCallum Cancer Institute is a public health service incorporated under the *Health Services Act 1998 (Vic)* (the Act), and uses as its trading name, Peter MacCallum Cancer Centre (Peter Mac).

The financial statements include all the controlled activities of the Peter MacCallum Cancer Centre.

Peter Mac's principal address is:
305 Grattan Street
Melbourne, Victoria 3000

A description of the nature of Peter Mac's operation and its principal activities is included in the Report of Operations, that does not form part of these financial statements.

1.3 Basis of accounting preparation and measurement

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2020, and the comparative information presented in these financial statements for the year ended 30 June 2019.

The financial statements are prepared on a going concern basis (refer to Note 8.10).

These financial statements are presented in Australian dollars, the functional and presentation currency of Peter Mac.

All amounts shown in the financial statements are expressed to the nearest \$1,000 unless otherwise stated. Minor discrepancies between totals and sum of components are due to rounding.

Peter Mac operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when the cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on professional judgements derived from historical experience and other factors that are reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AABSs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment), and
- employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee Benefits in the Balance Sheet).

COVID-19 IMPACT

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus pandemic, known as COVID-19. A state of disaster was subsequently declared on 2 August 2020.

To contain the spread of the virus and to prioritise the health and safety of our communities various restrictions have been announced and implemented by the state government, which in turn has impacted the manner in which businesses operate, including Peter Mac.

In response, Peter Mac placed restrictions on non-essential visitors, deferred elective surgery and reduced activity, deferred research activities, performed COVID-19 testing, reployed some staff to COVID-19 testing areas, restricted face to face fundraising and implemented work from home arrangements where appropriate.

For further details refer to Note 2. Revenue and Income that funds the delivery of services, Note 3.1 Expenses from Transactions, Note 3.2 Other Economic Flows, Note 4.2 Property, Plant and Equipment, Note 4.1 Investments and other financial assets and Note 8.7 Events occurring after the balance sheet date.

1.4 Goods and Service Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flow.

Commitments and contingent assets and liabilities are presented on a gross basis.

1.5 Jointly Controlled Operation

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In respect of any interest in joint operations, Peter Mac recognises in the financial statements:

- its assets, including its share of any assets held jointly;
- any liabilities including its share of liabilities that it had incurred;
- its revenue from the sale of its share of the output from the joint operation;
- its share of the revenue from the sale of the output by the operation; and
- its expenses, including its share of any expenses incurred jointly.

Peter Mac is a member of the Victorian Comprehensive Cancer Centre (VCCC) and retains joint control over the arrangement, which it has classified as a jointly controlled operation (refer to Note 8.9).

1.6 Principles of consolidation

These statements are presented on a consolidated basis in accordance with *AASB 10 Consolidated Financial Statements*. The consolidated financial statements of Peter Mac includes all reporting entities controlled by Peter Mac as at 30 June 2020. Control exists when Peter Mac has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements include the audited financial statements of the controlled entities listed in Note 8.8.

The parent entity is not shown separately in the notes.

Where control of an entity is obtained during the financial period, its results are included in the Comprehensive Operating Statement from the date on which control commenced. Where control ceases during a financial period,

the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

1.7 Intersegment Transactions

Transactions between segments within Peter Mac have been eliminated to reflect the extent of Peter Mac's operations as a group.

1.8 Equity

CONTRIBUTED CAPITAL

Consistent with the requirements of *AASB 1004 Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of Peter Mac.

RESTRICTED SPECIFIC PURPOSE RESERVE

The Restricted Specific Purpose Reserve is established where Peter Mac has possession or title to the funds but has no discretion to amend or vary the restriction

and/or condition underlying the funds received.

CASH FLOW HEDGING RESERVE

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, refer to Note 5.3 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in Note 7.1.1. Amounts are subsequently reclassified to profit or loss as appropriate.

1.9 Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2 Funding delivery of our services

Peter Mac's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians. Peter Mac is predominantly funded by accrual based grant funding for the provision of outputs.

Peter Mac also receives income from research grants and from the supply of services.

STRUCTURE:

- 2.1 Revenue and Income that funds the delivery of services..... **page 70**
2.2 Fair value of assets and services received free of charge or for nominal consideration..... **page 73**

2.1 Revenue and Income that funds the delivery of services

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Government grants (State) - Operating ¹	288,400	237,018
Government grants (Commonwealth) - Operating	87,032	76,574
Government grants (State) - Capital	112,580	140,460
Government grants (Commonwealth) - Capital	9,491	3,867
Other capital purpose income	6,527	5,987
Capital Donations	2,184	1,555
Patient and resident fees	13,879	13,598
Private practice fees	64,966	61,563
Commercial activities ²	140,607	124,214
Assets received free of charge or for nominal consideration	238	73
Other revenue from operating activities (including non-capital donations)	22,198	20,192
Total Revenue and Income from operating activities	748,102	685,101
Capital interest	95	276
Other interest	929	1,068
Dividends	1,757	2,297
Total Revenue and Income from non-operating activities	2,781	3,641
Total Revenue and Income from transactions	750,883	688,742

¹ Government Grant (State) – Operating includes funding of \$12.2M which was spent due to the impacts of COVID-19.

² Commercial activities represent business activities that support Peter Mac's operations.

IMPACT OF COVID-19 ON REVENUE AND INCOME

As indicated at Note 1, Peter Mac's response to the pandemic included the deferral of elective surgeries and reduced activity. This resulted in Peter Mac incurring lost revenue as well as direct and indirect

COVID-19 costs. The Department of Health and Human Services provided funding which was spent due to COVID-19 impacts on Peter Mac. Peter Mac also received essential personal protective equipment free of charge under the state supply arrangement.

ACCOUNTING POLICIES

GOVERNMENT GRANTS

Income from capital grants for the Commonwealth Centre of Excellence, the installation of the Gamma Knife and construction of the Palliative Care ward and ICU

beds are recognised when Peter Mac satisfies its obligation under the transfer. This aligns with Peter Mac's obligation to construct the asset. The progressive percentage costs incurred is used to recognise income because this most closely reflects the construction's progress as costs are incurred and the works are done.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under *AASB 15* as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Peter Mac has an unconditional right to receive the cash which usually coincides with receipt of cash. On initial recognition of the asset, Peter Mac recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- a. contributions by owners, in accordance with *AASB 1004*;
- b. revenue or a contract liability arising from a contract with a customer, in accordance with *AASB 15*;
- c. a lease liability in accordance with *AASB 16*;
- d. a financial instrument, in accordance with *AASB 9*; or
- e. a provision, in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

As a result of the transitional impacts of adopting *AASB 15* and *AASB 1058*, a portion of the grant revenue has been deferred. If the grant income is accounted for in accordance with *AASB 15*, the deferred grant revenue has been recognised in contract liabilities whereas grant revenue in relation to the construction of capital assets which the health service controls has been recognised in accordance with *AASB 1058* and recognised as deferred grant revenue (refer note 5.2.1 Deferred capital grant revenue and 5.2.2 Contract liabilities).

PERFORMANCE OBLIGATIONS

The types of government grants recognised under *AASB15 Revenue from Contracts with Customers* includes:

- Activity Based Funding (ABF) paid as WIES casemix, WAU and WASE;
- Project funded State Government Grants;
- Centre of Excellence (Commonwealth funded); and
- Research one-off grants if funding conditions contain enforceable and sufficiently specific performance obligations.

The performance obligations for ABF are the number and mix of patients admitted to hospital (casemix) in accordance with levels of activity agreed to with the Department of Health and Human Services (DHHS) in the annual Statement of Priorities (SoP). Revenue is recognised when a patient is discharged and in accordance with the WIES activity for each separation. The performance obligations have been selected as they align with

funding conditions set out in the Policy and funding guidelines issued by the DHHS.

For project funded state government grants, revenue is recognised at a point in time as the performance obligation is sufficiently specific. Revenue is taken up on a monthly basis when the service is performed and expenditure is incurred. These performance obligations have been selected as they align with the terms and conditions of the funding provided. Peter Mac exercises judgement over whether performance obligations related to the nature of the service, the cost, the quantity and the period over which the service must be transferred. This is measured by assessing the expenditure of the project.

For Centre of Excellence, revenue is recognised at a point in time as the contract is enforceable and the performance obligation is sufficiently specific. These performance obligations have been selected as they align with the terms and conditions of the funding provided. Peter Mac exercises judgement over whether performance obligations related to the nature of the service, the cost, the quantity and the period over which the service must be transferred. This is measured by assessing each stage of the patient treatment.

For Research revenue (non-UOM) each agreement is assessed individually to determine if the agreement is enforceable, when the research data is transferred and if there is a license agreement in place. Revenue is recognised

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

based on the transfer of research data/intellectual property which is where the research material includes research data, findings or publications created from the data.

PATIENT AND RESIDENT FEES

The performance obligations related to patient fees occurs at the end of the each patient encounter, the service is enforceable and the promise is sufficiently specific. If the patient requires a series of visits relating to the same issue, they are still considered separate billable encounters. These performance obligations have been selected as they align with the terms and conditions of Peter Mac's inpatient and outpatient services. Revenue is recognised as these performance obligations are met under *AASB 15*. Resident fees are recognised as revenue over time under *AASB 1058* as Peter Mac provides patient accommodation. This is calculated on a daily basis and invoiced monthly. This service is no longer provided inhouse by Peter Mac due to the construction of the Palliative Care Unit.

PRIVATE PRACTICE FEES

The performance obligations related to private practice fees are at the end of each patient encounter. These performance obligations have been selected as they align with the terms and conditions agreed with the private providers. Revenue is recognised as these performance obligations are met. At Peter Mac, private practice fees do not include fees for the use of hospital facilities.

COMMERCIAL ACTIVITIES

Revenue from commercial activities such as car park and property rental income are recognised under *AASB 1058*. Research revenue through University of Melbourne is recognised over time under *AASB 1058* on completion of the monthly invoice reimbursement. Block funding (HERDC) is recognised under *AASB 1058* as the agreement is not sufficiently specific therefore the funds are recognised upon the quarterly receipt. Research revenue (non-UOM), clinical trial revenue and commercial sponsorships are assessed on a contract by contract basis where the contract value is greater than \$200k. For contracts under \$200k the revenue recognition is based upon receipt.

OTHER INCOME

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided, and donations and bequests.

INTEREST INCOME

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset, which allocates interest over the relevant period.

DIVIDEND INCOME

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from Peter Mac and its controlled entities' investments in financial assets.

PREVIOUS ACCOUNTING POLICY FOR 30 JUNE 2019

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to Peter Mac without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider). Peter Mac recognises income when it has satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, Peter Mac recognises revenue when the grant is received.

Grants can be received as general purpose grants, which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

2.2 Fair value of assets and services received free of charge or for nominal consideration

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Artworks	238	73
Total fair value of assets and services received free of charge or for nominal consideration	238	73

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions. The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency as a capital contribution transfer.

Voluntary Services: Contributions in the form of services are only recognised when a fair value can be reliably determined, and the services would have been purchased if not donated. Peter Mac does not depend on volunteers to deliver its services.

NON-CASH CONTRIBUTIONS FROM THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services also makes certain payments on behalf of Peter Mac. These amounts have been brought to account as grants in determining the net result for the year by recording them as revenue and also recording the related expense. These payments are as follows:

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services;
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular;

- Public Private Partnership (PPP) lease and service payments are paid directly to the PPP consortium. Revenue and the matching expense are recognised in accordance with the nature and timing of the monthly or quarterly service payments made by the Department of Health and Human Services;
- Fair value of assets and services received free of charge or for nominal consideration; and
- Resources received free of charge or for nominal consideration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3 Cost of delivery of services

This section provides an account of the expenses incurred by Peter Mac in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

STRUCTURE

3.1	Expenses from Transactions.....	page 74
3.2	Other Economic Flows.....	page 76
3.3	Analysis of expenses and revenue by internally managed and restricted specific purpose funds.....	page 77
3.4	Employee benefits in the balance sheet	page 78
3.5	Superannuation	page 80
3.6	Income tax (benefit)/expense.....	page 81

3.1 Expenses from Transactions

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Salary and wages	297,702	267,536
On-costs	47,144	41,161
Agency expenses	11,861	10,411
Workcover premium	1,527	1,995
Total employee expenses	358,234	321,103
Drug supplies	86,979	75,765
Medical and surgical supplies (including prostheses)	17,522	17,808
Diagnostic and radiology services	23,868	22,428
Other supplies and consumables	12,076	9,579
Total supplies and consumables	140,445	125,580
Finance costs	1,303	1,342
Finance costs - PPP arrangements	69,382	86,788
Total finance costs	70,685	88,130
Public private partnership operating expenses	19,448	18,748
Total PPE operating expenses	19,448	18,748
Other administrative expenses	44,201	38,270
Total other administrative expenses	44,201	38,270
Fuel, light, power and water	6,471	6,774
Repairs and maintenance	4,313	4,190
Maintenance contracts	13,728	13,679

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Medical indemnity insurance	2,453	2,724
Expenses related to leases of low value assets	57	52
Expenditure for capital purposes	2,502	4,265
Total other operating expenses	29,524	31,684
Total operating expenses	662,537	623,515
Depreciation and amortisation (refer to Note 4.4)	55,685	61,387
Total depreciation and amortisation	55,685	61,387
Total non-operating expenses	55,685	61,387
Total expenses from transactions	718,222	684,902

IMPACT OF COVID-19 ON EXPENSES

As indicated at Note 1, Peter Mac's daily activities were impacted by the pandemic. This resulted in direct and indirect costs being incurred, such as additional cleaning costs, increase in IT costs due to work from home arrangements and annual leave provision increase due to cancelled leave.

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

EMPLOYEE EXPENSES

Employee expenses include:

- Salaries and wage (including fringe benefits tax, leave entitlements, termination payments);
- On-costs;
- Agency expenses;
- Fee for service medical officer expenses; and
- Work cover premium.

SUPPLIES AND CONSUMABLES

Supplies and consumable costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

FINANCE COSTS

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in respect of finance leases which are recognised in accordance with *AASB 16 Leases*.

OTHER OPERATING EXPENSES

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include such things as:

- Fuel, light and power;
- Repairs and maintenance;
- Other administrative expenses; and
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold of \$1,000).

The Department of Health and Human Services also makes certain payments on behalf of Peter Mac. These amounts have been brought to account as grants in determining the net result for the year by recording them as revenue and also recording the related expense.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

OPERATING LEASE PAYMENTS

Operating lease payments up until 30 June 2019 were recognised on a straight line basis over the lease term through Profit and Loss, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised through the Profit and Loss on a straight-line basis and the rest are recognised through the Balance Sheet:

- Short-term leases – leases with a term less than 12 months;
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000; and
- Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occur.

NON-OPERATING EXPENSES

Other non-operating expenses generally represent expenditure outside the normal operations such as depreciation and amortisation, and assets and services provided free of charge or for nominal consideration.

3.2 Other economic flows included in net result

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Net gain/(loss) on sale of non-financial assets		
Amortisation of non-produced intangible asset	(2,053)	(2,053)
Revaluation of non-financial assets	-	(1,275)
Net gain/(loss) on disposal of property plant and equipment	(391)	(286)
Total net gain/(loss) on non-financial assets	(2,444)	(3,614)
Net gain/(loss) on financial instruments at fair value		
Allowance for impairment losses of contractual receivables	31	(662)
Net gain/(loss) on disposal of financial instruments	-	222
Net gain/(loss) arising from revaluation of financial assets at fair value through profit or loss	(1,937)	3,827
Other gains/(losses) from Other Economic Flows	(419)	-
Total net gain/(loss) on financial instruments at fair value	(2,325)	3,387
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability	(1,876)	(5,842)
Total other gains/(losses) from other economic flows	(1,876)	(5,842)
Total gains/(losses) from other economic flows	(6,645)	(6,069)

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

NET GAIN/ (LOSS) ON SALE OF NON-FINANCIAL ASSETS

Net gain/ (loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- revaluation gains/ (losses) of non-financial assets (refer to Note 4.2);
- net gain/ (loss) on disposal of non-financial assets; and
- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

NET GAIN/ (LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE

Net gain/ (loss) on financial instruments at fair value includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;

- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 7.1); and
- disposals of financial assets and derecognition of financial liabilities.

The COVID-19 pandemic has created unprecedented economic uncertainty which has impacted the Net Gain/ (Loss) on Financial Instruments at Fair Value since the beginning of the pandemic in March 2020. Although Net Gain/(Loss) arising from revaluation of financial assets at fair value through Profit and Loss had recovered in the quarter ending 30 June 20, it's still lower than it's pre-pandemic market value. Management continue to monitor the situation.

AMORTISATION OF NON-PRODUCED INTANGIBLE ASSETS

Intangible non-produced assets with finite lives are amortised as an 'Other Economic Flow' on a systematic basis over the asset's useful life. Amortisation begins

when the asset is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets with indefinite useful lives (and intangible assets not available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired (refer to Note 4.1 Investments and other financial assets).

OTHER GAIN/(LOSS) FROM OTHER ECONOMIC FLOWS INCLUDE THE GAINS OR LOSSES FROM:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

3.3 Analysis of expenses and revenue by internally managed and restricted specific purpose funds

	Expense		Revenue	
	Consolidated 2020 \$000s	Consolidated 2019 \$000s	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Commercial activities				
Private practice and other patient activities	-	3	-	1
Car park	1,589	1,568	3,453	3,656
Property	973	635	586	910
Salary packaging	-	-	619	631
Other	15,463	5,332	17,390	11,900
Total commercial activities	18,025	7,538	22,048	17,098
Other activities				
Fundraising and community support	50	-	987	-
Research and scholarship	108,243	99,266	110,474	100,346
Other	9,564	8,728	7,098	6,770
Total other activities	117,857	107,994	118,559	107,116
Total	135,882	115,532	140,607	124,214

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3.4 Employee benefits in the balance sheet

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current		
Employee benefitsⁱ		
Accrued days off		
Unconditional and expected to be settled within 12 months ⁱⁱ	1,602	1,288
Annual leave entitlements		
Unconditional and expected to be settled within 12 months ⁱⁱ	23,607	19,036
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	3,957	3,186
Long service leave		
Unconditional and expected to be settled within 12 months ⁱⁱ	5,415	5,295
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	48,593	41,511
Total	83,174	70,316
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months ⁱⁱ	2,979	2,497
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	5,473	4,655
Total	8,452	7,152
Total current provisions	91,626	77,468
Non-current		
Conditional long service leave ⁱⁱⁱ	16,260	13,991
Provisions related to employee benefit on-costs ⁱⁱⁱ	1,696	1,456
Total non-current provisions	17,956	15,447
Total provisions	109,582	92,915

ⁱ Employee benefits consist of amounts for accrued days off, annual leave and long service leave accrued by employees, not including on-costs.

ⁱⁱ The amounts disclosed are nominal amounts.

ⁱⁱⁱ The amounts disclosed are discounted to present values.

3.4.1 Employee benefits and related on-costs

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current employee benefits and related on-costs		
Unconditional long service leave entitlements	59,605	51,684
Annual leave entitlements	30,420	24,496
Accrued days off	1,602	1,288
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	17,956	15,447
Total employee benefits and related on-costs	109,583	92,915

3.4.2 Movement in on-costs provision

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Balance at the start of the year	8,608	6,943
Additional provision recognised	21,835	19,144
Unwinding of discount and effect of changes in the discount rate	184	430
Reduction due to transfer out	(20,479)	(17,909)
Balance at the end of the year	10,148	8,608

EMPLOYEE BENEFIT RECOGNITION

Provision is made for benefits accruing to employees in respect of accrued days off, annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

PROVISIONS

Provisions are recognised when Peter Mac has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

ANNUAL LEAVE AND ACCRUED DAYS OFF

Liabilities for annual leave and accrued days off are all recognised in the provision for employee benefits as current liabilities, because Peter Mac does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:

- Nominal value – if Peter Mac expects to wholly settle within 12 months; or
- Present value – if Peter Mac does not expect to wholly settle within 12 months.

LONG SERVICE LEAVE

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where Peter Mac does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right usually arises after a period of 10 years of continuous service.

The components of this current LSL liability are measured at:

- Nominal value: if Peter Mac expects to wholly settle within 12 months; and

- Present value: if Peter Mac does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as an Other Economic Flow.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

ON-COSTS RELATED TO EMPLOYEE BENEFITS

Provisions for on-costs, such as payroll tax, workers compensation and superannuation are recognised separately from provisions for employee benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3.5 Superannuation

	Paid contributions for the year		Contributions outstanding at year-end	
	Consolidated 2020 \$000s	Consolidated 2019 \$000s	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Defined benefit plansⁱ				
First State Superannuation Fund	378	376	11	20
UniSuper Fund	473	437	13	25
Defined contribution plans				
First State Superannuation Fund	12,564	11,809	429	531
HESTA Superannuation Fund	6,643	5,910	884	772
UniSuper Fund	2,019	1,663	66	89
Other	3,466	2,577	36	88
Total	25,543	22,772	1,439	1,525

i The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Employees of Peter Mac are entitled to receive superannuation benefits and Peter Mac contributes to both the defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

DEFINED BENEFIT SUPERANNUATION PLANS

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by Peter Mac to the superannuation plans in respect of the services of current Peter Mac employees during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

Peter Mac does not recognise any unfunded defined benefit liability in respect of the superannuation plans because Peter Mac has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of Peter Mac. The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by Peter Mac are disclosed above.

DEFINED CONTRIBUTION SUPERANNUATION PLANS

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of the services of current Peter Mac employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

3.6 Income tax (benefit)/expense

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
The components of income tax (benefit)/expense comprises:		
Current tax	118	-
Deferred tax	-	(115)
Income tax (benefit) / expense	118	(115)
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense/(benefit) as follows:		
Prima facie tax payable/(benefit) on profit/(loss) before income tax @ 30% (2019: 30%)	107	(121)
Add: Tax effect on non-allowable items	11	5
Deferred tax assets previously not recognised	-	1
Income tax (benefit) / expense	118	(115)
Franking credits available		
The balance of the franking account at year end available for subsequent years	658	658
The applicable weighted average effective tax rates are as follows:	30%	30%

The taxable entities within the group are Cell Therapies Pty Ltd and Cellularity Pty Ltd.

INCOME TAX

Peter Mac is exempt from income tax under the *Income Tax Assessment Act 1997 (Cth)*. However, some of Peter Mac's subsidiaries are not income tax exempt under the *Income Tax Assessment Act 1997 (Cth)*.

CURRENT TAX

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4 Key assets to support service delivery

Peter Mac controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Peter Mac to be utilised for delivery of those outputs.

STRUCTURE

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4.1 Investments and other financial assets

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current		
Equities and Managed Investment Funds		
Cash investments	4,716	4,469
Term deposits	3,389	3,628
Australian listed equity securities	-	2
Managed investment schemes	69,421	68,727
Total current	77,526	76,826
Total	77,526	76,826
Represented by:		
Foundation Investments	77,526	76,826
Total	77,526	76,826

IMPACT OF COVID-19 ON INVESTMENTS

As indicated at Note 1, the coronavirus pandemic has impacted the operations of businesses. The uncertainty associated with the pandemic has contributed to

volatility of financial markets, both locally and internationally.

Management continues to monitor the fair value of its investments. No circumstances have arisen since the end of the financial year which materially affect the

carrying values recorded at balance date. Management acknowledges that the performance of financial markets may continue to fluctuate and impact the fair value of investments and income generated in future reporting periods.

INVESTMENT RECOGNITION

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract with terms requiring the delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Investments are classified as financial assets at fair value through Profit and Loss.

Peter Mac classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset. Peter Mac assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Peter Mac's investments must comply with *Standing Direction 3.7.2 - Treasury Management*, including Central Banking System. Peter MacCallum Cancer Foundation have an exemption from the Standing Direction 3.7.2 including Central Banking System. Peter Mac's controlled entities manage their investments in accordance with their own investment policy as approved by their Board and their investments are consolidated into Peter Mac for reporting purposes as it is the ultimate beneficiary of Peter MacCallum Cancer Foundation.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- Peter Mac retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- Peter Mac has transferred its rights to receive cash flows from the asset and either:
 - › has transferred substantially all the risks and rewards of the asset; or
 - › has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where Peter Mac has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Peter Mac's continuing involvement in the asset.

4.2 Property, plant and equipment

INITIAL RECOGNITION

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of

the lease or the estimated useful life of the improvements.

The initial cost for non-financial physical assets under finance lease (refer to Note 6.1.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Land and buildings are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss.

RIGHT-OF-USE ASSET ACQUIRED BY LESSEES (UNDER AASB 16 - LEASES FROM 1 JULY 2019) - INITIAL MEASUREMENT

Peter Mac recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Subsequent measurement:

Property, plant and equipment (PPE), as well as right-of-use assets under leases and service concession assets, are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised on the following page by asset category.

RIGHT-OF-USE ASSET – SUBSEQUENT MEASUREMENT

Peter Mac depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment, other than where the lease term is lower than the otherwise assigned useful life. The right-of-use assets are also subject to revaluation as required by *FRD 103H*. As at 30 June 2020 right-of-use assets have not been revalued. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

REVALUATIONS OF NON-CURRENT PHYSICAL ASSETS

Non-current physical assets are measured at fair value and are revalued in accordance with *FRD 103H Non-Current Physical Assets*. This revaluation process normally occurs every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increases and decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly to the asset revaluation surplus. However if an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result. Revaluation decrements are recognised in 'Other Comprehensive Income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

The revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

In accordance with *FRD 103H Non-financial physical assets*, Peter Mac's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

FAIR VALUE MEASUREMENT

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

For the purpose of fair value disclosures, Peter Mac has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

In addition, Peter Mac determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is Peter Mac's independent valuation agency.

The estimates and underlying assumptions are reviewed on an ongoing basis.

VALUATION HIERARCHY

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

IDENTIFYING UNOBSERVABLE INPUTS (LEVEL 3) FAIR VALUE MEASUREMENTS

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use

when pricing the asset or liability, including assumptions about risk.

CONSIDERATION OF HIGHEST AND BEST USE (HBU) FOR NON-FINANCIAL PHYSICAL ASSETS

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative / contractual arrangements.

In accordance with paragraph AASB 13 *Fair Value Measurement*, Peter Mac has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

NON-SPECIALISED LAND, NON-SPECIALISED BUILDINGS

Non-specialised land, non-specialised buildings and cultural assets are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An

appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2019.

Peter Mac recognises 2 & 10 St Andrews Place East Melbourne as non-specialised land and buildings.

SPECIALISED LAND AND SPECIALISED BUILDINGS

Specialised land includes Crown Land which is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use. During the reporting period, Peter Mac held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

The market approach is also used for specialised land and specialised buildings although it is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore, these assets are classified as Level 3 under the market based direct comparison approach.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For Peter Mac, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of Peter Mac's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2019.

Peter Mac recognises 305 Grattan Street Melbourne as specialised land and a specialised building, and revalues the building based on the cost to replace the building as a hospital.

CULTURAL ASSETS

For cultural assets, valuation of the assets is determined by a comparison to similar examples of the artists work in existence throughout Australia and research on price paid for similar examples offered at auction or through art galleries in recent years.

MOTOR VEHICLES

Peter Mac acquires new vehicles through a finance lease with VicFleet. The process of acquisition, use and disposal in the market is managed by Peter Mac who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying amount (depreciated cost).

PLANT AND EQUIPMENT

Plant and equipment (including medical equipment, computers and communication equipment and furniture and fittings) are held at carrying amount (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying amount.

There were no changes in valuation techniques throughout the period to 30 June 2020. For all assets measured at fair value, the current use is considered the highest and best use.

4.2.1 Property, plant and equipment - Gross carrying amount and accumulated depreciation

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Land at fair value	153,800	153,800
Total land at fair value	153,800	153,800
Buildings at fair value	17,174	17,174
Less accumulated depreciation	(728)	-
Buildings - right of use	9,674	-
Less accumulated depreciation	(579)	-
Total buildings	25,541	17,174
Plant and equipment at fair value	8,410	7,089
Less accumulated depreciation	(1,515)	(812)
Total plant and equipment	6,895	6,277
Motor vehicles at fair value	19	373
Less accumulated depreciation	(19)	(37)
Total motor vehicles	-	336
Medical equipment at fair value	117,253	107,709
Less accumulated depreciation	(59,965)	(52,402)
Total medical equipment	57,288	55,307
Computers and communications at fair value	30,759	29,161
Less accumulated depreciation	(28,643)	(27,962)
Total computers and communications	2,116	1,199
Cultural assets at fair value	2,490	2,253
Total cultural assets	2,490	2,253
Right-of-use Plant, equipment, furniture and fittings and vehicles	6,774	-
Less accumulated depreciation	(1,595)	-
Total right-of-use Plant, equipment, furniture and fittings and vehicles	5,179	-
Other Assets under construction at cost	28,809	6,886
Right-of-use PPP - Leased buildings at fair value	1,234,524	1,234,453
Less accumulated depreciation	(39,934)	-
Total right of use PPP - Leased buildings at fair value	1,194,590	1,234,453
Right-of-use PPP - furniture and fittings at fair value	13,490	13,490
Less accumulated depreciation	(1,836)	(1,386)
Total right-of-use PPP - furniture and fittings at fair value	11,654	12,104
Total right of use PPP assets	1,206,244	1,246,557
Total property , plant and equipment	1,488,362	1,489,789

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4.2.2 Property, plant and equipment - Reconciliations of the carrying amounts of each class of asset

Consolidated	Note	Land \$000s	Buildings \$000s	Right of Use - Buildings \$000s	Plant and equipment \$000s	Motor vehicles \$000s
Balance as at 1 July 2018		78,125	-	-	661	-
Additions		-	-	-	5,752	354
Disposals		-	-	-	-	-
Net transfer between classes		-	-	-	-	-
Net transfer to intangible assets		-	-	-	-	-
Transfer from non-financial physical assets held for sale		66,707	18,449	-	-	-
Revaluation increment/(decrements) recognised in Operating Statement		-	(1,275)	-	-	-
Revaluation increment recognised in reserve		8,968	-	-	-	-
Depreciation	4.4	-	-	-	(136)	(18)
Balance as at 30 June 2019		153,800	17,174	-	6,277	336
Recognition of right-of-use assets on initial application of AASB 16	8.11	-	-	9,674	-	-
Adjusted balance at 1 July 2019		153,800	17,174	9,674	6,277	336
Additions		-	-	-	1,256	-
Disposals		-	-	-	-	-
Net transfer between classes		-	-	-	-	(336)
Net transfer to intangible assets		-	-	-	-	-
Transfer from non-financial physical assets held for sale		-	-	-	-	-
Revaluation increment/(decrements) recognised in comprehensive operating statement		-	-	-	-	-
Revaluation increment/(decrements) recognised in reserve		-	-	-	-	-
Depreciation	4.4	-	(728)	(579)	(638)	-
Balance as at 30 June 2020		153,800	16,446	9,095	6,895	-

Medical equipment \$000s	Computers and communications \$000s	Cultural assets \$000s	Right of Use - Plant, equipment, F&F and vehicles \$000s	Right of Use- (PPP) assets \$000s	Assets under construction \$000s	Total \$000s
57,929	6,907	2,179	-	1,232,248	3,421	1,381,470
7,217	1,160	74	-	4,152	3,481	22,190
(569)	-	-	-	-	(16)	(585)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	85,156
-	-	-	-	-	-	(1,275)
-	-	-	-	54,287	-	63,255
(9,270)	(6,868)	-	-	(44,130)	-	(60,422)
55,307	1,199	2,253	-	1,246,557	6,886	1,489,789
-	-	-	6,420	-	-	16,094
55,307	1,199	2,253	6,420	1,246,557	6,886	1,505,883
11,491	1,607	237	-	7	26,475	41,073
-	-	-	-	-	-	-
-	-	-	336	64	(64)	-
-	-	-	-	-	(4,488)	(4,488)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(9,510)	(690)	-	(1,577)	(40,384)	-	(54,106)
57,288	2,116	2,490	5,179	1,206,244	28,809	1,488,362

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

LAND AND BUILDINGS AND LEASED ASSETS CARRIED AT VALUATION

A full revaluation of the Peter Mac's land and buildings was performed by the Valuer-General of Victoria (VGV) in May 2019 in accordance with the requirements of *Financial Reporting Direction (FRD) 103H Non-Financial Physical Assets*. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The effective date of the valuation for both land and buildings was 30 June 2019.

In compliance with *FRD 103H*, in the year ended 30 June 2020, management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the VGV indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data to March 2020, indicate an average increase of 9% across all land parcels and a 2% increase in buildings.

Management regards the VGV indices to be a reliable and relevant data set to form the basis of their estimates. Whilst these indices are applicable at 30 June 2020,

the fair value of land and buildings will continue to be subjected to the impacts of COVID-19 in future accounting periods.

As the accumulative movement was less than 10% for land and buildings no managerial revaluation was required.

The land and building balances are considered to be sensitive to market conditions. To trigger a managerial revaluation for land an increase in land indices of 1% or a decrease in land indices of 19% would be needed. To trigger a managerial revaluation for buildings an increase in the building indice of 8% or a decrease in the building indice of 12% would be required.

4.2.3 Fair value measurement hierarchy for assets

Balance at 30 June 2020	Consolidated Carrying Amount	Fair value measurement at end of reporting period using		
		Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ
Non-specialised land	86,650	-	86,650	
Specialised land	67,150	-	-	67,150
Total land at fair value	153,800	-	86,650	67,150
Non-specialised buildings	16,446	-	16,446	
Total buildings at fair value	16,446	-	16,446	-
Plant and equipment at fair value	6,895	-	-	6,895
Motor vehicles at fair value	-	-	-	-
Medical equipment at fair value	57,288	-	-	57,288
Computers and communications equipment at fair value	2,116	-	-	2,116
Cultural assets at fair value	2,490	-	-	2,490
Total other plant and equipment at fair value	68,789	-	-	68,789
Total property, plant and equipment	239,035	-	103,096	135,939

Balance at 30 June 2019	Consolidated Carrying Amount	Fair value measurement at end of reporting period using		
		Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ
Non-specialised land	86,650	-	86,650	
Specialised land	67,150	-	-	67,150
Total land at fair value	153,800	-	86,650	67,150
Non-specialised buildings	17,174	-	17,174	
Total buildings at fair value	17,174	-	17,174	-
Plant and equipment at fair value	6,277	-	-	6,277
Motor vehicles at fair value	336	-	-	336
Medical equipment at fair value	55,307	-	-	55,307
Computers and communications equipment at fair value	1,199	-	-	1,199
Cultural assets at fair value	2,253	-	-	2,253
Total other plant and equipment at fair value	65,372	-	-	65,372
Total property, plant and equipment	236,346	-	103,824	132,522

ⁱ Classified in accordance with the fair value hierarchy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4.2.4 Reconciliation of Level 3 Fair Value

Consolidated	Land \$000s	Plant and equipment \$000s	Motor vehicles \$000s
Balance as at 1 July 2018	78,125	661	-
Additions/(disposals)	-	5,752	354
Transfer between classes	-	-	-
Gains or losses recognised in net result			
- Depreciation and amortisation	-	(136)	(18)
Items recognised in other comprehensive income			
- Revaluation	(10,975)	-	-
Balance as at 30 June 2019	67,150	6,277	336
Additions/(disposals)	-	1,256	-
Transfer between classes	-	-	(336)
Gains or losses recognised in net result			
- Depreciation and amortisation	-	(638)	-
Items recognised in other comprehensive income			
- Revaluation	-	-	-
Balance as at 30 June 2020	67,150	6,895	-

Medical equipment \$000s	Computers and communications \$000s	Cultural assets \$000s	Total \$000s
57,929	6,907	2,179	145,801
6,648	1,160	74	13,988
-	-	-	-
(9,270)	(6,868)	-	(16,292)
-	-	-	(10,975)
55,307	1,199	2,253	132,522
11,491	1,607	237	14,591
-	-	-	(336)
(9,510)	(690)	-	(10,838)
-	-	-	-
57,288	2,116	2,490	135,939

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4.2.5 Property, plant and equipment - fair value determination

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	Market approach	n.a.
Specialised land	Market approach	Community Service Obligation (CSO) Adjustments ⁱ
Non-specialised buildings	Market approach	n.a.
Specialised buildings	Current replacement cost	Cost per square metre Useful life
Plant and equipment	Current replacement cost	Cost per unit Useful life
Medical equipment	Current replacement cost	Cost per unit Useful life
Computers and communications	Current replacement cost	Cost per unit Useful life
Motor Vehicles	Current replacement cost	Cost per unit Useful life
Cultural assets	Market approach	n.a.

i A Community Service Obligation (CSO) of 20% was applied to the health services specialised land classified in accordance with the fair value hierarchy.

4.2.6 Property, plant and equipment revaluation surplus

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Property, plant and equipment revaluation surplus		
Balance at the beginning of the reporting period	170,272	107,017
Revaluation increment (refer Note 4.2.2)		
> Land	-	8,968
> Leased building	-	54,287
Balance at the end of the reporting period *	170,272	170,272
*Represented by:		
> Land	115,985	115,985
> Leased building	54,287	54,287
	170,272	170,272

4.3 Intangible assets

4.3.1 Intangible assets - Gross carrying amount and accumulated amortisation

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Intangible Produced Assets - Software	13,631	12,718
Less Accumulated Amortisation	(6,154)	(4,570)
	7,477	8,148
Intangible Non-Produced Assets - Revenue Rights Car Park	41,060	41,060
Less Accumulated Amortisation	(8,212)	(6,159)
	32,848	34,901
Goodwill on consolidation	1,656	1,090
Intangible work in progress	11,311	-
TOTAL INTANGIBLE ASSETS	53,292	44,139

The revenue rights represent the right of the hospital to receive future payments for car parking fees generated by the car park.

4.3.2 Intangible assets - Reconciliation of the carrying amount by class of asset

Consolidated	Software \$000s	Revenue Rights Car Park \$000s	Goodwill on consolidation \$000s	Intangible WIP \$000s	Total \$000s
Balance as at 1 July 2018	4,600	36,954	1,090	-	42,644
Additions	4,513	-	-	-	4,513
Disposals	-	-	-	-	-
Net transfer between classes	-	-	-	-	-
Amortisation of non-produced intangible asset (refer to Note 3.2)	-	(2,053)	-	-	(2,053)
Amortisation of produced intangible asset (refer Note 4.4)	(965)	-	-	-	(965)
Balance as at 30 June 2019	8,148	34,901	1,090	-	44,139
Additions	908	-	566	6,823	8,297
Disposals	-	-	-	-	-
Net transfer between classes	-	-	-	4,488	4,488
Amortisation of non-produced intangible asset (refer to Note 3.2)	-	(2,053)	-	-	(2,053)
Amortisation of produced intangible asset (refer Note 4.4)	(1,579)	-	-	-	(1,579)
Balance as at 30 June 2020	7,477	32,848	1,656	11,311	53,292

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and car park revenue recognition rights. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Peter Mac.

Expenditure on research activities is recognised as an expense in the period on which it is incurred.

Purchased intangible assets are initially recognised at cost.

When the recognition criteria in *AASB 138 Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An **internally generated intangible asset** arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b. an intention to complete the intangible asset and use or sell it;
- c. the ability to use or sell the intangible asset;
- d. the intangible asset will generate probable future economic benefits;
- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4.4 Depreciation and amortisation

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Depreciation		
Buildings	728	-
Plant and equipment	638	136
Motor vehicles	56	18
Medical equipment	9,510	9,270
Computers and communications	690	6,868
Right-of-use leased assets	2,100	-
Right-of-use PPP assets		
- Right-of-use buildings	39,934	43,680
- Right-of-use PPP plant, equipment and vehicles	450	450
Total depreciation	54,106	60,422
Amortisation		
Intangible assets	1,579	965
Total amortisation	1,579	965
Total	55,685	61,387

DEPRECIATION

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

Right-of use assets are depreciated over the shorter of the asset's useful life and the lease term. Where Peter Mac obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

AMORTISATION

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

The following table indicates the expected useful lives of non-current assets on which the depreciation and amortisation charges are based.

Non-public private partnership (PPP) assets	2020	2019
Buildings		
> Structure, shell building fabric	Up to 60 years	Up to 60 years
> Site engineering service	Up to 40 years	Up to 40 years
Central Plant		
> Fit out	Up to 25 years	Up to 25 years
> Trunk reticulated building system	Up to 30 years	Up to 30 years
Other site improvements	Up to 25 years	Up to 25 years
Plant and equipment	Up to 10 years	Up to 10 years
Medical equipment	Up to 10 years	Up to 10 years
Computers and communications	Up to 3 years	Up to 3 years
Motor vehicles	Up to 3 years	Up to 3 years
Public private partnership (PPP) assets	2020	2019
Buildings	30 years	30 years
Furniture and fittings	Up to 10 years	Up to 10 years
Intangible assets	2020	2019
Software	7 years	7 years
Car park revenue rights	20 years	20 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4.5 Inventories

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Medical and surgical consumables at cost	-	24
Pharmacy supplies at cost	4,715	4,352
Total inventories	4,715	4,376

INVENTORIES

Inventories include goods and other property held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. It excludes depreciable assets.

5 Other assets and liabilities

This section sets out those assets and liabilities that arose from Peter Mac's operations.

STRUCTURE

5.1	Receivables.....	page 99
5.1.1	Movement in allowance for impairment losses of contractual receivables.....	page 100
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5.2.2	Contract liabilities.....	page 102
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5.4	Deferred tax assets.....	page 105

5.1 Receivables

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current		
Contractual		
Inter Hospital Debtors	545	1,856
Trade Debtors	18,104	16,422
Patient Fees	1,694	2,601
Accrued Revenue	11,597	13,900
Amounts receivable from governments and agencies	1,399	156
Allowance for impairment losses of contractual receivables		
Trade Debtors	(1,013)	(1,629)
Patient Fees	(158)	(263)
Sub-total	32,168	33,043
Statutory		
GST Receivable	1,560	1,186
Total current receivables	33,728	34,229
Statutory		
Long Service Leave - Department of Health and Human Services	27,370	23,288
Total non-current receivables	27,370	23,288
Total receivables	61,098	57,517

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

5.1.1 Movement in allowance for impairment losses of contractual receivables

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Balance at the beginning of the year	1,892	2,345
Adjustment on adoption of AASB 9	-	(95)
Reversal of unused allowance recognised in the net result	(721)	(358)
Balance at the end of the year	1,171	1,892

RECEIVABLES RECOGNITION

Receivables consist of:

Contractual receivables, mainly include debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. Peter Mac holds the contractual receivables with the objective to collect the contractual cash flows and are subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The health service applies *AASB 9* for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

Peter Mac is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

IMPAIRMENT LOSSES OF CONTRACTUAL RECEIVABLES

Refer to Note 7.1.3 Contractual receivables at amortised costs for Peter Mac's contractual impairment losses.

5.2 Payables and contract liabilities

	Notes	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current			
Contractual			
Trade Creditors		5,048	7,325
Accrued Salaries and Wages		8,946	11,490
Accrued Expenses		19,941	13,676
Deferred capital grant revenue	5.2.1	20,565	-
Contract Liabilities- income received in advance	5.2.2	14,839	-
Inter- hospital creditors		3,805	5,003
Amounts payable to governments and agencies		8,071	4,576
Sub-Total		81,215	42,070
Statutory			
Department of Health and Human Services		4,015	3,946
Sub-Total		4,015	3,946
Total current		85,230	46,016
Non-current			
Statutory			
Department of Health and Human Services		1,185	1,708
Sub-total		1,185	1,708
Total non-current		1,185	1,708
Total payables		86,415	47,724

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to Peter Mac prior to the end of the financial year that are unpaid.
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The normal credit terms for accounts payable are usually Nett 60 days. This was reduced due to the Department of Treasury and Finance (DTF) requirement to pay all supplier invoices on best endeavors basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

5.2.1 Deferred capital grant revenue

	Consolidated 2020 \$000s
Grant consideration for capital works recognised that was included in the deferred grant liability balance (adjusted for AASB 1058) at the beginning of the year	7,533
Grant consideration for capital works received during the year	24,044
Grant revenue for capital works recognised consistent with the capital works undertaken during the year	(11,012)
Closing balance of deferred grant consideration received for capital works	20,565

Income from capital grants for the Commonwealth Centre of Excellence, the installation of the Gamma Knife and construction of the Palliative Care ward and ICU beds are recognised when Peter Mac satisfies its obligation under the transfer. Grant revenue is recognised progressively as

the asset is constructed, since this is the time when Peter Mac satisfies its obligations under the transfer by controlling the asset as and when it is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion

as costs are incurred as the works are done. (see note 2.1) As a result, Peter Mac has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

5.2.2 Contract liabilities

	Consolidated 2020 \$000s
Add: Payments received for performance obligations yet to be completed during the period	14,839
Total contract liabilities	14,839
Represented by	-
Current contract liabilities	14,839
Non-current contract liabilities	-
Closing balance of deferred grant consideration received for capital works	14,839

Contract liabilities include consideration received in advance from customers in respect of Centre of Excellence and Palliative Care. Invoices are raised once the goods and services are delivered/provided.

MATURITY ANALYSIS OF PAYABLES

Please refer to Note 7.1.2 for the maturity analysis of payables.

5.3 Other liabilities

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current		
Unearned income	-	6,264
Monies held in trust*: Refundable accommodation deposits	108	33
Total current	108	6,297
Non-current		
Derivatives designated and effective as hedging instruments carried at fair value		
Interest rate swaps	237,486	182,973
Total non-current	237,486	182,973
Total other liabilities	237,594	189,270
*Total monies held in trust represented in the following assets		
Cash assets	108	33
Total	108	33

INTEREST RATE SWAP DERIVATIVE

Peter Mac is party to derivative financial instruments in order to hedge exposure to fluctuations in interest rates in accordance with its adopted financial risk management policies.

As required by the Operating Deed for the VCCC public private partnership, Peter Mac became responsible for interest rate swap contract during the 2011-12 financial year under which it entered into an interest rate swap (IRS) contract to fix the interest payable under the Quarterly Interest Rate Service Payment Adjustment (QIRSPA) for the period 15 December 2021 to 03 April 2040 (swap 1). In the 2016-17 financial year, an additional IRS contract was entered into for the period 15 December 2021 to 03 July 2040 (swap 2).

Peter Mac has economic exposure to AUD bank bill swap rate BBSY indexed cash flow interest rate risk embedded in the Floating Rate Component (FRC) debt payment to Plenary. The objective of the interest rate hedging is to mitigate the variability in AUD cash flows due to changes in BBSY benchmark interest rates associated with FRC payments to Plenary.

Peter Mac has transacted to pay fixed and received floating BBSY interest rate with Treasury Corporation of Victoria (TCV) to fix the effective interest rate on its FRC payments. The IRS receives floating interest rate payment at 3 month Bank Bill Swap Bid Rate (3M BBSY) and pays fixed interest rate payments (5.58% for swap 1 and 3.08% for swap 2) over the term of the swaps.

The IRS hedges the movement in the 3M BBSY Bid interest rate between 15 December 2021 and 03 July 2040 reset each quarter by covering the interest cash flows of the Amortising Variable Rate QIRSPA of initial face value \$735,582,730.07 and matures on 03 April 2040. The additional IRS hedge matures on 03 July 2040 with an initial face value of \$26,522,115.41.

For the purpose of this hedge relationship, BBSY cash flow exposures on FRC is an eligible hedged item under the requirements of *AASB 9 Financial Instruments*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Peter Mac only has the one hedging instrument, comprising the two interest rate swaps.

The full fair value of the hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is only classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Peter Mac designates derivatives as a cash flow hedge and the swap hedges interest rate risk associated with the cash flows of the PPP lease liability that has highly probable forecast transactions.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

CASH FLOW HEDGES

The effective portion of changes in the fair value of the derivative that is designated and qualify as a cash flow hedge is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

FAIR VALUE MEASUREMENT OF DERIVATIVE INSTRUMENTS

Valuation techniques used to determine fair values

Interest Rate Swap – the present value of the estimated future cash flows based on observable swap yield curves. The fair value estimate is included as 'recurring fair value measurements' in level 2 of the fair value hierarchy.

FINANCIAL INSTRUMENT MARKET RISK

Cash flow and fair value interest rate risk

Peter Mac's main interest rate risk arises from the long-term PPP lease liability, which has a variable rate that exposes Peter Mac to cash flow interest rate risk. In 2011-12 and 2016-17 financial years, Peter Mac entered into an interest rate swap arrangements to effectively result in fixed interest as detailed in Note 5.3.

MONIES HELD IN TRUST

Peter Mac currently has money held in trust related to the rental of 10 St Andrews Place, East Melbourne.

5.4 Deferred tax assets

Consolidated	Opening balance \$000s	(Credited)/ Debited to Operating Statement \$000s	Closing balance \$000s
Movements			
Employee entitlements	(42)	34	(8)
Accruals	65	(3)	62
Unutilised tax losses	331	89	420
Other	51	(5)	46
Balance as at 30 June 2019	405	115	520
Employee entitlements	(8)	58	50
Accruals	62	6	68
Unutilised tax losses	420	(8)	412
Other	46	(174)	(128)
Balance as at 30 June 2020	520	(118)	402

The deferred tax assets are expected to be recovered in the foreseeable future.

The taxable entities within the group are Cell Therapies Pty Ltd and Cellularity Pty Ltd.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the net operating result except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on:

- the assumption that no adverse change will occur in income taxation legislation;
- the assumption that the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

6 How we finance our operations

This section provides information on the sources of finance utilised by Peter Mac during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the hospital.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

STRUCTURE

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6.5	Non-cash financing and investing activities.....	page 113

6.1 Borrowings

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Current		
TCV loan ⁱ	1,138	1,098
Lease liability ⁱⁱ	59,884	50,667
Advances from government ⁱⁱⁱ	4,141	-
Total current	65,163	51,765
Non-current		
TCV loan ⁱ	34,487	35,625
Lease liability ⁱⁱ	839,778	898,838
Total non-current	874,265	934,463
Total borrowings	939,428	986,228

ⁱ These are unsecured loans with a weighted average interest rate of 8.02%.

ⁱⁱ Secured by the assets leased. Leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

ⁱⁱⁱ These are unsecured loans which bear no interest.

The approved Bank Overdraft limit is nil.

MATURITY ANALYSIS OF BORROWINGS

Please refer to Note 7.1.2 for the maturity analysis of borrowings.

DEFAULTS AND BREACHES

During the current and prior year, there were no defaults and breaches of any of the loans.

6.1.1 Lease liabilities

	Minimum future lease payments		Present value of future lease payments	
	Consolidated 2020 \$000s	Consolidated 2019 \$000s	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Not later than one year	135,759	133,427	59,884	50,667
Later than 1 year and not later than 5 years	540,241	533,790	288,600	254,510
Later than 5 years	935,274	1,060,785	551,178	644,328
Minimum lease payments	1,611,274	1,728,002	899,662	949,505
Less contingent lease payments/ receipts - variable interest rate changes	(223,470)	(181,349)		
Less future finance charges	(488,142)	(597,148)		
Total	899,662	949,505	899,662	949,505

The weighted average interest rate implicit in the lease is 8.8% (2019: 8.9%).

BORROWING RECOGNITION

A lease is a right to use an asset for an agreed period of time in exchange for payment. All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months.

LEASES

A lease is a right to use an asset for an agreed period of time in exchange for payment. All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months.

PETER MAC'S LEASING ACTIVITIES

Peter Mac has entered into lease related to:

- the PPP arrangement

- VicFleet vehicles
- PET Scanners
- CT Scanner
- X-Ray machine
- Radiotherapy centre at 1 Arnold Street, Box Hill

For any new contracts entered into on or after 1 July 2019, Peter Mac considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Peter Mac assesses whether the contract meets three key evaluations. They are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Peter Mac and for which the supplier does not have substantive substitution rights;

- Peter Mac has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- Peter Mac has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

SEPARATION OF LEASE AND NON-LEASE COMPONENTS

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

RECOGNITION AND MEASUREMENT OF LEASES AS A LESSEE (UNDER AASB 16 FROM 1 JULY 2019)

LEASE LIABILITY – INITIAL MEASUREMENT

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or Peter Mac incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

LEASE LIABILITY – SUBSEQUENT MEASUREMENT

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or Profit and Loss if the right of use asset is already reduced to zero.

SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

Peter Mac has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in Profit and Loss on a straight line basis over the lease term.

PRESENTATION OF RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Peter Mac presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

RECOGNITION AND MEASUREMENT OF LEASES (UNDER AASB 117 UNTIL 30 JUNE 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Peter Mac determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where Peter Mac as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities

at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Assets held under other leases were classified as operating leases and were not recognised in Peter Mac's balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Operating lease payments up until 30 June 2019 are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

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

COMMISSIONED PUBLIC PRIVATE PARTNERSHIPS (PPP):

The Victorian Comprehensive Cancer Centre (VCCC) building was constructed through a public private partnership (PPP) arrangement between the State of Victoria and Plenary. Peter Mac occupies the facility through a sublease arrangement with Plenary. Peter Mac, on behalf of the State of Victoria, agreed to record and report the State's obligations and associated accounting transactions as provided by the Department of Health and Human Services. The lease assets under the PPP arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease plus five years.

The State of Victoria is obliged to fund monthly service payments for the site in Parkville, due under the Project Agreement for the life of that Agreement, a period of up to 25 years. Peter Mac expects that it will continue to operate and control the site at the expiry of the lease. On this basis the building is being amortised over its estimated useful life of 30 years.

In relation to the PPP arrangement, although Peter Mac has assumed the finance assets and liabilities in its accounts, the payments to the private provider are being made by the Department of Health and Human Services (DHHS) on a monthly basis hence there is no cash flow impact on Peter Mac. Peter Mac will record the non-cash entries in its accounts in accordance with a financial model that has been developed by DHHS.

Management use their judgement to assess that the lease liability is a finance lease, as the lease transfers substantially all the risks and rewards of the assets to Peter Mac at the end of the lease term.

BORROWINGS

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether Peter Mac has categorised its liability as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'.

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method. Non-interest bearing borrowings are measured at 'fair value through profit or loss'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

6.2 Cash and cash equivalents

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Cash on Hand (excluding Monies held in trust)	4	4
Cash at Bank (excluding Monies held in trust) ⁱ	12,760	12,988
Cash at Bank (Monies held in trust)	108	33
Cash at Bank - CBS (excluding monies held in trust)	74,634	47,050
Deposits at Call (excluding Monies held in trust)	200	100
Total cash and cash equivalents	87,706	60,175
ⁱ includes amount quarantined and related to capital construction and fundraising for the VCCC building	2,238	2,238

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and in banks, deposits at call and highly liquid investments (with an original maturity date of three months or less). It is held for the purpose of meeting short term cash commitments, including restricted and capital commitments rather than for investment purposes which are readily convertible to known amounts of cash and is subject to insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet. The cash flow statement includes monies held in trust.

Cash at Bank has increased as at 30 June 2020 due to an increase in Restricted Grants that can only be used for specific purposes. The total restricted and committed funds have increased to \$63.3M (2019: \$39.8M).

6.3 Commitments for expenditure

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Capital Expenditure Commitments		
Not later than 1 year	5,024	8,383
Later than 1 year and not later than 5 years	-	3,299
Later than 5 years	-	-
Total Capital Expenditure Commitments	5,024	11,682
Operating Expenditure Commitments		
Not later than 1 year	5,570	7,222
Later than 1 year and not later than 5 years	4,730	1,970
Later than 5 years	-	-
Total Operating Expenditure Commitments	10,300	9,192
Non-cancellable Short Term and low value lease commitments		
Not later than 1 year	4,811	8,768
Later than 1 year and not later than 5 years	726	13,161
Later than 5 years	1,939	11,637
Total Non-cancellable Lease Commitments	7,476	33,566
Public Private Partnership Commitments (commissioned)		
Not later than 1 year	24,852	22,509
Later than 1 year and not later than 5 years	106,455	102,543
Later than 5 years	793,088	820,464
Total Public Private Partnership Commitments (commissioned)	924,395	945,516
Total commitments for expenditure (inclusive of GST)	947,195	999,956
GST recoverable from the Australian Tax Office	(86,109)	(90,905)
Total commitments for expenditure (exclusive of GST)	861,086	909,051

Future finance lease payments are recognised on the balance sheet, refer to Note 6.1 Borrowings.

PPPs Commitments ^{(a)(b)}	2020			2019		
	Minimum lease payments	Other Commitments	Total Commitments	Minimum lease payments	Other Commitments	Total Commitments
	Present value \$'000s	Present value \$'000s	Nominal value \$'000s	Present value \$'000s	Present value \$'000s	Nominal value \$'000s
Commissioned PPPs^{(c)(d)(e)}						
Peter MacCallum Cancer Centre		85,969	924,395		87,933	945,516
Total Commitments for PPPs	-	85,969	924,395	-	87,933	945,516

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

- a. The present values of the minimum lease payments for commissioned PPPs are recognised on the Balance Sheet (not disclosed as commitments).
- b. The year on year reduction in the nominal amounts of the other PPP commitments reflects the payments made.
- c. The year on year reduction in the present values of other PPP commitments reflects payments, offset by the impact of one fewer year used for discounting.
- d. The table discloses only other PPP related operating and maintenance commitments for Peter Mac.
- e. The total commitments will not equal the sum of the minimum lease payments and other PPP commitments because they are at present value, whereas total PPP commitments are at nominal value.

COMMITMENTS

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

Peter Mac has entered into commercial leases on certain medical equipment, computer

equipment and property where it is not in the best interest of Peter Mac to purchase these assets. These leases have an average life of between 1 and 20 years with renewal terms included in the contracts. Renewals are at the option of Peter Mac. There are no restrictions placed upon the lessee by entering into these leases.

PUBLIC PRIVATE PARTNERSHIP (PPP) COMMITMENTS

Peter Mac is party to a PPP, which is an arrangement entered into with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are also referred to as a PPP.

With these arrangements, Peter Mac or another party pay the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment in accordance with the lease policy. The remaining components are accounted for as commitments for operating costs which are expensed in the comprehensive operating statement as they are incurred.

Pursuant to the requirements of the Operating Deed signed by the State and Peter Mac on 14 December 2011, the Department of Health and Human Services agrees to meet all the payments (including leasing and operating) for which the State is liable and which are associated with the VCCC building, the derivative transaction and the State Payment Account. Peter Mac has agreed to record and report all of the obligations of the State reflecting Peter Mac's position as the government agency that controls the assets.

Pursuant to the Agreement for the VCCC building, the State has contributed to the constructions costs of the project to Plenary during the construction phase. The Department of Health and Human Services made capital contributions to Peter Mac to fund these payments.

Peter Mac recognises a leased asset and corresponding lease liability in respect of the arrangement in accordance with the State's stated accounting policy for such arrangements.

Quarterly service payments will be made to Plenary. Each payment includes an allowance for the remaining capital cost of the facility, the facilities maintenance and ancillary services to be delivered by Plenary over the 25 year operating phase, interest rate service payments and an equity return.

Pass-through costs in relation to VCCC utilities, medical and laboratory gases and waste disposal services are not included in PPP commitments as they are contingent on future amounts utilised in operating the hospital.

6.4 Commitments for income

Commitments Receivable	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Commitments in relation to leases receivable are as follows:		
Not later than one year	1,477	1,336
Later than 1 year and not later than 5 years	4,161	3,900
Later than 5 years	6,951	7,993
Total Commitments Receivable (inclusive of GST)	12,589	13,229
Less GST payable to the Australian Tax Office	(1,144)	(1,203)
Total commitments receivable (exclusive of GST)	11,445	12,026

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the

net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives is

recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more appropriate of the time pattern over which the economic benefit of the leased asset is diminished.

6.5 Non-cash financing and investing activities

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
VCCC Project costs paid by Department of Health and Human Services	-	390
COVID-19 capital paid by Department of Health and Human Services ¹	22,186	-
Total	22,186	390

¹ *Recommissioning of East Melbourne building and construction of ICU ward in Parkville.*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

7 Risks, contingencies and valuation uncertainties

Peter Mac is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the hospital is related mainly to fair value determination.

STRUCTURE

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7.1.1	Financial instruments: categorisation.....	page 114
7.1.2	Maturity analysis of Financial Liabilities as at 30 June	page 116
7.1.3	Contractual receivables at amortised costs	page 117
7.2	Contingent assets and contingent liabilities.....	page 118

7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Peter Mac's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments: Presentation*.

7.1.1 Financial instruments: categorisation

Consolidated 2020	Note	Financial Assets at Amortised Cost \$000s	Financial Assets at Fair Value Through Net result \$000s	Hedging Instruments Measured at Fair Value \$000s	Financial Liabilities at Amortised Cost \$000s	Total \$000s
Contractual and Financial Assets						
Cash and cash equivalents	6.2	87,706	-	-	-	87,706
Receivables - Trade debtors	5.1	19,172	-	-	-	19,172
Other receivables	5.1	12,996	-	-	-	12,996
Investments and Other Financial Assets - Managed Investment Schemes	4.1	-	77,526	-	-	77,526
Total Financial Assetsⁱ		119,874	77,526	-	-	197,400
Financial Liabilities						
Payables	5.2	-	-	-	45,811	45,811
Borrowings	6.1	-	-	-	939,428	939,428
Other financial liabilities	5.3	-	-	237,486	-	237,486
Total Financial Liabilitiesⁱ		-	-	237,486	985,239	1,222,725

Consolidated 2019	Note	Contractual Financial Assets - Loans and Receivables \$000s	Contractual Financial Assets - Available for Sale \$000s	Hedging Instruments Measured at Fair Value \$000s	Financial Liabilities at Amortised Cost \$000s	Total \$000s
Contractual and Financial Assets						
Cash and cash equivalents	6.2	60,175	-	-	-	60,175
Receivables - Trade debtors	5.1	18,987	-	-	-	18,987
Other receivables	5.1	14,056	-	-	-	14,056
Investments and Other Financial Assets - Managed Investment Schemes	4.1	-	76,826	-	-	76,826
Total Financial Assetsⁱ		93,218	76,826	-	-	170,044
Financial Liabilities						
Payables		-	-	-	42,070	42,070
Borrowings	6.1	-	-	-	986,228	986,228
Other financial liabilities	5.3	-	-	182,973	-	182,973
Total Financial Liabilitiesⁱ		-	-	182,973	1,028,298	1,211,271

i The carrying amount excludes statutory receivables (i.e. GST receivable and DHHS receivable) and statutory payables (i.e. Revenue in Advance and DHHS payable).

CATEGORIES OF FINANCIAL ASSETS UNDER AASB 9:

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by Peter Mac to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

Peter Mac recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Financial assets at fair value through net result

Peter Mac recognises its listed equity securities at fair value through Profit and Loss as designated and all of its managed investment schemes as fair value through Profit and Loss as mandatory.

CATEGORIES OF FINANCIAL LIABILITIES

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in Profit and Loss over the period of the interest bearing liability, using the effective interest rate method. Peter Mac recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

HEDGING INSTRUMENTS – INTEREST RATE SWAP

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate lease liability.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Peter Mac has entered into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Peter Mac does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed by performing a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the

hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the lease liability, and
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during 2020 in relation to the interest rate swap.

7.1.2 Maturity analysis of Financial Liabilities as at 30 June

The following table discloses the contractual maturity analysis for Peter Mac's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

Consolidated		Maturity dates						
		Carrying amount \$000s	Nominal amount \$000s	Less than 1 month \$000s	1 – 3 months \$000s	3 months – 1 year \$000s	1 – 5 years \$000s	Over 5 years \$000s
2020	Note							
Payables	5.2	45,811	45,811	45,607	41	163	-	-
Borrowings	6.1	939,428	939,428	-	18,814	46,358	293,587	580,669
Other Financial Liabilities - Interest rate swaps	5.3	237,486	237,486	-	-	-	-	237,486
Total financial liabilities		1,222,725	1,222,725	45,607	18,855	46,521	293,587	818,155
2019								
Payables	5.2	42,070	42,070	41,808	219	43	-	-
Borrowings	6.1	986,228	986,228	-	12,397	39,313	259,034	675,484
Other Financial Liabilities - Interest rate swaps	5.3	182,973	182,973	-	-	-	-	182,973
Total financial liabilities		1,211,271	1,211,271	41,808	12,616	39,356	259,034	858,457

7.1.3 Contractual receivables at amortised costs

2020	Note	Maturity dates					Total
		Current	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	
Expected loss rate		-1%	-4%	-7%	-13%	-34%	-6%
Gross carrying amount of contractual receivables	5.1	12,682	1,839	1,811	2,276	1,735	20,343
Loss allowance		(99)	(68)	(135)	(286)	(583)	(1,171)
2019							
Expected loss rate		-1%	-5%	-7%	-17%	-54%	-9%
Gross carrying amount of contractual receivables	5.1	10,688	2,412	3,224	2,815	1,759	20,898
Loss allowance		(90)	(127)	(233)	(486)	(956)	(1,892)

IMPAIRMENT OF FINANCIAL ASSETS UNDER AASB 9 FINANCIAL INSTRUMENTS

Peter Mac records the allowance for expected credit loss for the relevant financial instruments, in accordance with *AASB 9 Financial Instruments* 'Expected Credit Loss' approach. Subject to *AASB 9 Financial Instruments*, impairment assessment includes the Peter Mac's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under *AASB 9 Financial Instruments*. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under *AASB 9 Financial Instruments*. While cash and cash equivalents are also subject to the impairment requirements of *AASB 9 Financial Instruments*, any identified impairment loss would be immaterial.

CONTRACTUAL RECEIVABLES AT AMORTISED COST

Peter Mac applies *AASB 9* simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. Peter Mac has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on debt category's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, Peter Mac determines the opening loss allowance on initial application date of *AASB 9* and the closing loss allowance at end of the financial year as disclosed in the above table.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

RECONCILIATION OF THE MOVEMENT IN THE LOSS ALLOWANCE FOR CONTRACTUAL RECEIVABLES

Consolidated Comprehensive operating statement	Note	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Balance at beginning of the year (\$'000s)		1,892	2,345
<i>Opening retained earnings adjustment on adoption of AASB 9</i>		-	(95)
Opening Loss Allowance	5.1	1,892	2,250
<i>Reversal of provision of receivables written off during the year as uncollectible</i>		(721)	(358)
Comprehensive income	5.1	1,171	1,892

Credit loss allowance is classified as Other Economic Flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

STATUTORY RECEIVABLES AND DEBT INVESTMENTS AT AMORTISED COST

Peter Mac's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The Peter MacCallum Cancer Foundation also has investments in Credit Suisse.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

7.2 Contingent assets and contingent liabilities

CONTINGENT ASSETS

Peter Mac has no contingent assets as at 30 June 2020 (nil: 2018-19).

CONTINGENT LIABILITIES

In an agreement with the State (Agreement No. 1), Peter Mac has agreed that through a sale process for the East Melbourne sites, a fixed amount shall be remitted to the State to contribute to overall funding of the VCCC building.

Peter Mac has no other contingent liabilities and assets as at 30 June 2020 (nil: 2018-19).

CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

8 Other disclosures

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

STRUCTURE

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

8.1 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	Note	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Net result for the Year	05	25,898	(2,114)
Non-cash movements			
Depreciation	4.4	55,685	61,387
Amortisation of intangible non-produced assets	3.2	2,053	2,053
Allowance for impairment losses of contractual receivables		(31)	662
Income from managed funds reinvested		(1,902)	(2,498)
Management fees for managed investments		109	289
Bequest received in the form of shares		(79)	(2)
Assets received free of charge		(238)	(73)
Insurance -Indirect contributions by Department of Health		(206)	(208)
Government non-cash funding for hospital expansion		(66,525)	(45,603)
Revaluation of Long Service Leave		(1,866)	(936)
Construction in progress received from Department of Health and Human Services		(6)	(3,685)
Market adjustment		(419)	-
Adjustment prior year capital income		(7,532)	-
Devaluation of Buildings		-	1,275
Movements included in Investing and Financing Activities			
Net (gain)/loss from disposal of financial assets		391	64
Holding (gain)/loss on financial assets through profit & loss		1,937	(3,827)
Less cash inflow/outflow from investing and financing activities		(24,760)	(11,568)
Movements in assets and liabilities			
(Increase)/decrease in receivables	5.1	(3,581)	(11,866)
(Increase)/decrease in prepayments		(3,765)	1,432
(Increase)/decrease in inventories		(339)	(651)
Increase/(decrease) in payables	5.2	38,691	1,377
Increase/(decrease) in provisions		16,667	17,515
Increase/(decrease) in other liabilities	5.3	(6,189)	3,989
Net cash inflow from operating activities		23,993	7,012

8.2 Responsible persons disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister	Period
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29/11/2018 - 30/06/2020
The Honourable Martin Foley, Minister for Mental Health	29/11/2018 - 30/06/2020
The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers	29/11/2018 - 30/06/2020
Governing Board	
Hon. Ms Maxine Morand (Chair)	01/07/2015 - 30/06/2020
Ms Deirdre Blythe	10/10/2017 - 30/06/2020
Associate Professor Kate Cherry	22/08/2017 - 30/06/2020
Ms Louise Davidson AM	01/07/2015 - 30/06/2020
Mr Ian Dunn AM	01/07/2015 - 30/06/2020
Associate Professor Rosemary McKenzie	01/07/2019 - 30/06/2020
Mr Matthew O'Keefe	02/08/2016 - 30/06/2020
Mr Des Pearson AO	01/07/2016 - 30/06/2020
Associate Professor Leslie Reti AM	03/12/2013 - 30/06/2020
Accountable Officer	
Ms Michelle Dolan, Chief Executive	23/09/2019 - 30/06/2020
Ms Lisa Dunlop, Interim Chief Executive	01/07/2019 - 22/09/2019

Remuneration

Total remuneration of responsible persons are shown in their relevant income bands:

Income Band	Consolidated 2020 No.	Consolidated 2019 No.
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	8	7
\$80,000 - \$89,999	1	1
\$120,000 - \$129,999	1	-
\$150,000 - \$159,999	-	1
\$300,000 - \$309,999	-	1
\$330,000 - \$339,999	1	-
	11	11
	Consolidated 2020 \$'000s	Consolidated 2019 \$'000s
Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:	911	900

Amounts relating to the Governing Board Members and Accountable Officer of controlled entities are disclosed in Peter Mac's controlled entities financial statements.

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

8.3 Remuneration of Executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

	Consolidated	
	2020 \$'000s	2019 \$'000s
Remuneration bands		
Short-term Benefits	2,889	2,686
Post employment Benefits	289	254
Other Long-term Benefits	65	62
Total Remunerationⁱ	3,243	3,002
Total Number of Executives	10	11
Total Annualised Employee Equivalentⁱⁱ	8.01	8.58

i The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Peter Mac under AASB 124 Related Party Disclosures and are also reported within Note 8.4 Related Parties.

ii Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Total remuneration payable to executives during the year included a number of executives who received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories:

SHORT-TERM EMPLOYEE BENEFITS

Salaries and wages, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

POST-EMPLOYMENT BENEFITS

Pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

OTHER LONG-TERM

Long service leave, other long-service benefit or deferred compensation.

TERMINATION BENEFITS

Termination of employment payments, such as severance packages.

SHARE-BASED PAYMENTS

An agreement between the entity and the employee that entitles them to receive cash or other assets for amounts that are based on the price of shares/share options provided specified vesting conditions, if any, are met.

OTHER FACTORS

Several factors affected total remuneration payable to executives over the year. During the year, there were additional Executives due to Interim arrangements associated with long service leave taken.

8.4 Related parties

Peter Mac is a wholly owned and controlled entity of the State of Victoria. Related parties of Peter Mac include:

- all key management personnel (KMP) of Peter Mac and their close family members;
- cabinet ministers and their close family members;
- controlled entities – Peter MacCallum Cancer Foundation and Cell Therapies Pty Ltd;
- jointly controlled operation – a member of the Victorian Comprehensive Cancer Centre (VCCC); and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of Peter Mac, directly or indirectly.

The Board of Directors, the Accountable Officer and the Executive Directors of Peter Mac are deemed to be KMPs.

Key Management Personnel	Position Title	Period
Hon. Ms Maxine Morand (Chair)	Board Member (Chair)	01/07/2019 - 30/06/2020
Ms Deirdre Blythe	Board Member	01/07/2019 - 30/06/2020
Associate Professor Kate Cherry	Board Member	01/07/2019 - 30/06/2020
Ms Louise Davidson AM	Board Member	01/07/2019 - 30/06/2020
Mr Ian Dunn AM	Board Member	01/07/2019 - 30/06/2020
Associate Professor Rosemary McKenzie	Board Member	01/07/2019 - 30/06/2020
Mr Matthew O'Keefe	Board Member	01/07/2019 - 30/06/2020
Mr Des Pearson AO	Board Member	01/07/2019 - 30/06/2020
Associate Professor Leslie Reti AM	Board Member	01/07/2019 - 30/06/2020
Ms Michelle Dolan	Chief Executive	23/09/2019 - 30/06/2020
Ms Lisa Dunlop	Interim Chief Executive	01/07/2019 - 22/09/2019
Ms Lisa Dunlop	Executive Director Clinical Governance & Strategic Projects, Executive	23/09/2019 - 30/06/2020
Ms Lucy Franzmann	Chief Finance Officer	01/07/2019 - 30/06/2020
Ms Helen Hovenga	Executive Director, People and Culture	01/07/2019 - 30/06/2020
Mr Ricky Johnstone	Executive Director, Research	01/07/2019 - 30/06/2020
Ms Elizabeth Kennedy	General Counsel and Corporate Secretary	01/07/2019 - 30/06/2020
Ms Jac Mathieson	Chief Nursing Officer	01/07/2019 - 30/06/2020
Mr Mark Sheppard	Interim Chief Operating Officer	15/07/2019 - 30/01/2020
Mr David Speakman	Chief Medical Officer	01/07/2019 - 30/06/2020
Ms Nicole Twedde	Chief Operating Officer	31/01/2020 - 30/06/2020
Mr Dominic Wall	Executive Director - Business Ventures	01/07/2019 - 30/06/2020

The compensation detailed below is reported in \$'000 and excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	2020 \$000s	2019 \$000s
Compensation - KMPs		
Short term employee benefits	3,719	3,522
Post-employment benefits	359	309
Other long-term benefits	75	72
Termination benefits	0	0
Share based payments	0	0
Totalⁱ	4,153	3,903

i KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

SIGNIFICANT TRANSACTIONS WITH GOVERNMENT RELATED ENTITIES

Peter Mac received funding from the Department of Health and Human Services of \$408 million (2019: \$360 million), indirect contributions of \$4.1 million (2019: \$7.3 million) and has a net LSL receivable balance of \$27.3M (2019: \$23.8M).

Expenses incurred by Peter Mac in delivering services and outputs are in accordance with Health Purchasing Victoria requirements. Goods and services including procurement, diagnostics, patient meals and multi-site operational support are provided by other Victorian Health Service Providers on commercial terms.

Professional medical indemnity insurance and other insurance products are obtained from Victorian Managed Insurance Authority (VMIA).

The Standing Directions of the Assistant Treasurer require Peter Mac to hold cash (in excess of working capital) in accordance with the State's centralised banking arrangements. All borrowings are required to be sourced from Treasury Corporation Victoria unless an exemption has been approved by the Minister for Health and the Assistant Treasurer.

TRANSACTIONS WITH KMPs AND OTHER RELATED PARTIES

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with Peter Mac, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2020 (2019: nil).

There were no related party transactions required to be disclosed for Peter Mac Board of Directors, Chief Executive Officer and Executive Directors in 2020 (2019: nil).

Except for the transaction listed below, there were no other related party transactions required to be disclosed for The Peter MacCallum Cancer Foundation Board of Directors in 2020 (2019: nil).

CONTROLLED ENTITIES RELATED PARTY TRANSACTIONS

The Hon. Maxine Morand is Chair of the Peter MacCallum Cancer Centre Board of Directors and a Director of Peter MacCallum Cancer Foundation.

Associate Professor Leslie Reti is a Director of Peter MacCallum Cancer Centre and a Director of Cell Therapies Pty Ltd.

The transactions between Peter Mac and its subsidiaries; the Peter MacCallum Cancer Foundation, Cell Therapies Pty Ltd and Cellularity Pty Ltd, relate to reimbursements of goods and services and the transfer by way of distribution. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	2020 \$000s	2019 \$000s
Revenue from sale of goods and provision of services		
To Cell Therapies Pty Ltd	3,738	2,190
Revenue from rental of property		
From Cell Therapies Pty Ltd	408	396
Grants and gifts revenue		
From Peter MacCallum Cancer Foundation	25,518	25,812
Debtor receivable at 30 June		
Cell Therapies Pty Ltd	1,355	950
Peter MacCallum Cancer Foundation	1,781	2,436

8.5 Remuneration of auditors

	Consolidated 2020 \$000s	Consolidated 2019 \$000s
Victorian Auditor-General's Office		
Audit of the Financial Statements	186	162
Total remuneration of auditors	186	162

8.6 Ex-gratia expenses

There are no ex-gratia expenses for both individual items and in aggregate that are greater than or equal to \$5,000.

8.7 Events occurring after the balance sheet date

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future

may be materially different from those estimated by Peter Mac at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on Peter Mac, its operations, its future results and financial position. The state of emergency in Victoria was extended on 13 September 2020

until 11 October 2020 and the state of disaster is still in place.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of Peter Mac, the results of the operations or the state of affairs of Peter Mac in the future financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

8.8 Controlled entities

Peter Mac's interest in the controlled operations are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

Name of entity	Country of incorporation	Equity holding
Peter MacCallum Cancer Foundation Ltd ¹	Australia	Limited by Guarantee
Peter MacCallum Cancer Foundation Trust ²	Australia	n/a
Cell Therapies Pty Ltd	Australia	Ordinary (97.3% ownership)
Cellularity Pty Ltd ³	Australia	Ordinary (97.3% ownership)

¹ Control exists via Peter Mac being the sole member of the Company.

² Control exists via Peter Mac being the only beneficiary of the Foundation.

³ Cellularity Pty Ltd is 100% owned by Cell Therapies Pty Ltd.

The following schedule shows Peter Mac's ownership interest in its subsidiary Cell Therapies Pty Ltd.

Parent	Investment in Cell Therapies Pty Ltd \$000s
Balance as at 1 July 2018	1,128
Balance as at 30 June 2019	1,128
Purchase of additional shares	584
Balance as at 30 June 2020	1,712

Peter Mac's interest in revenues and expenses resulting from controlled entities is detailed below:

Controlled entities contribution to the consolidated results	2020 \$000s	2019 \$000s
Net result for the year		
Peter MacCallum Cancer Foundation	2,040	8,355
Cell Therapies Pty Ltd	232	(289)

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no known contingent liabilities or capital commitments held by the controlled entities at balance date.

8.9 Jointly controlled operations

Name of Entity	Principal Activity	Ownership interest %	
		2020	2019
Victorian Comprehensive Cancer Centre	The member entities have committed to the establishment of a world leading comprehensive cancer centre in Parkville, Victoria, through the joint venture, with a view to saving lives through the integration of cancer research, education and training and patient care.	10.0%	10.0%

Peter Mac's interest in the above jointly controlled operations are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2020 \$000s	2019 \$000s
Current assets		
Cash and cash equivalents	1,057	1,457
Receivables	33	24
Other assets	34	142
Total current assets	1,124	1,623
Non-current assets		
Property, plant and equipment	17	22
Total non-current assets	17	22
Total assets	1,141	1,645
Current liabilities		
Payables	153	154
Provisions	31	25
Total current liabilities	184	179
Non-current liabilities		
Provisions	10	11
Total non-current liabilities	10	11
Total liabilities	194	190
Net Assets	947	1,455
Equity		
Accumulated surpluses / (deficits)	947	1,454
Total equity	947	1,454

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Peter Mac's interest in revenues and expenses resulting from jointly controlled operations are detailed below:

	2020 \$000s	2019 \$000s
Revenue		
Government grants	965	876
Other revenue from operating activities	-	-
Interest and dividends	14	32
Total revenue	979	908
Expenses		
Employee expenses	502	374
Other expenses	977	724
Depreciation and amortisation	7	5
Total expenses	1,486	1,103
Net result	(507)	(195)

* Figures obtained from the audited Victorian Comprehensive Cancer Centre Annual Report.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no known contingent liabilities or capital commitments held by the jointly controlled operations at balance date.

8.10 Economic dependency

Peter Mac, the parent entity, is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services.

The Department of Health and Human Services has provided confirmation that it will continue to provide Peter Mac adequate cash flow support to meet its current and future obligations as and when they fall due. On that basis, the financial statements have been prepared on a going concern basis.

Although cash has increased to \$78.1M (2019: \$50.3M), this is driven by restricted grants that can only be used for capital purposes. Peter Mac's current asset ratio continues to be below an adequate short term position (2020: 0.51 and 2019: 0.51). A letter confirming adequate cash flow was also provided by DHHS in the previous financial year to ensure that Peter Mac can meet its commitments.

8.11 Change in accounting policies

LEASES

This note explains the impact of the adoption of *AASB 16 Leases* on Peter Mac's financial statements. Peter Mac has applied *AASB 16* with a date of initial application of 1 July 2019.

Peter Mac has elected to apply *AASB 16* using the modified retrospective approach, as per the transitional provisions of *AASB 16* for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under *AASB 117* and related interpretations.

Previously, Peter Mac determined at contract inception whether an arrangement is or contains a lease under *AASB 117* and *Interpretation 4 – 'Determining whether an arrangement contains a Lease'*. Under *AASB 16*, Peter Mac assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.1.

On transition to *AASB 16*, Peter Mac has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied *AASB 16* only to contracts that were previously identified as leases. Contracts that were not identified as leases under *AASB 117* and *Interpretation 4* were not reassessed for whether there is a lease. Therefore, the definition of a lease under *AASB 16* was applied to contracts entered into or changed on or after 1 July 2019.

LEASES CLASSIFIED AS OPERATING LEASES UNDER AASB 117

As a lessee, Peter Mac previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Peter Mac. Under *AASB 16*, Peter Mac recognises right-of-use assets and lease liabilities for all leases except where exemption is available in respect of short-term and low value leases.

On adoption of *AASB 16*, Peter Mac recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using Peter Mac's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Peter Mac has elected to apply the following practical expedients when applying *AASB 16* to leases previously classified as operating leases under *AASB 117*:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of *AASB 137* onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under *AASB 117*, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under *AASB 117* immediately before that date.

IMPACTS ON FINANCIAL STATEMENTS

On transition to *AASB 16*, Peter Mac recognised \$1,268,344,000 of right-of-use assets and \$971,292,284 of lease liabilities.

When measuring lease liabilities, Peter Mac discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 8.2%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	1-Jul-19 \$000s
Total Operating lease commitments disclosed at 30 June 2019	30,515
Discounted using the incremental borrowing rate at 1 July 2019	26,509
Finance lease liabilities as at 30 June 2019	949,505
Recognition exemption for:	
Short-term leases	-
Expired leases	(10,061)
Lease liabilities recognised at 1 July 2019	965,953

REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with *FRD 121* requirements, Peter Mac has applied the transitional provision of *AASB 15*, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Peter Mac applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. Peter Mac has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under *AASB 16* and as mandated by *FRD 122*.

Comparative information has not been restated.

Note 2.1.1 – Sales of goods and services includes details about the transitional application of *AASB 15* and how the standard has been applied to revenue transactions.

INCOME OF NOT-FOR-PROFIT ENTITIES

In accordance with *FRD 122* requirements, Peter Mac has applied the transitional provision of *AASB 1058*, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Peter Mac applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated.

Note 2.1.2 – Grants includes details about the transitional application of *AASB 1058* and how the standard has been applied to revenue transactions.

The adoption of *AASB 1058* did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

TRANSITION IMPACT ON FINANCIAL STATEMENTS.

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- *AASB 15 Revenue from Contracts with Customers*;
- *AASB 1058 Income of Not-for-Profit Entities*; and
- *AASB 16 Leases*.

A. IMPACT ON BALANCE SHEET (AASB 15, AASB 16 AND AASB 1058)

Impact on Balance Sheet due to the adoption of AASB 15, AASB 1058 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards (AASB 15 and AASB 16) at 1 July 2019:

Balance sheet	Notes	Before new accounting standards Opening 1 July 2019	Impact of new accounting standards - AASB 15 & 1058	Impact of new accounting standards - AASB 16	After new accounting standards Opening 1 July 2019
Property, Plant and Equipment	4.2.2	1,489,789	-	16,094	1,505,883
Total non-financial assets	4.2.2	1,557,736	-	16,094	1,573,830
Total Assets	4.2.2	1,735,188	-	16,094	1,751,282
Payables and Contract Liabilities	SCE	47,724	7,532		55,256
Borrowings	4.2.2	986,228	-	16,094	1,002,322
Total Liabilities		1,316,137	7,532	16,094	1,339,763
Accumulated surplus/(deficit)		111,246	(7,532)	-	103,714
Total Equity		419,051	(7,532)	-	411,519

8.12 AASBs Issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2020 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises Peter Mac of their applicability and early adoption where applicable.

As at 30 June 2020, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Peter Mac has not and does not intend to adopt these standards early.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This Standard principally amends <i>AASB 101 Presentation of Financial Statements</i> and <i>AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in <i>AASB 101</i> and its application by improving the wording and aligning the definition across <i>AASB</i> Standards and other publications. The amendments also include some supporting requirements in <i>AASB 101</i> in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1-Jan-20	The standard is not expected to have a significant impact on Peter Mac.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends <i>AASB 101</i> to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, <i>ED 301</i> has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on Peter Mac.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019-20 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- *AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business.*
- *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.*
- *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.*
- *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.*
- *AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements.*
- *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*
- Conceptual Framework for Financial Reporting.

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