

ANNUAL REPORT 2018–2019



Peter Mac

Peter MacCallum Cancer Centre
Victoria Australia



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BREAKING NEW GROUND. CHANGING LIVES.

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.

Our founder, Sir Peter MacCallum said:

“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.”

Although he made that statement 70 years ago, as a guiding principle it is as clear, simple and relevant today as when Sir Peter first said it.

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.

41,469



inpatient separations

115



research articles published in high impact journals

\$666M



revenue

213



active clinical trials

42



research laboratories

5



sites across Victoria

177,865



clinic appointments

\$90M



research budget

725



research articles published

37,763



patients

656



dedicated cancer researchers



16.7% INCREASE

in surgical patients treated from the previous year

2,404



employees

REPORT FROM THE BOARD CHAIR AND CHIEF EXECUTIVE

Peter Mac very proudly celebrated our 70th anniversary in 2019. From humble beginnings, starting in just one room of the former Queen Victoria Hospital in Melbourne, our cancer care and cancer research now has an outstanding global reputation.

We celebrated Peter Mac's anniversary with our patients and staff. We were very pleased that Minister for Health, the Hon Jenny Mikakos MP was able to join us at our staff celebration. An exhibition of photographs and items from our archives, which illustrated our progress over 70 years, featured at our staff celebration.

We were appreciative of the hospitality of Peter Mac's patron, Her Excellency the Hon Linda Dessau AC, Governor of Victoria, and Mr Anthony Howard AM QC, who generously hosted an afternoon tea for patients, carers and volunteers at Government House.

We were delighted to be recognised as co-winner of the Premier's Large Health Service of the Year in the 2018 Victorian Public Healthcare Awards, a highly-sought recognition for excellence in public health.

There have been some significant changes in the executive leadership team over the past year. Our thanks to Ms Dale Fisher, who resigned after five very effective years as Chief Executive. Ms Fisher led us through a time of significant change and growth. After a global search, the Board recruited Dr Shelley Dolan as our new CEO. Dr Dolan has extensive senior leadership experience in specialist cancer services and will join us in September 2019. Our thanks to Ms Nicole Tweddle who served as a highly capable Interim Chief Executive until 30 June and our Chief Operating Officer, Ms Lisa Dunlop, who then served as Interim Chief Executive.

Professor Joseph Trapani moved to his new role as Director of the Centre for Cancer Immunotherapy, a research partnership between Peter Mac and the Victorian Comprehensive Cancer Centre. Professor Trapani retains his role as Head of the Cancer Immunology Program. He had also served as Peter Mac's Executive Director Cancer Research (2009-2018) and Inaugural Head of the Sir Peter MacCallum Department of Oncology at The University of Melbourne (2012-18).

Professor Ricky Johnstone, Head of the Gene Regulation Laboratory at Peter Mac, was appointed as the new Executive Director, Cancer Research; and the Head, The Sir Peter MacCallum Department of Oncology at The University of Melbourne. Ricky was originally recruited to Peter Mac as part of our bold strategy to invest in cancer immunology research almost 18 years ago and has held senior leadership roles within the laboratory research domain for 10 years. As Head of the Gene Regulation Laboratory, Ricky's scientific credentials are well known nationally and internationally. He holds a professorial appointment with the University of Melbourne.

Ms Helen Hovenga joined us in the newly created role of Executive Director, People & Culture; and Ms Lucy Franzmann returned to her role of Chief Financial Officer following maternity leave. Ms Siegi Schmidmaier, Executive Director Strategy and Planning resigned from Peter Mac after five years. We wish her well in the future.

In addition, the Board thanks former Director, Professor Jane Gunn, for her services during the reporting period.

While women are well represented in our executive and Board, they are under-represented in the leadership roles of most of Peter Mac's clinical areas. To redress this balance, we launched Peter Mac's first Gender Equity Strategy. The strategy defines the themes and actions that will guide us toward creating real change across the organisation, to remove any barriers for women in genuine equality of opportunity.

Congratulations to Board Directors, Associate Professor Les Reti AM and Ms Louise Davidson AM, who were awarded Orders of Australia in the Queen's Birthday Honours List. Professor Reti was recognised for his significant service to medicine in the field of gynaecology and women's health both as a clinician and educator. Ms Davidson is the Chief Executive Officer of the Australian Council of Superannuation Investors. In 2015, Ms Davidson was named Victoria's Local Hero in the Australian of the Year Awards for her work as the co-founder and National Chair of the Mother's Day Classic Walk/Run for Breast Cancer Research. We congratulate them both.

In March 2019, the Hon Scott Morrison MP, Prime Minister of Australia, and the Hon Greg Hunt MP, Australian Minister for Health, announced \$80 million towards the establishment of a \$105 million Peter MacCallum Cancer Centre, Centre of Excellence in Cellular Immunotherapy. With the support of philanthropists through our Peter MacCallum Cancer Centre Foundation and internal research funds, we will lead the development of cellular therapies and immunotherapy. This new national centre will provide the manufacturing capability for CAR T-cell therapy, helping the body's own immune system to fight cancer and has the potential to cure some types of cancers.

The Victorian Health Minister, the Hon Jenny Mikakos MP visited ONTrac to launch new information resources designed to meet the specific needs of young adults with cancer. Her Excellency, the Hon Linda Dessau AC, Governor of Victoria and Mr Tony Howard AM QC visited to meet members of our youth advisory board, senior nurses and researchers.

On March 8, 2019 we celebrated International Women's Day with our first 'women in science' symposium to showcase outstanding research by women scientists at Peter Mac and across Victoria. The meeting facilitated discussion on enabling women to excel in their research careers.

The day's highlight was the announcement of our 2019 Lea Medal winner, awarded annually to the most outstanding emerging female research leader at Peter Mac. In 2019, the winner was Dr Laura Forrest; and Dr Elizabeth Christie was highly commended. Laura's research goal is to ensure individuals and their families are empowered to make informed decisions about cancer-causing genetic information. Elizabeth is a senior postdoctoral scientist in the Cancer Genetics and Genomics Program.

Funding from government and industry partners is key to Peter Mac's ongoing research productivity and success.

In 2018-19, our research projects received more than \$17.6m from the National Health and Medical Research Council (NHMRC), almost double the amount from 2017-18. This new funding includes \$4.8m for Professor Bernhard Riedel to lead an international trial to investigate if types of anaesthesia used during cancer surgery affects long-term patient outcomes; Professor Michael Henderson will test a new surgical protocol for removing melanoma; Professor David Bowtell will trace how ovarian cancers develop drug resistance; and Professor Sarah-Jane Dawson will examine the use of blood tests to actively monitor and inform treatment of lung cancer patients.

Our researchers were also successful recipients of half of the available 14 Victorian Cancer Agency grants, worth \$3.5m.

These diverse projects speak to the broad pipeline of innovative research underway at Peter Mac, which is focused on understanding the molecular and biological drivers of cancer, advancing cancer treatment and improving patient outcomes.

As an iconic cancer research and treatment facility, Peter Mac continues to be a proud, mission-driven organisation that leads on a national and global scale. In the reporting period, we made significant progress against our four Strategic Directions, supported by a series of four Strategic Enablers. We report on these in subsequent pages.

Over its 70 years, Peter Mac has proudly counted many outstanding clinicians and researchers among our staff. In June, we acknowledged the passing of Professor Joseph Sambrook. A renowned molecular biologist, Joe – as he was known to all – joined us in 1994 and became a pivotal figure in our history by transforming our research division. Professor Sambrook was a Fellow of the Australian Academy of Science, a Fellow of the Royal Society, and a Peter Mac Distinguished Fellow, among his many awards. Each year, in his honour, we award the Joseph F Sambrook Price for Research Excellence to the most important discovery by our research team.

We would like to acknowledge the ongoing support of the Victorian government, including the Premier, the Health Ministers and the Department of Health and Human Services. We thank the Hon Jill Hennessy, Minister for Health and Minister for Ambulance Services from 1 July 2018 – 29 November 2018; and the Hon Jenny Mikakos, Minister for Health and Minister for Ambulance Services since 29 November 2018, for their commitment to Peter Mac.

We most sincerely thank all of our staff and volunteers, partners and collaborators, funders and donors, who all contribute significantly to our mission.

And to our community of patients, families and carers who inspire and motivate us every day, we offer our sincerest appreciation.



A handwritten signature in cursive script that reads "M Morand".

The Hon Maxine Morand

Chair, Board of Directors
Melbourne
11 September 2019



A handwritten signature in cursive script that reads "Lisa Dunlop".

Lisa Dunlop

Chief Executive and Accountable Officer
Melbourne
11 September 2019

STRATEGIC DIRECTION: PROVIDE THE WORLD'S BEST CANCER CARE

In 2018-19, Peter Mac reinforced its position as a flagship service that focuses all of our efforts on one illness stream: cancer.

We cared for more cancer patients than any other facility in Australia – almost 41,500 stays by inpatients and patients attended almost 178,000 clinic appointments – yet, while the quantum is exceptional, it is the patient experience we care about most.

According to the Victorian Healthcare Experience Survey (VHES), 100% of our adult inpatients and rated their experience of us as 'very good' or 'good', the best result recorded by the VHES.

Treatment of cancer begins with research. Our research is translated from our labs straight to our patients in the wards or in day clinics. Whether we are investigating new drugs or treatment options, state-of-the-art equipment or innovative models of care, each of our 656 research staff are encouraged to push the limits of innovation and discovery.

And every day, we collaborate on more clinical trials to prove our research theories than any other facility in Australia.

In October 2018, we created a new patient-facing role called the 'patient navigator' to provide our patients with a single phone number and email contact for their care team. A team of over 25 patient navigators, each dedicated to a tumour stream or disease group, now responds to hundreds of calls and emails a day from patients and carers needing support, minimising interruptions to clinical staff.

Our young patients with cancer have their own special needs. We commenced a study of 27 patients to examine how virtual reality (VR) can help reduce parent and patient distress, and the requirement for anaesthesia during radiation therapy to keep the patient still. Using VR goggles, patients now experience what radiotherapy is like before they come to us for treatment. The technology has transformed the provision of health information for this incredibly important patient cohort and their families. Furthermore, education of support networks (siblings, extended family, school friends) to better understand the radiotherapy journey has exceeded initial expectations.

In February 2019, we joined with 20 other Victorian health services on a Safer Care Victoria (SCV) collaborative project to improve the care of patients with delirium. Cancer patients are particularly vulnerable to developing delirium, which causes acute confusion, behaviour changes and distressing symptoms. Delirium is distressing for patients, their families and the staff caring for them. It complicates medical management and often prolongs length of stay. Sharing learnings with all collaborating sites, and in close partnership with Melbourne Health, this project has delivered a measurable improvement in nursing staff screening patients for delirium risk and led to a standardised approach to delirium diagnosis and medical management across the Parkville precinct.

Currently, Peter Mac patients can be referred to the palliative care unit at the Royal Melbourne Hospital. Peter Mac was awarded funding to increase our services with eight palliative care beds, to be established in a dedicated space within our Parkville site during 2020.

Peter Mac responded to the introduction of the Voluntary Assisted Dying legislation and formed a steering committee charged with equipping our staff and volunteers with the knowledge they need through policies and procedures. We have subsequently run over 45 education sessions informing them of their rights and responsibilities.

STRATEGIC DIRECTION: ACCELERATE DISCOVERY AND TRANSLATIONAL RESEARCH

Peter Mac is a global leader in the translation of research into the prevention, diagnosis, treatment and care of cancer patients.

Surgery is a central tenet of cancer care, with around 60 per cent of cancer patients requiring surgery, and hence anaesthesia, as part of their treatment. Professor Bernhard Riedel is currently leading an international study to determine if the type of anaesthetic used in cancer surgery affects patient recovery and survival rates. To date, limited pre-clinical and retrospective clinical data suggests that intravenous anaesthesia may associate with a slightly reduced risk of cancer returning with long term follow-up after surgery. To verify this, a multi-centre study of 5,700 patients will definitively answer the question and determine whether international guidelines need to be changed.

Professor Sherene Loi led a 2018 study that showed more detail on how the immune system responds to breast cancer, identifying a potential new target for immunotherapy treatments. The study involved a genetic analysis of more than 6,300 white blood cells found within tumour samples collected from 129 Peter Mac patients with breast cancer. Our study has taken the next step of identifying the distinct tumour-infiltrating lymphocytes subsets that drive this enhanced immune response in some patients, giving us important insights into how we can better use immunotherapies to treat breast cancer.

In Radiation Oncology, the potential of Stereotactic Ablative Body Radiotherapy (SABR) of improving outcomes for Peter Mac patients was demonstrated by the CHISEL study, led by Professor David Ball and run by TROG Cancer Research. The study found that SABR, a highly-targeted technique for delivering high radiotherapy doses led to greater survival rates in patients with inoperable lung cancer, compared to conventional radiotherapy. Patients received their treatment faster, with fewer doses. Professor Ball reported that 89 percent of cancers were controlled two years after SABR treatment and this compared to 65 percent for conventional radiotherapy while

over the same time, 77 percent of the patients who received SABR treatment were surviving compared to 59 percent of those who received conventional radiotherapy.

Associate Professor Shankar Siva also used SABR in the POPSTAR trial which halted the spread of prostate cancer in some men. This treatment delayed the need for conventional lifelong hormone therapy, side-effects of which can include menopause-like symptoms such as hot flushes, loss of libido and longer-term bone issues like osteoporosis. Thirty-three trial patients were given a high precision, focused dose of stereotactic ablative body radiotherapy – a technique that delivers radiotherapy with pinpoint accuracy – to each tumour site. A simple outpatient day visit is all that's involved. About half of the patients didn't need hormone therapy at two years and, in about a third, the cancer didn't come back during the study period at all.

New research into the link between obesity and liver cancer, led by Peter Mac and Monash University, has indicated that patients won't always develop serious liver diseases as a precursor to cancer. The research was led by Professor Tony Tiganis, Head of the Cancer Metabolism Program. Until now, we have believed that the lack of development of serious liver disease has meant certain groups are unlikely to develop the deadly cancer. The study showed that, if having certain 'accepted' conditions are not the only pathways for the development of liver cancer in obese people, we urgently need to develop biomarkers to help identify those patients who may be at risk.

An experimental drug developed by Peter Mac's Professor Joe Trapani could help prevent deaths from one of the world's most common viral infections, hepatitis B. Most people who contract this liver infection are ill for some days or weeks but then recover, either eliminating the virus completely or entering a chronic 'carrier' phase where the virus remains controlled. However, some have an overwhelming severe and sudden reaction, which can cause liver failure and death. An international collaboration involving Peter Mac, Germany's University of Wuerzburg and the Technical University of Munich has shed new light on this problem and tested an experimental new drug that may ultimately help this highly sensitive

group of patients to survive the acute phase of the infection. Investigators hope to take the drug into clinical trials within the next three years.

A new test, developed by Professors Robert Ramsay and Alexander Heriot at Peter Mac, predicts 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. While trials around the world are assessing this type of approach, Professors Ramsay and Heriot's project is novel as it addresses a gap in the clinical decision-making process via a functional predictor test. If validated via further research and clinical trials, its potential could be a game-changer in treatment of bowel and other types of cancer and improve outcomes for many patients.

STRATEGIC DIRECTION: FOCUS ON PREVENTION AND WELLBEING

Peter Mac has a wellbeing approach to care. Our Prevention and Wellbeing portfolio brings together a body of existing thinking and initiatives associated with prevention and the wellbeing model under one umbrella. This model is based on a fundamental belief that best practice cancer care addresses not only the treatment of the disease, but the social, emotional, environmental, cultural and spiritual needs associated with cancer.

We partner with patients, carers, the community, clinicians and researchers to ensure this wellbeing model is responsive to patient and carer needs. As a state-wide service, the needs of Peter Mac's patients and community are complex and ever-changing. It is important that we understand the individual needs of each person to ensure that care and services can be tailored appropriately. Knowing who our patients are and what is important to them is essential to our model of success. Equity of access is central to a high-quality cancer system.

Introduced in 2016, a key function of the wellbeing portfolio has been to establish Peter Mac's Wellbeing Centre and its programs and services. The Centre provides support, information, care and a community for patients, families and carers during their time at Peter Mac. We host many events and seminars run by volunteers and health professionals for patients and their families. We focus on providing practical support and information around diet and exercise, stress management and fighting fatigue, massage and meditation, sleep and sexual health and provide a range of materials designed to promote health literacy.

The recently conducted patient experience 'maturity' assessment commended us for feedback and quality improvement practices relating to improving patient and staff experience, use of patient stories to focus the agenda in meetings, leadership engagement with the patient experience agenda and the transparency of communication practices. In May, we awarded twelve awards to staff for providing exceptional experiences for patients.

Aboriginal and Torres Strait Islander Australians have poorer health outcomes compared to the broader Australian population, with higher rates of mortality, illness and disability from many major diseases, in particular cancer. With this in mind we established an Aboriginal and Torres Strait Islander Advisory group, reporting to the Community Advisory Committee, to advise Peter Mac on improving cancer care for our patients. The committee is supporting us in the development of our new Reconciliation Action Plan.

We have commenced the delivery of Aboriginal cultural awareness training for Peter Mac staff, to ensure we are delivering culturally safe and appropriate care.

The ONTrac at Peter Mac Victorian Adolescent & Young Adult Cancer Service is a Victorian Government funded, state-wide initiative aimed at improving outcomes for young Victorians living with cancer. We have developed, in partnership with young people, three new information resources that were formally launched by Minister Mikakos in April. Freely available in hard copy and online, the resources are titled:

- **Being Ok...Being You:** a guide for young people who identify as LGBTIQ+ and have cancer, so that they feel safe, seen, heard and know that they matter.
- **Getting to Grips with General Practice:** a guide to general practice for people 15-25 years old who have a diagnosis of cancer to help them to best engage with GPs.
- **Thinking Ahead: Your guide to school, study and work:** guidance on education and vocation pathways and strategies for support across health, education and community sectors, co-developed with the Centre for Adolescent Health at the Royal Children's Hospital Melbourne.

A diagnosis of cancer can be overwhelming for many; however, research shows that creative writing can build positive emotion, engagement and meaning. Four at-capacity writing masterclasses were delivered in the Wellbeing Centre to almost 100 patients, carers and staff, facilitated by writer, comedian and author Catherine Deveny.

To support and assist patients in understanding and navigating their cancer information needs, a Cancer Information Scouts program was established. The scouts are diverse volunteers, many are medical students, from our community. They engage with our patients in-clinic to identify their needs and provide relevant support and navigation.

Too often, we may not feel as equipped as we wish to support those around us who are dying, caring or grieving. Yet talking about and planning for death is one of the most significant contributors to improving one's quality of dying. *Conversations We Need to Have* aimed to encourage Peter Mac staff and volunteers to take their professional hats off and participate in meaningful guided conversations about their own mortality. It is hoped

that by exploring their own end-of-life wishes, they become more comfortable at discussing death and dying with patients and carers. Over 120 staff and volunteers will participate by end 2019.

To support our staff and volunteers, we successfully completed year one of the Strengthening Hospital Responses to Family Violence (SHFRV) campaign. Twenty percent of Peter Mac staff participated in training, 40 percent of these were leaders, managers and supervisors, with a focus on staff support, and 60 percent focused on supporting patients and families. Other initiatives included production of a *Peter Mac Says No to Family Violence* video; two Family Violence Grand Rounds were held; ten Family Violence Contact Officers were recruited from across the hospital and trained to support staff and volunteers experiencing family violence; and four Family Violence Clinical Leads were recruited from medical, nursing and social work teams to lead and tailor the implementation of SHRFV in their departments.

STRATEGIC DIRECTION: DEVELOP NEW BUSINESS MODELS AND COMMERCIAL VENTURES

Peter Mac partners with research institutions, commercial partners, governments and health services in Parkville, across Melbourne, Australia and all over the world.

In Australia, we lead the way in development of Chimeric Antigen Receptor, or CAR T-cell therapy, a new form of immunotherapy that uses specially altered T cells to directly and precisely target cancer cells. After a small portion of a patient's own T cells has been collected from the blood, these cells are re-engineered in a fully-purposed laboratory to carry special structures called chimeric antigen receptors (CARs) on their surface. When these CAR T cells are reinjected into the patient, they multiply rapidly and these engineered receptors may help the T cells to identify and attack cancer cells throughout the body.

A highlight of 2018-19 was the announcement that Peter Mac-owned business Cell Therapies has commenced negotiations with international pharmaceutical company Novartis to manufacture CAR T-cell treatments at Peter MacCallum Cancer Centre.

Australian Minister for Health, the Hon Greg Hunt MP announced the Federal Government will reimburse Kymriah® (tisagenlecleucel, formerly CTL019) following an approval from the Medical Services Advisory Committee (MSAC). Kymriah is an immunocellular therapy that is a one-time treatment manufactured individually for each patient using the patient's own T-cells, genetically reengineered and programmed to recognise and kill cancer cells.

In early 2019, the Federal Government announced the subsidised access to CAR-T therapy for paediatric and young adult patients, up to 25 years old, with a type of advanced, acute lymphoblastic leukaemia.

This follows a previous \$105 million announcement from the Australian Government and Peter Mac which will more than double the Cell Therapies current manufacturing footprint. This new high-throughput production will allow an increased production up to 1,000 patient doses per year, up from around 50 currently.

Nexomics is the emerging commercial arm of Peter Mac Pathology that acts as a service provider. It offers laboratory services and testing that not only include Peter Mac's researchers but extends to academia and other external stakeholders such as Clinical Research Organisations (CROs) and pharmaceutical companies directly. The 2018-19 year was one of further growth.

Nexomics is partnering with the Parkville Cancer Clinical Trials Unit, based at Peter Mac, with pathology services in over 200 trials. It is also working with commercial partners in over 25 clinical trials. We continue to be the partner of choice in the highly specialised area of Immuno-Oncology pathology testing, and our expertise is world recognised with CRO sites in Europe, Asia and the United States.

In 2018, Peter Mac ran its first innovation challenge for staff, "Mac Tank". The competition attracted 56 entries from innovative staff across the organisation. The top five teams/individuals were invited to pitch their idea to a panel of judges and employees. Three of the five finalists were supported to bring their idea to life, with one looking to enter a clinical trial phase in the next six months.

STRATEGIC ENABLER: COLLABORATIVE PARTNERSHIPS AND NETWORKS

Peter Mac's network of partners help to improve the quality of our vital work and increase our reach and sustainability for the benefit of cancer patients all over the world.

Peter Mac welcomed a delegation from MD Anderson Cancer Centre, Texas, which was led by its Senior Vice President Michael Kupferman, MD and Dr Jeffrey Gershenwald, MD. During the visit, Dr Kupferman and our Board Chair, Maxine Morand, co-signed a renewal of our sister agreement, further cementing our already strong relationship with one of the world's leading cancer centres. We look forward to hosting MD Anderson's GAP 2020 conference in Melbourne in May 2020 and continuing to work together on more innovative and impactful research that helps lessen the world's cancer burden.

Under our agreement with Fudan University Shanghai Cancer Centre (FUSCC), we improved capability building and knowledge exchange. Our representatives visited Shanghai and theirs visited us. FUSCC is very interested in clinical technology training such as robotic surgery and Professor Declan Murphy, Consultant Urologist, Chair of Uro-Oncology and Director of Robotic Surgery, will perform a live robotic radical prostatectomy in Shanghai later in 2019.

Further evidence of our international standing is seen in the number and range of ways we are asked to author papers, speak at conferences and contribute to collaborative projects right around the world.

Peter Mac researchers presented 40 key presentations at the prestigious American Society of Hematology conference, held in San Diego during December 2018. The work is the product of the shared Haematology service, run as a partnership with Royal Melbourne Hospital. Professors John Seymour, Mark Dawson and Sarah-Jane Dawson, and Dr Piers Blombery, spoke about their discoveries and successful clinical trials at Peter Mac. The conference is truly global and attracts more than 30,000 attendees. The response to the achievements of our Clinical Haematology team was described as "phenomenal" by participants.

Led by Associate Professor Kate Burbury, deputy Chief Medical Officer, patients in Albury and Bendigo are benefitting from her strategy to prevent thromboembolism (TE) in patients with cancer. Her model for identifying at-risk patients is currently being tested in a randomised controlled trial, TARGET-TP, as a teletrial. With more than 100 patients now enrolled, this clinically important study is validating a real-time, potent and effective strategy for prevention of cancer-associated TE, the second leading cause of death in our patients. The study is about to extend to more regional satellite sites in Victoria and then across states.

Significantly, the teletrial model enables regional/rural patients access to cutting edge diagnostics, therapeutics and clinical decision-making tools. Teletrials remove the barriers regional patients may face in travelling to Melbourne for treatment, including cost, travel and inconvenience; as well as develop professional partnerships for care delivery between major metro and regional centres

After an international search, Peter Mac's Professor Joe Trapani was appointed head of a major new research laboratory for up to 100 cancer researchers, focused on immunotherapy, based at Peter Mac. The Centre for Cancer Immunotherapy will focus on basic cell and molecular biology research that informs clinical trials for new immunotherapy treatments. It means more cancer patients will be able to participate in immunotherapy based clinical trials and treatments. The facility is a partnership between Peter Mac, the Victorian Comprehensive Cancer Centre (VCCC) and University of Melbourne – an intensely collaborative research effort will involve all 10 partners in the VCCC alliance. Its vision is that, within five years, Victorian patients with all types of advanced cancer will have access to a clinical trial with an appropriate immune-based cancer therapy.

STRATEGIC ENABLER: SPECIALISED CANCER EDUCATION AND TRAINING

The leadership and support we provide the next generation of cancer clinicians and researchers is vital.

We are extremely honoured to be training the future cancer workforce.

Over the past 12 months we have refocused our attention to ensuring our staff have access to world leading education and training that will enable and support them to perform their roles. This includes medical staff, junior doctors, advanced trainees, post fellowship trainees, nurses, allied health and pastoral care staff.

We have commenced the implementation of a new learning management system that will enable staff greater access to multidisciplinary learning environments. It is on track for implementation in late 2019.

A key focus for education and training is the successful implementation of the Electronic Medical Record (EMR) in May 2020. The EMR rollout at Peter Mac, Melbourne Health and Royal Women's Hospital will see the records linked to the currently operating EMR system at the Royal Children's Hospital. The rollout is planned to reduce avoidable errors and duplications as well as help patients to receive more timely care. A comprehensive training program is currently being developed to ensure our staff are equipped for not only the technology changes but also the workflow changes that will happen.

We continue to attract a large number of science and medical students through our PhD program. Peter Mac's focus on developing the next generation of researchers is evidenced by the strength and breadth of our research education program. During 2018-19, more than 200 PhD students undertook placements at Peter Mac, 32 percent of our research students are clinicians undertaking research degrees in the laboratory and in the clinic, and our research higher degree completion rate is over 90 percent.

Peter Mac leads the University of Melbourne's Comprehensive Cancer PhD program. It provides a training and support framework for the academic

and professional development of over 200 students undertaking cancer-related research across the member hospitals in the Victorian Comprehensive Cancer Centre Alliance, of which Peter Mac is a member.

As far as our doctors' workforce is concerned, during the year we have accredited registrar training positions for multiple surgery specialties as well as advanced training positions for surgeons. The emphasis is on training future surgeons in cancer management. We also offer training and education programs for registrars and fellows in addition to local hospital HMOs. We train many Melbourne University undergraduate medical students in multidisciplinary cancer care.

Peter Mac continues to have record breaking numbers of nurses undertaking the Graduate Certificate in Nursing Practice (Cancer and Palliative Care). This year, students have been supported by an internal scholarship program. As the Centre of Excellence for this University of Melbourne program, our nurse educators teach and provide academic and subject coordination.

STRATEGIC ENABLER: THE BEST CANCER WORKFORCE

To create and develop the best current and future cancer workforce, we offer clinical and research, allied health and support staff positive employee experiences and full access to professional development opportunities.

In September 2018, a People & Culture plan was developed in response to the 2018 People Matter Survey feedback. The plan consists of four key pillars: 1) Culture; 2) Wellbeing; 3) Leadership, and 4) Systems. These include projects that are being delivered by the members of the People & Culture team.

A range of programs to support the health and wellbeing of staff was launched during the year, including patient handling, standing and moving not sitting, and managing occupational violence and aggression.

The Compassion and Resilience Education (CARE) program is a collaboration between Nursing and People & Culture. It consists of a full day workshop

for nursing staff, and various reinforcement programs at an organisational and departmental level. The workshop is designed to educate nurses about how to identify compassion fatigue and burnout in themselves and others. It includes techniques on how to combat it with self-care and wellbeing concepts plus how to empathetically raise a conversation with a colleague if there is reason for concern, and what mental health support and resources are available. Nearly 150 Peter Mac nurses have completed the workshop. Evaluation has been overwhelmingly positive and the lessons are being applied broadly.

We implemented a new leadership development program that improves leadership capability through a range of programs, including:

- **Our first organisation-wide mentoring program:** all employees were invited to apply as either a mentor or a mentee, and 57 pairs took part in the structured nine-month program. Based on its success, mentoring will be an annual development opportunity at Peter Mac in years to come. The 2019-20 program launched in June 2019, with 87 pairs participating.
- **360-degree feedback:** this seeks feedback on leadership skills and behaviours from an individual's manager, peers, direct reports, and other stakeholders. All participants debrief on the feedback they receive and write a development plan with an executive coach/psychologist.
- **Forty-five Leadership Development workshops** were delivered to 475 participants from across all Peter Mac disciplines and campuses, including subjects such as managing conflict; managing and supporting performance; giving and receiving feedback; and managing change. Feedback has been extremely positive.

We aspire to lead the health and medical research community in achieving gender equity and ensure women have the same leadership opportunities at all levels. While women make up 71 per cent of our workforce, women continue to be under represented in senior levels in research and medical specialties. In 2018, our Chair, Maxine Morand launched our Gender Equity Policy to achieve gender parity through specially developed recruitment and retention activities.

STRATEGIC ENABLER: ADVANCED TECHNOLOGY & INFRASTRUCTURE

The technology and systems needed to support us as an internationally recognised, multi-focused cancer service are vital not only to our own productivity but, most importantly, they lead directly to improved patient experiences.

During the year, Radiation Therapy introduced a unified computer system to support delivery of cutting-edge radiotherapy services across Peter Mac's five Victorian campuses. The new cloud-based radiation therapy treatment planning system, a world first on this scale, provides Radiation Oncologists, Radiation Therapists and Medical Physicists across Victoria with advanced features such as dramatically faster computational speeds, increased control for operators, better tailored treatment plans for patients, and provides access to the latest in precision radiation therapy techniques.

We are currently upgrading some of our linear accelerators, two are located at our site at Box Hill and two at our site at Moorabbin. Replacement involves bunker refurbishment and a precise installation procedure and testing, before they are used to treat patients. The new machines are capable of state of the art radiotherapy techniques such as stereotactic radiotherapy.

In a world first, Peter Mac installed the first model of an Australian-designed 3D bio-printer, which promises to dramatically accelerate research into potential new cancer drugs. The Victorian Centre for Functional Genomics (VCFG) at Peter Mac is home to the RASTRUM system, allowing scientists to print 3D cell models at unprecedented speed, replacing a time-consuming and manual process. The printer can produce 1,000 three-dimensional cell models in less than six hours, a task that would take more than 50 hours using current manual techniques. It should dramatically expand capacity for research and drug development in cell models. We have grown prostate, breast and ovarian cancer cell lines into 3D structures, can kill them with drugs and determine their morphology using high content imaging.

A compilation of scans of eight Peter Mac patients, created by Professor Michael Hofman and his research team, has been declared "Image of the Year" by the Society of Nuclear Medicine and Molecular Imaging (SNMMI). The image, which demonstrates the dramatic before and after effect of LuPSMA therapy in men with advanced prostate cancer, was selected from more than 2,200 entries. The images tell a story about exceptional responses observed in patients who had progressed after standard therapies. Every year the SNMMI chooses an image that exemplifies the most promising advances in the field of nuclear medicine and molecular imaging.

In 2018/2019, Peter Mac embarked on an exciting partnership with Melbourne Health, the Royal Women's Hospital and the Royal Children's Hospital to create a shared electronic medical record (EMR) to support safe, effective and seamless care to patients across all four health services.

Launching in May 2020, this shared EMR will give Peter Mac clinicians a complete picture of their patient's care across the four health services and immediate access to the information they need to make the best decisions about their patient's treatment, when and where they need it.

Peter Mac clinicians, patients and consumers have been instrumental in the design and development of the shared EMR. They contributed to the successful launch of the first stage of the EMR program in the Royal Melbourne Hospital Emergency Department on 30 June 2019.

This ambitious program will continue to be a major priority for Peter Mac in 2019/2020, as we prepare our staff to move to the new system and look for opportunities to maximise the benefits for Peter Mac staff, patients and consumers.

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.

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 2019.



The Hon Maxine Morand

Board Chair
Melbourne
11 September 2019

BOARD DIRECTORS

The Hon Maxine Morand (Chair)
Ms Deirdre Blythe
Assoc Prof Kate Cherry
Ms Louise Davidson AM
Mr Ian Dunn AM
Prof Jane Gunn
Mr Matt O'Keefe
Mr Des Pearson AO
Assoc Prof Leslie Reti AM

RISK AND AUDIT COMMITTEE MEMBERS

Chair

Mr Des Pearson AO

Members

Ms Louise Davidson AM
Ms Deirdre Blythe

ACCOUNTABLE OFFICER

Chief Executive Officer

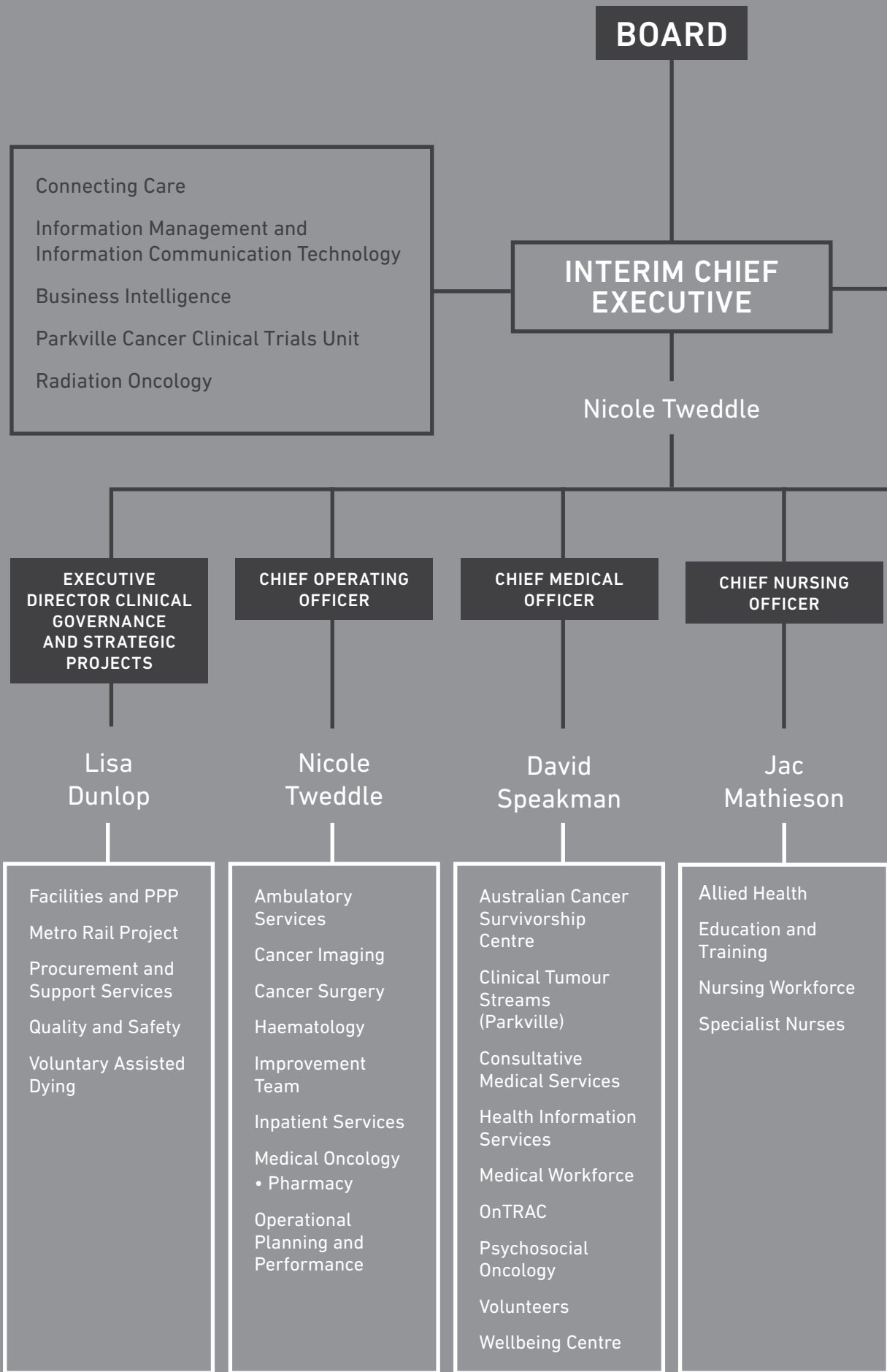
Ms Dale Fisher (1 July 2018 – 30 September 2018)

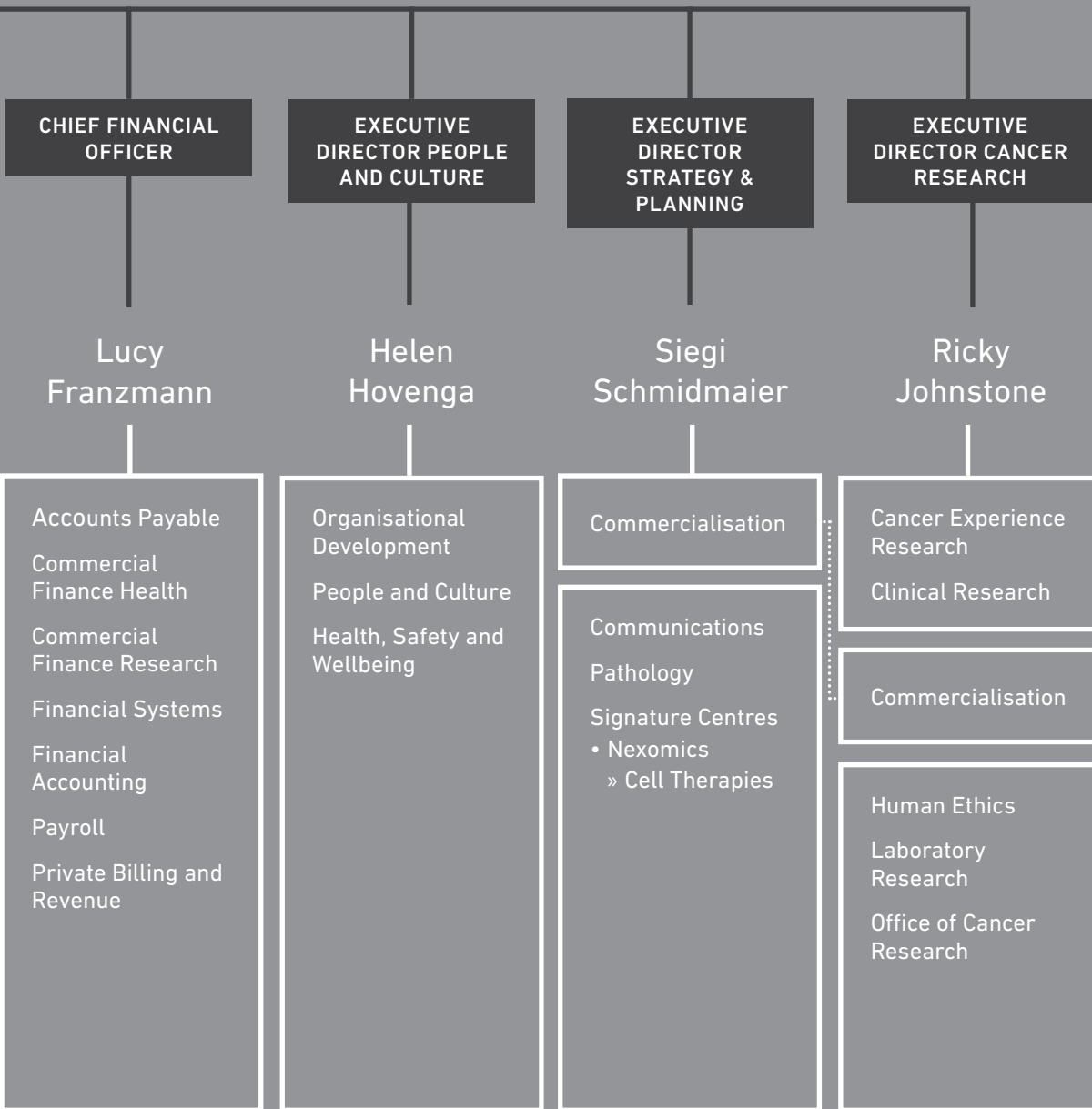
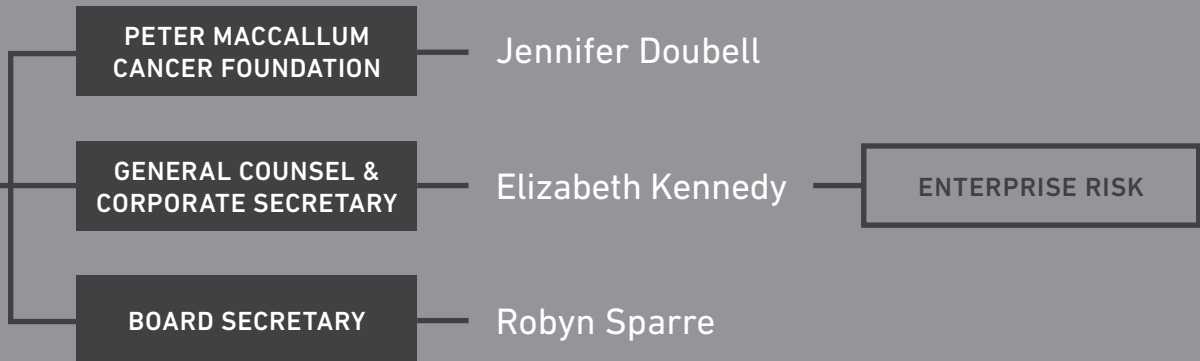
Interim Chief Executive Officer

Ms Nicole Tweddle (1 October 2018 – 30 June 2019)

Interim Chief Executive Officer

Ms Lisa Dunlop (from 1 July 2019)





PETER MAC SERVICES

Peter Mac is Australia's only public health service entirely dedicated to the treatment of people affected by cancer. The powers, functions and duties of Peter Mac are as prescribed by the Act. Peter Mac is world renowned as Australia's largest centre for cancer research, treatment and care and has played a leading role in understanding the causes of cancer and improving how the disease is prevented, diagnosed, managed and treated, to the benefit of Victorians and Australians for 70 years. Peter Mac comprises campuses at the Victorian Comprehensive Cancer Centre Building, Parkville, Bendigo, Box Hill, Moorabbin and Sunshine, which offer radiation therapy services.

CLINICAL

Allied Health

Anaesthesia

Ambulatory Services

Cancer Imaging

Clinical Operations

Clinical Services

Clinical Tumour Streams

- Breast
- Upper Gastrointestinal
- Lower Gastrointestinal
- Genitourinary
- Gynae-oncology
- Haematology
- Head and neck
- Lung
- Melanoma and skin
- Neuro-oncology
- Paediatric
- Sarcoma
- Cancer of unknown origin

Dental

Diabetes Educators

Extended Recovery Unit

Haematology

Health Information Services

Infection Prevention

Inpatient Services

Internal Medicine

Medical Oncology

Nursing Education & Training

ONTrac @ Peter Mac

Palliative Care

Pathology

Perioperative Nurse Coordinators

Pharmacy

Psychosocial Oncology Program

Radiation Oncology

Stomal Therapy

Surgical Oncology

CORPORATE

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

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

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

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.

DATA INTEGRITY

I, Lisa Dunlop, 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.



Ms Lisa Dunlop

Interim Chief Executive and Accountable Officer
11 September 2019

INTEGRITY, FRAUD AND CORRUPTION

I, Lisa Dunlop, 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 MacCallum Cancer Centre during the year.



Ms Lisa Dunlop

Interim Chief Executive and Accountable Officer
11 September 2019

CONFLICT OF INTEREST

I, Lisa Dunlop, 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.



Ms Lisa Dunlop

Interim Chief Executive and Accountable Officer
11 September 2019

COMPLIANCE WITH HEALTH PURCHASING VICTORIA (HPV) HEALTH PURCHASING POLICIES

I, Lisa Dunlop, certify that Peter MacCallum Cancer Centre has put in place appropriate internal controls and processes to ensure that it has materially complied with all requirements set out in the HPV Health Purchasing Policies including mandatory HPV collective agreements as required by the Health Services Act 1988 (Vic) and has critically reviewed these controls and processes during the year.

The Peter MacCallum Cancer Centre contracted the Provision of Procurement and Supply Chain Services to Melbourne Health from December 2015.



Ms Lisa Dunlop

Interim Chief Executive and Accountable Officer
11 September 2019

FINANCIAL MANAGEMENT COMPLIANCE

I, Maxine Morand, on behalf of the Responsible Body, certify that Peter MacCallum Cancer Centre has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.



The Hon Maxine Morand

Chair, Board of Directors
11 September 2019

OTHER INFORMATION AND DISCLOSURES

CONSULTANCIES INFORMATION

In 2018-19 there were 10 consultancies where the total fee payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is \$390,000 (excl. GST) including:

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 2018	30 June 2019	136	136	-
Paxton Consulting Pty Ltd	Strategic advice	01 July 2018	30 June 2019	95	95	-
Peter R E Turvey	Commercialisation advice	01 July 2018	30 June 2019	32	32	-
Presence of IT – Victoria Pty Ltd	Strategic advice	01 July 2018	30 June 2019	27	27	-
Nightingale Communications Pty Ltd	Communications advice	01 July 2018	30 June 2019	24	24	-
Resonate Consultants Pty Ltd	Building consultancy	01 July 2018	30 June 2019	21	21	-
Karen Michelle Milward	Strategic advice – reconciliation action plan	01 July 2018	30 June 2019	16	16	-
Web Prophets Pty Ltd	IT advice	01 July 2018	30 June 2019	15	15	-
Nous Group Pty Ltd	Board Strategic advice	01 July 2018	30 June 2019	14	14	-
Canyon Pty Ltd	Strategic communications	01 July 2018	30 June 2019	11	11	-

CONSULTANCIES IN 2018-19 COSTING LESS THAN \$10,000

Using the definition set out in FRD 22H, the total spend on consultancies costing less than \$10,000 in 2018-19 was \$53,000 (excl. GST) across 16 consultants.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

The total ICT expenditure incurred during 2018-19 was \$17,836,000 (excl. GST) with the details shown below.

Business as usual (BAU) ICT expenditure	Non-business as usual (Non-BAU) ICT expenditure		
Total (excl. GST) \$000s	Total = Operational expenditure and capital expenditure (excl. GST) \$000s	Operational expenditure (excl. GST) \$000s	Capital expenditure (excl. GST) \$000s
13,643	4,193	3	4,190

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/sites/default/files/page/downloads/Peter_Mac_Fact_Sheet-Car_Parking_2016.pdf

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 2018-19, 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.

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.

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, 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.

During 2018-19, Peter Mac received 109 FOI requests. Of these requests 107 were for medical record documents, one was for legal requests, 107 were for patient or next of kin request and one was made by a politician. 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*.

It is Peter Mac's practice to obtain building permits for new projects and, where required, Certificates of Occupancy or Certificates of Final Inspection when these projects are completed.

Registered building practitioners have been involved with all new building works projects and were supervised by the Project Manager, Support Services. In order to maintain buildings in a safe and serviceable condition, routine inspections were undertaken. Where required, Peter Mac proceeded to implement the highest priority recommendations arising out of these inspections through planned rectification and maintenance works.

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.

Alternatively, under 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 2019.

VICTORIAN INDUSTRY PARTICIPATION POLICY 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 were no relevant contracts awarded or commenced in 2018-19.

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

As a care support organisation, Peter Mac:

- Takes all practicable measures to ensure that its employees and agents have an awareness and understanding of the care relationship principles
- Takes all practicable measures to ensure that persons who are in care relationships and who are receiving services in relation to the care relationship from Peter Mac, have an awareness and understanding of the care relationship principles
- Takes all practicable measures to ensure that Peter Mac and its employees and agents reflect the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

There are no disclosures required to be made under the *Carers Recognition Act 2012*.

SAFE PATIENT CARE ACT 2015

Peter Mac has no matters to report in relation to its obligations under Section 40 of the *Safe Patient Care Act 2015*.

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. A statement of pecuniary interest has been completed.
- b. Details of shares held by senior officers as nominee or held beneficially.
- c. Details of publications produced by Peter Mac and where they 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. 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 the purposes have been achieved.
- l. Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

RESPONSIBLE BODIES DECLARATION

I, Maxine Morand, on behalf of the responsible body, certify Peter MacCallum Cancer Centre has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



The Hon Maxine Morand
Chair, Board of Directors
Melbourne
11 September 2019

SUMMARY OF FINANCIAL RESULTS

Peter Mac's *Annual Report 2017-18* was made available to the Minister for Health and Members of Parliament on 20 September 2018. The *Annual Report 2018-19* will be released to the public at Peter Mac's Annual General Meeting in October 2019.

SUMMARY OF FINANCIAL RESULTS 2018-19

For the year ending 30 June 2019, Peter Mac (parent entity) recorded a net deficit of \$9,985,000 after taking into account the impact of capital, depreciation and net results from its operations. Refer to page 52, 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 \$247,000, compared to the budgeted breakeven target for 2018-19, and an operating surplus of \$10,000 in the previous year.

FIVE YEAR FINANCIAL SUMMARY

Peter Mac (Parent entity)	2018-19 \$000s	2017-18 \$000s	2016-17 \$000s	2015-16 \$000s	2014-15 \$000s
Total revenue	666,413	624,931	523,402	387,267	406,629
Total expenses	(666,306)	(622,915)	(575,387)	(407,878)	(334,866)
Net result from transactions	107	2,017	(51,985)	(20,611)	71,763
Total other economic flows	(10,092)	(3,152)	2,155	609	(103)
Net result	(9,985)	(1,135)	(49,830)	(20,002)	71,660
Total assets	1,648,687	1,619,020	1,652,014	1,686,977	540,480
Total liabilities	(1,314,108)	(1,259,986)	(1,276,385)	(1,320,512)	(138,649)
Net assets / Total equity	334,779	359,034	375,629	366,465	401,831

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

Peter Mac (Parent entity)	2018-19 \$000s	2017-18 \$000s	2016-17 \$000s	2015-16 \$000s	2014-15 \$000s
Net operating result ¹	247	10	7,890	7,783	7,475
Capital and specific items					
Capital purpose income	144,327	144,172	112,611	9,423	9,065
Specific income	7,542	13,696	(8,013)	27,693	78,939
Capital interest income	276	217	208	296	780
Assets received free of charge	73	28	676	390	20
Expenditure for capital purpose	(4,265)	(3,800)	(9,873)	(37,496)	(5,701)
Depreciation and amortisation	(61,305)	(61,608)	(62,566)	(24,614)	(18,815)
Other economic flows	(10,092)	(3,152)	2,155	609	(103)
Finance costs (other)	(86,788)	(90,698)	(92,918)	(4,086)	-
Net result	(9,985)	(1,135)	(49,830)	(20,002)	71,660

¹ The *Net operating result* is the result which Peter Mac is monitored against its *Statement of Priorities* (page 43).

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 \$24.4 million over the financial year, primarily due to an increase in liabilities, offset by a smaller increase in assets. Total assets have increased by \$29.7 million mainly due to revaluation of land and buildings associated with the East Melbourne and VCCC sites. Total liabilities have increased \$54.1 million due to an increase in the liability for the interest rate swap that hedges against potential interest rate movements in the PPP finance lease payments, offset by a reduction in borrowings related to the PPP finance lease associated with the VCCC building.

OPERATIONAL AND BUDGETARY OBJECTIVES FOR 2018-19

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 2018-19 Statement of Priorities.

SUBSEQUENT EVENTS

Refer to Note 8.7

EMPLOYMENT AND CONDUCT PRINCIPLES

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

This year, we 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.

Our 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 our patient ambassadors, whose stories help to ground our knowledge in the reality of the cancer journey.

Throughout the year, we continue to work with staff to deliver new workforce models, programs of care for our staff and initiatives to increase engagement and build capability. We strive to increase our capacity within our service, without compromising our high standard of care.

VALUING A HEALTHY WORKFORCE

The health of our workforce remains a priority for Peter Mac. Our new staff wellbeing strategy aims to provide a safe work environment for staff and to promote and support all aspects of their health and wellbeing. This strategy covers emotional and spiritual health and wellness, physical health and wellness, financial health, leadership behaviours and supporting cancer health and wellness.

We are committed to incident and injury prevention, ensuring staff have the right skills and capability to perform their roles safely and effectively.

Our approach includes:

- An accessible and trained group of health and safety representatives who actively participate in the identification and management of the 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.
- 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.
- A fitness program which provides discounts to a range of Health and Wellbeing Centres across Melbourne, to staff in line with our wellbeing strategy.

WORKFORCE STATISTICS

Labour Category	June Current Month FTE		June YTD FTE	
	2018-19	2017-18	2018-19	2017-18
Nursing Services	530.71	508.92	508.90	469.85
Administration & Clerical	544.43	457.98	493.50	455.36
Medical Support Services	870.42	863.89	870.03	832.09
Hotel & Allied Services	67.71	63.98	72.27	64.78
Medical Officers	85.60	83.01	83.88	82.67
Hospital Medical Officers	125.24	100.81	120.14	109.70
Sessional Clinicians	61.20	56.12	57.80	57.04
Ancillary Support	72.19	63.42	65.22	60.56
Grand Total	2,357.50	2,198.13	2,271.74	2,132.05

PREVENTION AND MANAGEMENT OF OCCUPATIONAL VIOLENCE

Occupational violence statistics	2018-19	2017-18
Workcover accepted claims with an occupational violence cause per 100 FTE	0.04	0.05
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.24	0.26
Number of occupational violence incidents reported	74	47
Number of occupational violence incidents reported per 100 FTE	3.26	2.23
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	1.35%	2.13%

The following definitions apply:

- 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 2018-19.
- 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.
- FTE figures required in the above table should be calculated consistent with the Workforce information FTE calculation.

Occupational Health and Safety	2018-19	2017-18	2016-17
The number of reported hazards/incidents for the year per 100 full-time equivalent staff members	8.50	14.92	12.68
The number of 'lost time' standard claims for the year per 100 full-time equivalent staff members;	4.34	3.60	5.33
The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe);	\$33,425.00	\$19,732.00	\$95,112.00
A minimum of two prior years' data on these indicators and explanations for significant variations from one year to the next;*			
In the event of a fatality, a discussion of the circumstances that led to the fatality and the preventive measures that have been taken to prevent recurrence. If the fatality is under investigation or subject to an inquiry, a statement to that effect shall be included.	n/a	n/a	n/a

* Improved employer response to claims and reduction in claim severity and lost time duration.

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.

2018-2019 STATEMENT OF PRIORITIES

PART A: END OF YEAR REPORT

In 2018-19 Peter MacCallum Cancer Institute will contribute to the achievement of the Victorian Government's commitments by:

Goals	Strategies	Health Service Deliverables	Update
<p>BETTER HEALTH</p> <p>A system geared to prevention as much as treatment</p> <p>Everyone understands their own health and risks</p> <p>Illness is detected and managed early</p> <p>Healthy neighbourhoods and communities encourage healthy lifestyles</p>	<p>BETTER HEALTH</p> <p>Reduce state-wide risks</p> <p>Build healthy neighbourhoods</p> <p>Help people to stay healthy</p> <p>Target health gaps</p>	<p>Hold education forums and information sessions to encourage health promoting behaviour and understanding of risks and prevention, such as:</p> <ul style="list-style-type: none"> Prostate cancer forum during Men's Health Week 	<p>COMPLETE</p> <p>The following health promotion forums have been held:</p> <ul style="list-style-type: none"> Prostate Cancer Community Conversations in partnership with Prostate Cancer Foundation Australia University of Melbourne Dean Lecture with BJ Miller - Life Before Death: How we live at the end of our lives Lung Cancer Awareness Morning Tea with Peter Mac staff Lymphoma Awareness Morning Tea in partnership with Lymphoma Australia Crazy Socks for Docs supporting doctors mental health lecture Carers Circle: A weekly support group for carers Death over Dinner: A conversation about death & dying X 2 events Consumer Forum: Gut Health & the microbiome in cancer care
		<p>Progress implementation of the Strengthening Hospital Responses to Family Violence (SHRFV) initiative, including:</p> <ul style="list-style-type: none"> Embed the SHRFV whole-of-hospital model for identifying and responding to family violence internally. Implement a Family Violence Workplace Support Program to support staff experiencing family violence. 	<p>COMPLETE</p> <ul style="list-style-type: none"> SHRFV Project was launched in August 2018. Family Violence – Workplace Supports Policy and Procedures published in July 2018. 170 Managers and People & Culture staff have been trained in Family Violence – Workplace Support. Eight Family Violence Contact Officers have been recruited & trained. Implementation of a range of communication tools, including an Intranet Page, Peter Mac video, Grand Round, all staff emails, and information on pay slips. Clinical Policy and Procedures on Family Violence on track to be launched in Feb/March 2019. Clinical training commenced March 2019 Family Violence Survey conducted

Goals	Strategies	Health Service Deliverables	Update
<p>BETTER ACCESS</p> <p>Care is always there when people need it</p> <p>More 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>There is 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>	<p>Through allocation of internal funds, implement a new business intelligence system (DASH) that ensures all cost centre managers have access to timely information.</p>	<p>COMPLETE/ONGOING</p> <ul style="list-style-type: none"> Phase 1a completed for inpatient, outpatient and elective surgery data and performance reporting. Phase 1b is currently in progress. Chemotherapy activity and reporting is completed. Radiotherapy activity and reporting will be delivered in the near future. DASH 2 including HR & Finance data being scoped.
		<p>Improve business processes in specialist clinics to ensure best practice clinical and operational management.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> Specialist Clinics performance dashboard created and implemented "See and Treat" clinic commenced Referral management and clinic attendance business processes redesigned in line with Specialist Clinics Access policy. Regular reporting and feedback occurring. Internal VINAH error reporting processes and real time monitoring has been implemented Enhancements to Patient Administration System (iPM) and staff training specific to the changes completed. Mandatory iPM training is now in place for all new users. In addition, all iPM training manuals have been updated and are available on the health service intranet.

Goals	Strategies	Health Service Deliverables	Update
<p>BETTER CARE</p> <p>Target 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>	<p>Progress the further development and implementation of a revised clinical governance framework that is consistent with the recommendations of Safer Care Victoria and the Department of Health and Human services.</p>	<p>ON TRACK</p> <ul style="list-style-type: none"> • An audit of the Peter MacCallum Cancer Centre Clinical Governance Framework & the Quality System Maturity has occurred. • The organisation is moving towards Proactive Continuous Improvement as we have strengthened the analysis & reporting of data through the organisation & to the governing body, a minimum data set is reported across all quality dimensions & a dash board has been developed to assist with appropriate dissemination. • The Clinical Governance Framework has been aligned with Safer Care Victoria Clinical Governance Framework.
		<p>Undertake an international review of Peter Mac Cancer Research programs to inform the development of the next Research Strategic Plan 2020-24.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> • Review Terms of Reference endorsed by Peter Mac Board. • Review Committee confirmed (Chaired by Prof Ian Frazer and consisting of international and national experts) • Internal retreats for Laboratory and Clinical research held • Research review complete in April and report tabled to Peter Mac CE. • Management response and strategy plan being drafted.
		<p>Complete an evaluation of an "Extended Recovery Unit" (ERU) model for postoperative management of surgical oncology patients requiring up to 24hrs of enhanced monitoring and care.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> • The ERU commenced operation in October 2018. • Formal review undertaken in March 2019. 148 patients were admitted between 8th October and 14th March. 89% were discharged to ward [three (2.5%) delayed ICU admission post op day 8, 10]. • Seven (6%) required transfer from ERU to RMH ICU to appropriately treat for deterioration. • Post ERU patients had no MET calls. • Positive response: <ul style="list-style-type: none"> > Surgeons > PACU nurses > Ward nurses > Anaesthetists • ICU – removes urgency of transfers. Cost savings from reduced RMH ICU transfers.

Goals	Strategies	Health Service Deliverables	Update
		Implement the 'Leadership at all Levels' program, including: <ul style="list-style-type: none"> • 80 staff completing a 360 degree performance review • 120 staff participating in the internal Mentoring program 	COMPLETE <ul style="list-style-type: none"> • The 360 survey was run through a series of programs in 2018/19 and achieved 60 of the 80 staff targeted by May 2018. The launch of the final round of 360 surveys for 2018/19 was delayed by 2 months due to prioritising the People Matter survey for that period. The 360 has re-commenced and the last 20 employees' 360 survey are progress and will be completed by August 2019. • The target of 120 staff participation in the 1st round of the mentoring program was not reached with only 90 staff participating. 150 employees have signed up to participate in the 2019/20 • <i>Leadership Skills Development Workshops</i> is another program of work under Leaders at all Levels, and so far in 2019, the Organisational Development team have delivered 14 workshops covering a variety of leadership skills to 160 participants. In this time we have also designed and released two new workshops – Managing Conflict (4 hrs), and Effective Meetings (1.5 hrs), available to all Peter Mac employees.
		Work effectively with precinct partners to implement year 1 of the Electronic Medical Record project 'Connecting Care' so that Stage 2 is delivered on time, on budget.	ON TRACK <ul style="list-style-type: none"> • Stage 1 of the Connecting Care EMR project on track for go-live in Melbourne Health Emergency Department on 30 June 2019. • Key activities include communication & Stage 2 build phase progressing to plan and within budget. Key activities include clinical specialty design and sign off with subject matter experts, change planning, preparing safety metrics, business continuity planning, finalising the training strategy and workforce planning. • The program received a "green" rating at the last DTF program assurance review conducted in June 2019 (with 4 non-critical recommendations).

Goals	Strategies	Health Service Deliverables	Update
Specific 2018-19 priorities (mandatory)	<p>DISABILITY ACTION PLANS</p> <p>Draft disability action plans are completed in 2018-19. <i>Note: Guidance on developing disability action plans can be found at https://providers.dhhs.vic.gov.au/disability-action-plans. Queries can be directed to the Office for Disability by phone on 1300 880 043 or by email at ofd@dhhs.vic.gov.au.</i></p>	<p>Submit a draft disability action plan to the department by 30 June 2019. The draft plan needs to outline the approach to full implementation within three years of publication.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> Disability Action Plan completed and submitted to DHHS.
	<p>VOLUNTEER ENGAGEMENT</p> <p>Ensure that the health service executives have appropriate measures to engage and recognise volunteers.</p>	<p>Hold a volunteers lunch, hosted by the Board and Executive, to recognise the important role of volunteers and the value they add to Peter Mac.</p> <p>Ensure ongoing engagement between Executive and volunteers through regular meetings and shared events.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> A very successful and enjoyable Volunteer Recognition Luncheon was held on 23 May 2019 for 150 guests. Length of Service Awards were given in recognition of 5, 10 & 15 years contribution to PMCC. Volunteer Services are provided in a myriad of ways across Peter Mac, some of which include financial support through fundraising; compassionate care and assistance, hand & foot massages, being a listening ear and admin support just to name a few. New Volunteer program established utilising undergraduate medical, science and nursing students as "Cancer Information Scouts" Four Volunteers shortlisted for Minister Volunteer awards 2019. Two nominations awarded. Ongoing liaison & partnership with all Departments providing support to patients/family/carers & staff as requested in a wide range of ways for e.g. surveying patients, assisting with patient & carer support programs, wayfinding & assisting patients waiting for clinic appointments.

Goals	Strategies	Health Service Deliverables	Update
	<p>BULLYING AND HARASSMENT</p> <p>Actively promote positive workplace behaviours and encourage reporting. Utilise staff surveys, incident reporting data, outcomes of investigations and claims to regularly monitor and identify risks related to bullying and harassment, in particular include as a regular item in Board and Executive meetings. Appropriately investigate all reports of bullying and harassment and ensure there is a feedback mechanism to staff involved and the broader health service staff.</p>	<p>Promote and educate staff about Peter Mac's Dealing with Unacceptable Workplace behaviour Plan.</p> <p>Develop a case management/tracking system to provide accurate and regular reporting to the Board and Executive on workplace culture.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> Comprehensive review of Bullying & Harassment Policy, Unacceptable Workplace Behaviour, Complaints Procedure and complaints form underway. Promotion campaign planned upon completion of review (end Aug/early Sept). Peter Mac's Preventing Bullying and Harassment training is available twice per month, with 211 employees attending between Jan – Jun 2019. <p>COMPLETE</p> <ul style="list-style-type: none"> Implementation of case management system (OpenCaseTracker) in use from 1 January 2019. Reporting capability for broad case activity as well as by Directorate/Department). Quarterly reporting in place, but ad hoc reporting also available.
	<p>OCCUPATIONAL VIOLENCE</p> <p>Ensure all staff who have contact with patients and visitors have undertaken core occupational violence training, annually. Ensure the department's occupational violence and aggression training principles are implemented.</p>	<p>Continue implementation of a face to face training program (commenced in March 2018) for all staff who have contact with patients and visitors.</p> <p>The Occupational Violence working group will design an online training program for all staff to complete on an annual basis.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> 222 staff have now completed the OVA face to face training Online training modules are currently being investigated for inclusion in the new Learning Management System.

Goals	Strategies	Health Service Deliverables	Update
	<p>ENVIRONMENTAL SUSTAINABILITY Actively contribute to the development of the Victorian Government's:</p> <ul style="list-style-type: none"> • policy to be net zero carbon by 2050 and improve environmental • sustainability by identifying and implementing projects, including • workforce education, to reduce material environmental impacts with • particular consideration of procurement and waste management, and • publicly reporting environmental performance data, including • measureable targets related to reduction of clinical, sharps and landfill • waste, water and energy use and improved recycling. 	<p>Work with Plenary Health and stakeholders to develop and implement an Environmental Management Plan (including measures) which focuses on a range of initiatives including: structured lighting upgrades moving to the use of LED lighting; comprehensive recycling programs for paper, cardboard, plastic, printer cartridges, computers, mobile phones and batteries/</p> <p>Report energy, water and waste data into the environmental data management system and publicly report on environmental performance.</p>	<p>COMPLETE</p> <ul style="list-style-type: none"> • Environmental Sustainability Committee (ESC) commenced in mid-2018 • Environmental Policy developed • Environmental Management Plan developed and approved by ESC. • Energy Sustainability Consultants working with Plenary & Honeywell to review building infrastructure. Lighting and air handling unit hours have been updated to better reflect operational requirements. • Proposals and business case re car park LED lighting currently being developed. • Comprehensive recycling program in place • Environmental sustainability intranet site in place. • World Environment Day seminar and displays with vendors outlining environmentally sustainable initiatives for staff.

Goals	Strategies	Health Service Deliverables	Update
	<p>LGBTI</p> <p>Develop and promulgate service level policies and protocols, in partnership with LGBTI communities, to avoid discrimination against LGBTI patients, ensure appropriate data collection, and actively promote rights to free expression of gender and sexuality in healthcare settings. Where relevant, services should offer leading practice approaches to trans and intersex related interventions. <i>Note: deliverables should be in accordance with the DHHS Rainbow eQuality Guide (see at www2.health.vic.gov.au/about/populations/lgbti-health/rainbow-equality) and the Rainbow Tick Accreditation Guide (see at www.glhv.org.au)</i></p>	<p>Actively engage with the LGBTI community to develop strategies to increase data capture and better understand the unique needs of this patient population.</p>	<p>COMPLETE</p> <p>The following forums have been held:</p> <ul style="list-style-type: none"> • International Day Against Homophobia, Biphobia, Intersexism and Transphobia (IDAHOBIT) Australia Day patient and staff forum • Harmony Day event to celebrate our communities' diversity • LGBTSTEM Day Symposium run by QueersInScience. The symposium focussed on making STEMM a more inclusive environment for LGBTIQ+ identified individuals. • Lesbian, Gay, Bisexual, Transgender, Gender Diverse, Intersex and Queer (LGBTIQ+) Needs analysis completed • LGBTIQ+ position statement/policy completed • Diversity & Inclusion Consultation Action Plan currently in draft

PART B: PERFORMANCE PRIORITIES

High Quality and Safe Care

Rates of staff immunisation	2018-19 Target	2018-19 Result
Percentage of healthcare workers immunised for influenza	80%	83%

Patient experience	2018-19 Target	2018-19 Result
Victorian Healthcare Experience Survey – data submission	Full compliance ¹	
Victorian Healthcare Experience Survey – percentage of positive patient experience	95%	Q1: 96.4%
		Q2: 98.0%
		Q3: 100%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	Q1: 88.7%
		Q2: 87.7%
		Q3: 76.8%
Victorian Healthcare Experience Survey – patients perception of cleanliness	70%	Q1: 90.7%
		Q2: 86.3%
		Q3: 83.3%

¹ Less than 42 responses were received for the period due to the relative size of the Health Service

STRONG GOVERNANCE LEADERSHIP AND CULTURE

People Matter Survey

	2018-19 Target	2018-19 Result
Organisational culture		
People Matter survey – percentage of staff with an overall positive response to safety and culture questions	80%	82%
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%	87%

Timely access to care

	2018-19 Target	2018-19 Result
Elective Surgery		
Percentage of urgency category 1 elective surgery patients admitted within 30 days	100%	100.0%
Percentage of urgency category 1,2 and 3 elective surgery patients admitted within clinically recommended time	94%	92.0%
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	31.5%
Number of patients on the elective surgery waiting list*	560	820
Number of hospital-initiated postponements per 100 scheduled elective surgery admissions	≤ 7/100	7.9
Number of patients admitted from the elective surgery waiting list	3,100	3,362
Specialist Clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	76.5%
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	2018-19 Target	2018-19 Result
Operating result	\$0.0M	\$0.2M
Average number of days to paying trade creditors	60 days	46 days
Average number of days to receiving patient fee debtors	60 days	48 days
Public and Private WIES ¹ activity performance to target	100.0%	103.0%
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	1.22
Actual number of days Peter Mac can maintain its operations with unrestricted available cash, measured on the last day of each month	14.0 days	25.9 days
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$0.25M	

¹ WIES is a Weighted Inlier Equivalent Separation

PART C: ACTIVITY AND FUNDING

Acute Admitted	2018-19 Actual Activity	Acute Non-Admitted	2018-19 Actual Activity
WIES Public	16,837	Home Enteral Nutrition	1,342
WIES Private	7,049	Radiotherapy WAUs Non-DVA	316,650
WIES DVA	199	Radiotherapy WAUs DVA	3,329
		Specialist Clinics – Public and Private	88,979

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
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<i>Management and structure</i>		
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FRD 22H	Workforce data/employment and conduct principles	30
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Legislation	Requirement	Page reference
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BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the 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 2019 and the financial position of the Peter MacCallum Cancer Centre and the Consolidated Entity at 30 June 2019.

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 11 September 2019.



The Hon Maxine Morand

Chair, Board of Directors
Melbourne
11 September 2019



Lisa Dunlop

Chief Executive and
Accountable Officer
Melbourne
11 September 2019



Lucy Franzmann

Chief Finance Officer and
Accounting Officer
Melbourne
11 September 2019

FINANCIAL STATEMENTS

The background of the page is a dark gray color. In the upper right quadrant, there are several overlapping geometric shapes in lighter shades of gray and white, creating a modern, abstract design. The shapes include a large, light gray trapezoid-like shape that tapers towards the right, and a white triangular shape pointing downwards from the bottom right corner.



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 2019 • 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 2019 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>
Other Information	<p>The Board of the health service are responsible for the Other Information, which comprises the information in the health service's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
Key audit matters	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I have determined that there are no matters that required my significant auditor attention and accordingly there are no key audit matters that I am required to communicate in my report.</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	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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

Auditor's responsibilities for the audit of the financial report (continued)

- 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
13 September 2019



Travis Derricott
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Parent 2019 \$000s	Parent 2018 \$000s	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Income from transactions					
Operating activities	2.1	665,397	623,931	685,101	643,908
Non-operating activities	2.1	1,016	1,001	3,641	3,221
Total Income from transactions		666,413	624,932	688,742	647,129
Expenses from transactions					
Employee expenses	3.1	(315,059)	(286,818)	(321,103)	(291,978)
Supplies and consumables	3.1	(124,377)	(109,900)	(125,580)	(111,527)
Finance costs	3.1	(88,130)	(91,888)	(88,130)	(91,888)
Depreciation and amortisation	4.4	(61,305)	(61,608)	(61,387)	(61,675)
Other operating expenses	3.1	(77,435)	(72,701)	(88,702)	(82,192)
Total expenses from transactions		(666,306)	(622,915)	(684,902)	(639,260)
Net result from transactions - net operating balance		107	2,017	3,840	7,869
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	3.2	(3,614)	(2,326)	(3,614)	(2,326)
Net gain/(loss) on financial instruments at fair value	3.2	(662)	(277)	3,387	401
Other gain/(loss) from other economic flows	3.2	(5,816)	(549)	(5,842)	(553)
Total other economic flows included in net result		(10,092)	(3,152)	(6,069)	(2,478)
Net result from transactions - net operating balance before tax		(9,985)	(1,135)	(2,229)	5,391
Income tax benefit/(expense)	3.6	-	-	115	(162)
Net result from transactions - net operating balance after tax		(9,985)	(1,135)	(2,114)	5,229
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		(78,280)	(16,812)	(78,280)	(16,812)
Changes to financial assets available-for-sale revaluation surplus		-	-	-	2,712
Total other comprehensive income		(15,025)	(16,812)	(15,025)	(14,100)
Comprehensive result for the year		(25,010)	(17,947)	(17,139)	(8,871)
Net result is attributable to:					
Equity holders of Peter MacCallum Cancer Centre		(9,985)	(1,135)	(2,104)	5,267
Non-controlling interest		-	-	(10)	(38)
		(9,985)	(1,135)	(2,114)	5,229
Comprehensive result is attributable to:					
Equity holders of Peter MacCallum Cancer Centre		(25,010)	(17,947)	(17,129)	(8,833)
Non-controlling interest		-	-	(10)	(38)
		(25,010)	(17,947)	(17,139)	(8,871)

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

BALANCE SHEET AS AT 30 JUNE 2019

	Note	Parent 2019 \$000s	Parent 2018 \$000s	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current assets					
Cash and cash equivalents	6.2	50,334	53,448	60,175	69,618
Receivables	5.1	35,539	33,933	34,229	29,797
Investments and other financial assets	4.1	-	-	76,826	65,840
Inventories		4,376	3,725	4,376	3,725
Non-financial physical assets classified as held for sale	5.4	-	85,156	-	85,156
Prepayments		1,695	3,135	1,846	3,278
Total current assets		91,944	179,397	177,452	257,414
Non-current assets					
Receivables	5.1	23,288	15,969	23,288	15,969
Property, plant and equipment	4.2.1	1,489,293	1,380,994	1,489,789	1,381,470
Intangible assets	4.3	43,034	41,532	44,139	42,644
Deferred tax assets	5.5	-	-	520	405
Investments in subsidiaries	8.8	1,128	1,128	-	-
Total non-current assets		1,556,743	1,439,623	1,557,736	1,440,488
Total assets		1,648,687	1,619,020	1,735,188	1,697,902
Current liabilities					
Payables	5.2	45,072	42,924	46,016	44,184
Borrowings	6.1	51,765	47,623	51,765	47,623
Provisions	3.4	76,594	62,844	77,468	63,380
Other liabilities	5.3	6,258	1,984	6,297	2,308
Total current liabilities		179,689	155,375	181,546	157,495
Non-current liabilities					
Payables	5.2	1,708	2,163	1,708	2,163
Borrowings	6.1	934,463	985,891	934,463	985,891
Provisions	3.4	15,275	11,864	15,447	12,020
Other liabilities	5.3	182,973	104,693	182,973	104,693
Total non-current liabilities		1,134,419	1,104,611	1,134,591	1,104,767
Total liabilities		1,314,108	1,259,986	1,316,137	1,262,262
Net assets		334,579	359,034	419,051	435,640
Equity					
Property, plant & equipment revaluation surplus	4.2.6	170,272	107,017	170,272	107,017
Financial asset available-for-sale revaluation surplus		-	-	-	5,235
Cash flow hedging reserve		(182,973)	(104,693)	(182,973)	(104,693)
Restricted specific purpose reserve		26,383	28,408	83,094	80,175
Contributed capital		236,247	235,646	236,793	236,338
Accumulated surpluses/ (deficits)		84,650	92,656	111,246	110,939
		334,579	359,034	418,432	435,011
Non-controlling interest		-	-	619	629
Total equity		334,579	359,034	419,051	435,640

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Consolidated	Property, plant & equipment revaluation surplus \$000s	Financial asset available-for-sale revaluation surplus \$000s	Cash flow hedging reserve \$000s
Balance as at 1 July 2017	107,017	2,523	(87,881)
Net result for the year	-	-	-
Other comprehensive income for the year	-	2,712	(16,812)
Transfer from accumulated surplus	-	-	-
Capital appropriation received from Victorian government	-	-	-
Issued capital	-	-	-
Balance as at 1 July 2018	107,017	5,235	(104,693)
Change in accounting policy	-	(5,235)	-
Restated balance at 1 July 2019	107,017	-	(104,693)
Net result for the year	-	-	-
Other comprehensive income for the year	63,255	-	(78,280)
Transfer from accumulated surplus	-	-	-
Capital appropriation received from Victorian government	-	-	-
Balance at 30 June 2019	170,272	-	(182,973)

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
67,785	234,906	118,062	667	443,079
-	-	5,267	(38)	5,229
-	-	-	-	(14,100)
12,390	-	(12,390)	-	-
-	1,352	-	-	1,352
-	80	-	-	80
80,175	236,338	110,939	629	435,640
-	-	5,330	-	95
80,175	236,338	116,269	629	435,735
-	-	(2,104)	(10)	(2,114)
-	-	-	-	(15,025)
2,919	-	(2,919)	-	-
-	455	-	-	455
83,094	236,793	111,246	619	419,051

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Parent 2019 \$000s	Parent 2018 \$000s	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Cash flow from operating activities					
Operating Grants from Government		284,206	256,328	284,206	256,328
Capital Grants from Government		3,867	3,986	3,867	3,986
Other capital receipts		9,043	2,919	9,043	2,919
Patient Fees received		13,397	12,815	13,397	12,815
Private practice fees received		66,699	59,960	66,699	59,960
Donations and bequests received		28,803	25,228	39,054	40,745
GST received from the ATO		10,015	9,840	10,745	10,493
Interest and dividends received		289	784	398	1,374
Research and program grants		78,990	65,842	85,990	71,359
Car park income received		2,329	2,058	2,329	2,058
Other receipts		18,988	14,607	19,705	15,674
Total receipts		516,626	454,367	535,433	477,711
Employee expenses paid		(295,559)	(261,108)	(299,610)	(261,108)
Non salary labour costs		(10,203)	(13,259)	(10,203)	(13,259)
Payments for supplies and consumables		(190,771)	(164,667)	(207,030)	(180,081)
Finance costs		(10)	(1,283)	(10)	(1,283)
Total payments		(496,543)	(440,317)	(516,853)	(455,731)
Net cash flow from operating activities	8.1	20,083	14,050	18,580	21,980
Cash flow from investing activities					
Purchase of investments		-	-	(4,740)	(8,928)
Payments for non-financial assets		(18,912)	(14,439)	(18,999)	(14,718)
Purchase of Intangible Assets		(2,656)	-	(2,656)	-
Proceeds from sale of non-financial assets		86	-	86	-
Proceeds from sale of investments		-	-	1	211
Net cash flow used in investing activities		(21,482)	(14,439)	(26,308)	(23,435)
Cash flows from financing activities					
Repayment of borrowings		(1,785)	(2,932)	(1,785)	(2,932)
Proceeds from borrowings		-	1,560	-	1,560
Contributed capital from Government		70	200	70	200
Net cash flow from financing activities		(1,715)	(1,172)	(1,715)	(1,172)
Net increase / (decrease) in cash and cash equivalents held		(3,114)	(1,561)	(9,443)	(2,627)
Cash and cash equivalents at the beginning of the financial year		53,448	55,009	69,618	72,245
Cash and cash equivalents at the end of the financial year	6.2	50,334	53,448	60,175	69,618

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 2019

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 2019. The report provides users with information about Peter Mac's stewardship of resources entrusted to it.

These financial statements are presented 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 the preparation of 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.

1.1 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 (SDs) authorised by the Assistant Treasurer; noting that the Peter MacCallum Cancer Foundation (the Foundation) complies with the *Australian Charities and Not-for-Profits Commission Act 2012 and Regulations 2013* (ACNC) and the Cell Therapies group complies with the *Corporations Act 2001*.

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

1.2 Reporting entity

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, which 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 which ensures that 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 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018. 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 various other factors that are believed to be 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 also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASBs that have significant effects on the financial statements and estimates relate to:

- the fair value of property, plant and equipment (refer to Note 4.2);
- defined benefit superannuation expense (refer to Note 3.5); 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);

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 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 2019. 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.

1.6 Intersegment Transactions

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

1.7 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.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

FINANCIAL ASSETS AVAILABLE-FOR-SALE REVALUATION SURPLUS

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the surplus which relates to that financial asset is effectively realised and is recognised in the Comprehensive Operating Statement.

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 7.1.2. Amounts are subsequently reclassified to profit or loss as appropriate.

1.8 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).

1.9 Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year. Figures have been restated in Note 2.1, Note 3.1, Note 3.3, Note 3.4, and Note 5.2.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 Income from transactions page 60

2.1 Income from transactions

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Government grants - operating	313,592	284,496
Government grants - capital	144,327	144,172
Other capital purpose income (including capital donations)	7,542	3,617
Patient and resident fees	13,598	13,234
Private practice fees	61,563	56,858
Commercial activities ¹	124,214	112,952
Assets received free of charge or for nominal consideration	73	28
Other revenue from operating activities (including non-capital donations)	20,192	28,551
Total income from operating activities	685,101	643,908
Capital interest	276	217
Other interest	1,068	1,450
Dividends	2,297	1,554
Total income from non-operating activities	3,641	3,221
Total income from transactions	688,742	647,129

¹ Commercial activities represent business activities that support Peter Mac's operations.

REVENUE RECOGNITION

Income is recognised in accordance with *AASB 118 Revenue* and is recognised to the extent that it is probable that the economic benefits will flow to Peter Mac and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

GOVERNMENT GRANTS AND OTHER TRANSFERS OF INCOME (OTHER THAN CONTRIBUTIONS BY OWNERS)

In accordance with *AASB 1004 Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when Peter Mac gains control of the underlying assets irrespective of whether conditions are imposed on Peter Mac's use of the contributions.

The Department of Health and Human Services 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.

Contributions are deferred as income in advance when Peter Mac has a present obligation to repay them and the present obligation can be reliably measured.

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

The Department of Health and Human Services makes some payments on behalf of health services 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.

PATIENT FEES

Patient fees are recognised as revenue at the time invoices are raised or accrued when a patient is discharged or a service is performed.

PRIVATE PRACTICE FEES

Private practice fees are recognised as revenue at the time invoices are raised, and may include recoupments from private practice for the use of hospital facilities as agreed.

REVENUE FROM COMMERCIAL ACTIVITIES

Revenue from commercial activities such as research revenue, car park and property rental income are recognised on an accrual basis.

FAIR VALUE OF ASSETS AND SERVICES RECEIVED FREE OF CHARGE OR FOR NOMINAL CONSIDERATION

Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined and the service would have been purchased if not received as a donation.

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. Donations and bequests are recognised as revenue when Peter Mac gains control of the contribution.

INTEREST REVENUE

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 REVENUE

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from Peter Mac's investments in financial assets. Peter Mac does not recognise dividends received or receivable from its subsidiaries and joint ventures as income. Instead, these dividends are adjusted directly against the carrying amount of the investments using the equity method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

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3.2 Other Economic Flows.....	page 64
3.3 Analysis of expenses and revenue by internally managed and restricted specific purpose funds.....	page 65
3.4 Employee benefits in the balance sheet	page 65
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3.6 Income tax (benefit)/expense	page 69

3.1 Expenses from transactions

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Salary and wages	267,536	240,427
On-costs	41,161	36,793
Agency expenses	10,411	13,078
Workcover premium	1,995	1,680
Total employee expenses	321,103	291,978
Drug supplies	75,765	66,442
Medical and surgical supplies (including prostheses)	15,904	16,374
Diagnostic and radiology services	22,428	19,391
Other supplies and consumables	11,483	9,320
Total supplies and consumables	125,580	111,527
Finance costs	1,342	1,190
Finance costs - PPP arrangements	86,788	90,698
Total finance costs	88,130	91,888
Depreciation and amortisation (refer to Note 4.4)	61,387	61,675
Total depreciation and amortisation	61,387	61,675
Fuel, light, power and water	6,774	5,121
Repairs and maintenance	4,190	3,730
Maintenance contracts	13,679	11,421
Public private partnership operating expenses	18,748	17,181
Medical indemnity insurance	2,724	2,835
Other administrative expenses	38,322	38,104
Expenditure for capital purposes	4,265	3,800
Total other operating expenses	88,702	82,192
Total expenses from transactions	684,902	639,260

EXPENSE RECOGNITION

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;
- Work cover premium.

SUPPLIES AND CONSUMABLES

Supplies and consumables - supplies and services costs which 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 117 Leases*.

DEPRECIATION AND AMORTISATION

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale and land) that have finite useful lives are depreciated.

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.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at lower of cost and net realisable value. Inventories acquired for no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

The basis used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was acquired.

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
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold).

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 2019

3.2 Other Economic Flows

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Net gain/(loss) on sale of nonfinancial 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	(286)	(273)
Total net gain/(loss) on non-financial assets	(3,614)	(2,326)
Net gain/(loss) on financial instruments at fair value		
Net gain/(loss) arising from revaluation of financial assets at fair value through profit or loss	3,827	-
Allowance for impairment losses of contractual receivables	(662)	(1,131)
Net gain/(loss) on disposal of financial instruments	222	768
Available-for-sale financial assets transferred from revaluation surplus	-	(90)
Other gains/(losses) from Other Economic Flows	-	854
Total net gain/(loss) on financial instruments at fair value	3,387	401
Other gain/(loss) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability	(5,842)	(553)
Total other gain/(loss) from other economic flows	(5,842)	(553)
Total gain/(loss) from other economic flows	(6,069)	(2,478)

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 physical assets (refer to Note 4.2)
- Net gain/ (loss) on disposal of non-financial assets
- 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 4.1, and
- disposals of financial assets and derecognition of financial liabilities.

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.

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.

IMPAIRMENT OF NON-FINANCIAL ASSET

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.

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

	Expense		Revenue	
	Consolidated 2019 \$000s	Consolidated 2018 \$000s	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Commercial activities				
Private practice and other patient activities	3	22	1	27
Car park	1,568	1,409	3,656	3,211
Property	635	663	910	481
Salary packaging	-	-	631	516
Other	5,332	9,779	11,900	11,386
Total commercial activities	7,538	11,873	17,098	15,621
Other activities				
Research and scholarship	99,266	75,786	100,346	89,068
Other	8,728	11,545	6,770	8,263
Total other activities	107,994	87,331	107,116	97,331
Total	115,532	99,204	124,214	112,952

3.4 Employee benefits in the balance sheet

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current		
Employee Benefitsⁱ		
Accrued days off		
Unconditional and expected to be settled within 12 months ⁱⁱ	1,288	1,188
Annual leave entitlements		
Unconditional and expected to be settled within 12 months ⁱⁱ	19,036	13,055
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	3,186	6,722
Long service leave		
Unconditional and expected to be settled within 12 months ⁱⁱ	5,295	4,848
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	41,511	31,750
Total	70,316	57,563
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months ⁱⁱ	2,497	1,841
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	4,655	3,976
Total	7,152	5,817
Total current provisions	77,468	63,380
Non-current provisions		
Conditional long service leave ⁱⁱⁱ	13,991	10,894
Provisions related to employee benefit on-costs ⁱⁱⁱ	1,456	1,126
Total non-current provisions	15,447	12,020
Total provisions	92,915	75,400

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

3.4.1 Employee Benefits and Related On-Costs

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current employee benefits and related on-costs		
Accrued days off	1,288	1,188
Annual leave entitlements	24,496	21,814
Unconditional long service leave entitlements	51,684	40,378
Non-Current Employee Benefits and Related On-Costs		
Conditional long service leave entitlements	15,447	12,020
Total employee benefits and related on-costs	92,915	75,400

3.4.2 Movement in On-Costs Provision

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Balance at the start of the year	6,943	5,750
Additional provision recognised	19,144	16,691
Unwinding of discount and effect of changes in the discount rate	430	15
Reduction due to transfer out	(17,909)	(15,513)
Balance at the end of the year	8,608	6,943

EMPLOYEE BENEFIT RECOGNITION

Provision is made for benefits accruing to employees in respect of salaries and wages, 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 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 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 2019

3.5 Superannuation

	Paid contributions for the year		Contributions outstanding at year-end	
	Consolidated 2019 \$000s	Consolidated 2018 \$000s	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Defined benefit plansⁱ				
First State Superannuation Fund	376	430	20	21
UniSuper Fund	437	420	25	27
Defined contribution plans				
First State Superannuation Fund	11,809	11,153	531	476
HESTA Superannuation Fund	5,910	5,164	772	612
UniSuper Fund	1,663	1,209	89	77
Other	2,577	1,791	88	65
Total	22,772	20,167	1,525	1,278

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 provide 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 staff 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 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 2019 \$000s	Consolidated 2018 \$000s
The components of income tax (benefit)/expense comprises:		
Current tax	-	158
Deferred tax	(115)	4
Income tax (benefit) / expense	(115)	162
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% (2018: 30%)	(121)	156
Add: Tax effect on non-allowable items	5	1
Less: Revenue and expenses exempted from income tax	-	-
Deferred tax assets previously not recognised	1	152
Tax effect of recoupment of prior year losses previously not recognised	-	(147)
Income tax (benefit) / expense	(115)	162
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%	32%

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 2019

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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4.2	Property, plant and equipment.....	page 71
4.3	Intangible assets	page 83
4.4	Depreciation and amortisation.....	page 84

4.1 Investments and other financial assets

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current		
Financial instruments at fair value through profit and loss		
Equities and Managed Investment Funds		
Cash investments	4,469	2,331
Term deposits	3,628	5,712
Australian listed equity securities	2	-
Managed investment funds	68,727	57,797
Total current	76,826	65,840
Total	76,826	65,840
Represented by:		
Foundation Investments	76,826	65,840
Total	76,826	65,840

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 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 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) 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.

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 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, except that, to the extent that 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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.

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

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 13.29, 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 and 10 St Andrews Place East Melbourne as non-specialised land and buildings.

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.

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.

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 building, and revalues the building based on the cost to replace the building as a hospital.

MOTOR VEHICLES

The 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 2019.

For all assets measured at fair value, the current use is considered the highest and best use.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Land		
Land at fair value	153,800	78,125
Total land	153,800	78,125
Buildings		
Buildings at fair value	17,174	-
Less accumulated depreciation	-	-
Total buildings	17,174	-
Plant and equipment		
Plant and equipment at fair value	7,089	793
Less accumulated depreciation	(812)	(132)
Total plant and equipment	6,277	661
Motor vehicles		
Motor vehicles at fair value	373	258
Less accumulated depreciation	(37)	(258)
Total motor vehicles	336	-
Medical equipment		
Medical equipment at fair value	107,709	104,143
Less accumulated depreciation	(52,402)	(46,214)
Total medical equipment	55,307	57,929
Computers and communications		
Computers and communications at fair value	29,161	28,009
Less accumulated depreciation	(27,962)	(21,102)
Total computers and communications	1,199	6,907
Cultural assets		
Cultural assets at fair value	2,253	2,179
Total cultural assets	2,253	2,179
Work in progress		
Work in progress at cost	6,886	3,421
Total work in progress	6,886	3,421

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Public private partnership (PPP) assets		
Leased buildings		
Leased buildings	1,234,453	1,309,907
Less accumulated depreciation	-	(90,213)
Total Leased buildings	1,234,453	1,219,694
Leased furniture & fittings		
Leased furniture & fittings	13,490	13,490
Less accumulated depreciation	(1,386)	(936)
Total leased furniture & fittings	12,104	12,554
Total leased assets	1,246,557	1,232,248
Total PPP assets	1,246,557	1,232,248
Total	1,489,789	1,381,470

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

Consolidated	Land \$000s	Buildings \$000s	Plant and equipment \$000s	Motor vehicles \$000s
Balance as at 1 July 2017	78,125	-	288	-
Additions	-	-	415	-
Disposals	-	-	-	-
Net transfer between classes	-	-	-	-
Depreciation (refer to Note 4.4)	-	-	(42)	-
Balance as at 30 June 2018	78,125	-	661	-
Additions	-	-	5,752	354
Disposals	-	-	-	-
Transfer from non-financial physical assets held for sale	66,707	18,449	-	-
Revaluation increment/(decrements) recognised in comprehensive operating statement	-	(1,275)	-	-
Revaluation increment/(decrements) recognised in reserve	8,968	-	-	-
Depreciation (refer to note 4.4)	-	-	(136)	(18)
Balance as at 30 June 2019	153,800	17,174	6,277	336

LAND AND BUILDINGS CARRIED AT VALUATION

The Valuer-General Victoria (VGV) undertook to re-value all of Peter Mac's owned and leased land and buildings to determine their fair value. 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 valuation was based on independent assessments. The effective date of the valuation is 30 June 2019.

Medical equipment \$000s	Computers and communications \$000s	Cultural assets \$000s	Work in progress \$000s	Public private partnership (PPP) assets \$000s	Total \$000s
57,565	14,283	2,151	513	1,269,214	1,422,139
9,909	90	28	10,044	-	20,486
(279)	-	-	-	-	(279)
200	-	-	(7,136)	6,936	-
(9,466)	(7,466)	-	-	(43,902)	(60,876)
57,929	6,907	2,179	3,421	1,232,248	1,381,470
7,217	1,160	74	3,481	4,152	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	6,886	1,246,557	1,489,789

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4.2.3 Property, plant and equipment – fair value measurement hierarchy for assets

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
Land at fair value				
Non-specialised land	86,650	-	86,650	-
Specialised land	67,150	-	-	67,150
Total land at fair value	153,800	-	86,650	67,150
Buildings at fair value				
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 property, plant and equipment	236,346	-	103,824	132,522

ⁱ Classified in accordance with the fair value hierarchy.

Balance at 30 June 2018	Consolidated Carrying Amount	Fair value measurement at end of reporting period using		
		Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ
Land at fair value				
Specialised land	78,125	-	-	78,125
Total land at fair value	78,125	-	-	78,125
Buildings at fair value				
Specialised buildings	-	-	-	-
Total buildings at fair value	-	-	-	-
Plant and equipment at fair value	661	-	-	661
Motor vehicles at fair value	-	-	-	-
Medical equipment at fair value	57,929	-	-	57,929
Computers and communications equipment at fair value	6,907	-	-	6,907
Cultural assets at fair value	2,179	-	-	2,179
Total property, plant and equipment	145,801	-	-	145,801

ⁱ Classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4.2.4 Property, plant and equipment - Reconciliation of level 3 Fair Value measurement

Consolidated	Land \$000s	Plant and equipment \$000s	Motor vehicles \$000s
Balance as at 1 July 2017	78,125	288	-
Additions/(disposals)	-	415	-
Transfer between classes	-	-	-
Gains or losses recognised in net result			
- Depreciation and amortisation	-	(42)	-
Balance as at 30 June 2018	78,125	661	-
Additions/(disposals)	-	5,752	354
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

Medical equipment \$000s	Computers and communications \$000s	Cultural assets \$000s	Total \$000s
57,565	14,283	2,151	152,412
9,630	90	28	10,163
200	-	-	200
(9,466)	(7,466)	-	(16,974)
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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4.2.5 Property, plant and equipment - fair value determination

2019 and 2018	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) Adjustments – 20%
Non-specialised land	Market approach	n.a.
Specialised buildings	Current replacement cost	Cost per square metre Useful life
Non-specialised buildings	Market approach	n.a.
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.

4.2.6 Property, Plant and Equipment Revaluation Surplus

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Property, plant and equipment revaluation surplus		
Balance at the beginning of the reporting period	107,017	107,017
Revaluation increment (refer to Note 4.2.2)		
› Land	8,968	-
› Leased building	54,287	-
Balance at the end of the reporting period*	170,272	107,017
*Represented by:		
› Land	115,985	107,017
› Leased building	54,287	-
	170,272	107,017

4.3 Intangible assets

4.3.1 Intangible assets - Gross carrying amount and accumulated amortisation

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Intangible Produced Assets - Software	12,718	8,202
Less Accumulated Amortisation	(4,570)	(3,602)
	8,148	4,600
Intangible Non-Produced Assets - Revenue Rights Car Park	41,060	41,060
Less Accumulated Amortisation	(6,159)	(4,106)
	34,901	36,954
Goodwill on consolidation	1,090	1,090
Total intangible assets	44,139	42,644

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	Total \$000s
Balance as at 1 July 2017	4,891	39,007	1,090	44,988
Additions	508	-	-	508
Amortisation of non-produced intangible asset (refer to Note 3.2)	-	(2,053)	-	(2,053)
Amortisation of produced intangible asset (refer to Note 4.4)	(799)	-	-	(799)
Balance as at 30 June 2018	4,600	36,954	1,090	42,644
Additions	4,513	-	-	4,513
Amortisation of non-produced intangible asset (refer to Note 3.2)	-	(2,053)	-	(2,053)
Amortisation of produced intangible asset (refer to Note 4.4)	(965)	-	-	(965)
Balance as at 30 June 2019	8,148	34,901	1,090	44,139

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4.4 Depreciation and amortisation

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Depreciation		
Buildings	-	-
Plant and equipment	136	42
Motor vehicles	18	-
Medical equipment	9,270	9,466
Computers and communications	6,868	7,466
Public private partnership (PPP) assets		
Leased buildings	43,680	43,452
Leased furniture & fittings	450	450
Total depreciation	60,422	60,876
Amortisation		
Intangible assets	965	799
Total amortisation	965	799
Total	61,387	61,675

DEPRECIATION

All 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.

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	2019	2018
Buildings		
› Structure, shell building fabric	Up to 60 years	nil
› Site engineering service	Up to 40 years	nil
Central Plant		
› Fit out	Up to 25 years	nil
› Trunk reticulated building system	Up to 30 years	nil
Other site improvements	Up to 25 years	nil
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 4 years
Public private partnership (PPP) assets	2019	2018
Buildings	30 years	30 years
Furniture and fittings	Up to 10 years	Up to 10 years
Intangible assets	2019	2018
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 2019

5 Other assets and liabilities

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

STRUCTURE

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5.1 Receivables

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current		
Contractual		
Inter hospital debtors	1,856	1,601
Trade debtors	16,422	14,771
Patient fees	2,601	1,441
Accrued revenue	14,056	13,070
Allowance for impairment losses of contractual receivables		
Trade debtors	(1,629)	(1,656)
Patient fees	(263)	(689)
Sub-total	33,043	28,538
Statutory		
GST receivable	1,186	1,259
Total current receivables	34,229	29,797
Non-current		
Statutory		
Long Service Leave-Department of Health and Human Services	23,288	15,969
Total non-current receivables	23,288	15,969
Total receivables	57,517	45,766

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Movement in allowance for impairment losses of contractual receivables		
Balance at the beginning of the year	2,345	1,183
Opening retained earnings adjustment on adoption of AASB 9	(95)	-
Balance at beginning of the year on adoption of AASB 9	2,250	1,183
Reversal of unused allowance recognised in the net result	(358)	-
Increase in allowance recognised in net result	-	1,162
Balance at the end of the year	1,892	2,345

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, which predominantly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable. 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. Peter Mac 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.

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 for Peter Mac's contractual impairment losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

5.2 Payables

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current		
Contractual		
Trade creditors	11,901	12,627
Accrued salaries and wages	11,490	13,143
Accrued expenses	13,676	10,599
Inter- hospital creditors	5,003	3,995
Sub-total	42,070	40,364
Statutory		
Department of Health and Human Services	3,946	3,820
Sub-total	3,946	3,820
Total current	46,016	44,184
Non-current		
Statutory		
Department of Health and Human Services	1,708	2,163
Sub-total	1,708	2,163
Total non-current	1,708	2,163
Total payables	47,724	46,347

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.

MATURITY ANALYSIS OF PAYABLES

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

5.3 Other liabilities

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current		
Unearned income	6,264	2,308
Monies held in trust		
Accommodation deposits	33	-
Total current	6,297	2,308
Non-current		
Derivatives designated and effective as hedging instruments carried at fair value		
Interest rate swaps	182,973	104,693
Total non-current	182,973	104,693
Total other liabilities	189,270	107,001
Total monies held in trust represented in the following assets		
Cash assets	33	-
Investment and other Financial Assets	-	-
Total	33	-

Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to the fair value of derivative financial instruments (hedges).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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*.

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, being 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 renting out of 10 St Andrews Place, East Melbourne.

5.4 Non-financial physical assets held for sale

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Freehold land for sale	-	66,708
Building for sale	-	18,448
Total non-financial physical assets classified as held for sale	-	85,156

Non-financial physical assets are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset's sale is expected to be completed within 12 months from the date of classification, and the asset is available for immediate use in the current condition.

Non-financial physical assets classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs of disposal, and are not subject to depreciation or amortisation.

East Melbourne land and buildings were reclassified from non-financial physical assets classified as held for sale to non-financial physical asset. The reclassification

in 2018-19 has been made due to delays in the sale process of the property. Peter Mac entered into a lease with The Royal Victorian Eye and Ear Hospital (RVEEH) to allow it use of a portion of the premises, as is, during this period. No timeframe has been given as to when the property will be available for sale.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

5.5 Deferred tax assets

Consolidated	Opening balance \$000s	(Credited)/ debited to Operating Statement \$000s	Closing balance \$000s
Movements			
Employee entitlements	(81)	39	(42)
Accruals	55	10	65
Unutilised tax losses	500	(169)	331
Other	92	(41)	51
Balance as at 30 June 2018	566	(161)	405
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

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 and 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.

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 99

6.1 Borrowings

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Current		
TCV loan ⁱⁱ	1,098	1,059
Finance lease liability ⁱ	50,667	46,564
Total current	51,765	47,623
Non-current		
TCV loan ⁱⁱ	35,625	36,723
Finance lease liability ⁱ	898,838	949,168
Total non-current	934,463	985,891
Total borrowings	986,228	1,033,514

ⁱ Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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

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.

The finance lease liability is secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets

revert to the lessor in the event of default. Note that the obligation of fulfilling PPP interest and principal payments over the PPP term rests with the Department of Health and Human Services.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

6.1.1 Finance lease liabilities

	Minimum future lease payments		Present value of future lease payments	
	Consolidated 2019 \$000s	Consolidated 2018 \$000s	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Finance Leases				
Repayments in relation to finance leases are payable as follows:				
Not later than one year	133,427	133,352	50,667	46,564
Later than 1 year and not later than 5 years	533,790	533,476	254,510	232,809
Later than 5 years	1,060,785	1,194,166	644,328	716,359
Minimum lease payments	1,728,002	1,860,994	949,505	995,732
Less contingent lease payments/ receipts - variable interest rate changes	(181,349)	(127,702)		
Less future finance charges	(597,148)	(737,560)		
TOTAL	949,505	995,732	949,505	995,732

The weighted average interest rate implicit in the lease is 8.9% (2018: 8.9%).

BORROWINGS RECOGNITION

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, in the manner described in Note 6.3.

FINANCE LEASES

ENTITY AS LESSOR

Peter Mac does not hold any finance lease arrangements with other parties.

ENTITY AS LESSEE

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. 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. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged.

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 2019

6.2 Cash and cash equivalents

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Cash on Hand (excluding Monies held in trust)	4	4
Cash at Bank (excluding Monies held in trust) ¹	12,988	18,253
Deposits at Call (excluding Monies held in trust)	47,150	51,361
Cash at Bank (Monies held in trust)	33	-
Total cash and cash equivalents	60,175	69,618
¹ includes amount quarantined and related to capital construction and fundraising for the VCCC building	2,238	2,203

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), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known

amounts of cash and are 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.

6.3 Commitments for expenditure

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Capital Expenditure Commitments		
Not later than 1 year	8,383	9,325
Later than 1 year and not later than 5 years	3,299	6,599
Later than 5 years	-	-
Total Capital Expenditure Commitments	11,682	15,924
Operating Expenditure Commitments		
Not later than 1 year	7,222	8,262
Later than 1 year and not later than 5 years	1,970	9,192
Later than 5 years	-	-
Total Operating Expenditure Commitments	9,192	17,454
Non-cancellable Operating Lease Commitments		
Not later than 1 year	8,768	8,424
Later than 1 year and not later than 5 years	13,161	20,005
Later than 5 years	11,637	12,465
Total non-cancellable Operating Lease Commitments	33,566	40,894
Public Private Partnership Commitments (commissioned)		
Not later than 1 year	22,509	21,242
Later than 1 year and not later than 5 years	102,543	97,311
Later than 5 years	820,464	830,924
Total Public Private Partnership Commitments (commissioned)	945,516	949,477
Total commitments for expenditure (inclusive of GST)	999,956	1,023,749
GST recoverable from the Australian Tax Office	(90,905)	(93,068)
Total commitments for expenditure (exclusive of GST)	909,051	930,681

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

PPPs Commitments ^{(a)(b)}	2019			2018		
	Minimum lease payments	Other PPP Commitments	Total PPP Commitments	Minimum lease payments	Other PPP Commitments	Total PPP 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	-	87,933	945,516	-	88,301	949,477
Total	-	87,933	945,516	-	88,301	949,477

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

- 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 PPP commitments will not equal the sum of the minimum lease payments and other PPP commitments because they are at present value, whereas total 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 50 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 2019 \$000s	Consolidated 2018 \$000s
Commitments in relation to leases receivable are as follows:		
Not later than one year	1,336	1,383
Later than 1 year and not later than 5 years	3,900	3,676
Later than 5 years	7,993	8,998
Total commitments receivable (inclusive of GST)	13,229	14,057
Less GST payable to the Australian Tax Office	(1,203)	(1,278)
Total commitments receivable (exclusive of GST)	12,026	12,779

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 2019 \$000s	Consolidated 2018 \$000s
VCCC Project costs paid by Department of Health and Human Services	390	1,152
Total	390	1,152

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 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 2019	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	60,175	-	-	-	60,175
Receivables					
Trade debtors	18,987	-	-	-	18,987
Other receivables	15,242	-	-	-	15,242
Investments and Other financial assets					
Equities and managed funds	-	76,826	-	-	76,826
Total Financial Assets	94,404	76,826	-	-	171,230
Financial Liabilities					
Payables	-	-	-	42,070	42,070
Borrowings	-	-	-	986,228	986,228
Derivatives					
Interest rate swaps	-	-	182,973	-	182,973
Total Financial Liabilities	-	-	182,973	1,028,298	1,211,271

Consolidated 2018	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	69,618	-	-	-	69,618
Receivables					
Trade debtors	15,468	-	-	-	15,468
Other receivables	14,329	-	-	-	14,329
Investments and Other financial assets					
Equities and managed funds	-	65,840	-	-	65,840
Total Financial Assets	99,415	65,840	-	-	165,255
Financial Liabilities					
Payables	-	-	-	40,364	40,364
Borrowings	-	-	-	1,033,514	1,033,514
Other financial liabilities	-	-	104,693	-	104,693
Total Financial Liabilities	-	-	104,693	1,073,878	1,178,571

From 1 July 2018, Peter Mac applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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.

The Department 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 profit or loss

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 ASSETS PREVIOUSLY UNDER AASB 139

Loans and receivables and cash

are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Peter Mac recognises the following assets in this category:

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

Available-for-sale financial instrument assets

are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

CATEGORIES OF FINANCIAL ASSETS UNDER AASB AND AASB 139

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. The Peter Mac recognises the following liabilities in this category:

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

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 2019 in relation to the interest rate swap.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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
2019	Note							
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	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
2018								
Payables	5.2	40,364	40,364	39,117	916	329	2	-
Borrowings	6.1	1,033,514	1,033,514	-	11,346	36,277	237,445	748,446
Other	5.3	104,693	104,693	-	-	-	-	104,693
Total financial liabilities		1,178,571	1,178,571	39,117	12,262	36,606	237,447	853,139

7.1.3 Contractual receivables at amortised costs

The following table discloses the contractual receivables ageing analysis for Peter Mac's financial assets.

Consolidated		Ageing					Total
		Overdue					
2019		Current	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	
Expected loss rate		-1%	-5%	-7%	-17%	-54%	-9%
Gross carrying amount of contractual receivables		10,688	2,412	3,224	2,815	1,759	20,898
Loss allowance		(90)	(127)	(233)	(486)	(956)	(1,892)
2018							
Expected loss rate		-1%	-5%	-8%	-21%	-48%	-13%
Gross carrying amount of contractual receivables		7,404	2,268	1,717	4,416	2,008	17,813
Loss allowance		(84)	(122)	(136)	(944)	(965)	(2,251)

IMPAIRMENT OF FINANCIAL ASSETS UNDER AASB 9 – APPLICABLE FROM 1 JULY 2018

From 1 July 2018, Peter Mac has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Assets subject to AASB 9 impairment assessment include Peter Mac's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through profit or loss are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was 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.

RECONCILIATION OF THE MOVEMENT IN THE LOSS ALLOWANCE FOR CONTRACTUAL RECEIVABLES

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.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts are considered as written off by mutual consent.

STATUTORY RECEIVABLES AND DEBT INVESTMENTS AT AMORTISED COST [AASB2016-8.4]

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 Mac 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. No loss allowance recognised at 30 June 2018 under AASB 139. \$95,000 was recognised upon transition to AASB 9 on 1 July 2018.

7.2 Contingent assets and contingent liabilities

CONTINGENT ASSETS

Peter Mac has no contingent assets as at 30 June 2019.

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.

Any claims made against Peter Mac are covered by public healthcare insurance managed by VMIA, with premiums being paid by the Department of Health and Human Services.

Peter Mac has no other contingent liabilities and assets as at 30 June 2019.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

8 Other disclosures

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

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

	Consolidated 2019 \$000s	Consolidated 2018 \$000s
Net Result for the Year	(2,114)	5,229
Non-cash movements		
Depreciation	61,387	61,675
Amortisation of intangible non-produced assets	2,053	2,053
Impairment of financial assets	-	90
Net movement in finance lease	(45,603)	(43,803)
Provision for doubtful debts	-	1,131
Allowance for impairment losses of contractual receivables	662	-
Income from managed funds reinvested	(2,498)	(1,794)
Management fees for managed investments	289	289
Bequest received in the form of shares	(2)	-
Assets received free of charge	(73)	(28)
Share of net result of joint venture accounted for using the equity method	-	51
Insurance -Indirect contributions by Department of Health and Human Services	(208)	-
Long service leave movement	(936)	553
Construction in progress received from Department of Health and Human Services	(3,685)	(5,521)
Devaluation of buildings	1,275	-
Movements included in Investing and Financing Activities		
Net (gain)/loss from disposal of non-financial physical assets	-	273
Net (gain)/loss from disposal of financial assets	64	(1,622)
Holding (gain)/loss on financial assets through profit & loss	(3,827)	-
Movements in assets and liabilities		
(Increase)/decrease in receivables	(11,866)	(5,846)
(Increase)/decrease in prepayments	1,432	(2,280)
(Increase)/decrease in inventories	(651)	(621)
Increase/(decrease) in payables	1,377	2,565
Increase/(decrease) in provisions	17,515	14,586
Increase/(decrease) in other liabilities	3,989	(5,000)
Net cash inflow from operating activities	18,580	21,980

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Ministry for Health, Minister for Ambulance Services	29/11/2018 - 30/06/2019

Governing Board	
Hon Ms Maxine Morand (Chair)	1/07/2018 - 30/06/2019
Ms Deirdre Blythe	1/07/2018 - 30/06/2019
Associate Professor Catherine Cherry	1/07/2018 - 30/06/2019
Ms Louise Davidson	1/07/2018 - 30/06/2019
Mr Ian Dunn	1/07/2018 - 30/06/2019
Professor Jane Gunn	1/07/2018 - 30/06/2019
Mr Matthew O'Keefe	1/07/2018 - 30/06/2019
Mr Des Pearson	1/07/2018 - 30/06/2019
Associate Professor Leslie Reti	1/07/2018 - 30/06/2019

Accountable Officer	
Ms Dale Fisher, Chief Executive	1/07/2018 - 30/09/2018
Ms Nicole Tweddle, Interim Chief Executive	1/10/2018 - 30/06/2019

Remuneration

Total remuneration of Responsible Persons are shown in their relevant income bands:

Income Band	Consolidated 2019 No.	Consolidated 2018 No.
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	7
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	7	-
\$50,000 - \$59,999	-	1
\$80,000 - \$89,999	1	-
\$150,000 - \$159,999	1	-
\$300,000 - \$309,999	1	-
\$460,000 - \$469,999	-	1
	11	10

	Consolidated 2019 \$'000s	Consolidated 2018 \$'000s
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	870	697

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.

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	
	2019	2018
	\$'000s	\$'000s
Remuneration bands		
Short-term Benefits	2,288	2,161
Post employment Benefits	236	205
Other Long-term Benefits	62	57
Total Remunerationⁱ	2,586	2,423
Total Number of Executives	10	13
Total Annualised Employee Equivalentⁱⁱ	7.68	7.70

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 resignations and maternity leave; this has had a significant impact on remuneration figures for the short-term benefits category.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 the Peter Mac and its controlled entities, directly or indirectly.

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

Entity	Key Management Personnel	Position Title
Peter MacCallum Cancer Centre	Hon Maxine Morand	Board Member (Chair)
Peter MacCallum Cancer Centre	Ms Deirdre Blythe	Board Member
Peter MacCallum Cancer Centre	Associate Professor Catherine Cherry	Board Member
Peter MacCallum Cancer Centre	Ms Louise Davidson	Board Member
Peter MacCallum Cancer Centre	Mr Ian Dunn	Board Member
Peter MacCallum Cancer Centre	Professor Jane Gunn	Board Member
Peter MacCallum Cancer Centre	Mr Matt O'Keefe	Board Member
Peter MacCallum Cancer Centre	Mr Des Pearson	Board Member
Peter MacCallum Cancer Centre	Associate Professor Leslie Reti	Board Member
Peter MacCallum Cancer Centre	Dale Fisher	Chief Executive (resigned 30 Sept 2018)
Peter MacCallum Cancer Centre	Nicole Tweddle	Interim Chief Executive (appointed 1 Oct 2018)
Peter MacCallum Cancer Centre	Lisa Dunlop	Interim Chief Operating Officer (appointed 1 Oct 2018)
Peter MacCallum Cancer Centre	Elizabeth Kennedy	General Counsel and Corporate Secretary
Peter MacCallum Cancer Centre	David Speakman	Chief Medical Officer
Peter MacCallum Cancer Centre	Jac Mathieson	Chief Nursing Officer
Peter MacCallum Cancer Centre	Siegi Schmidmaier	Executive Director, Strategy & Planning (resigned 16 May 2019)
Peter MacCallum Cancer Centre	Ricky Johnstone	Executive Director, Research
Peter MacCallum Cancer Centre	Lucy Franzmann	Chief Finance Officer
Peter MacCallum Cancer Centre	Martin Shore	Acting Chief Finance Officer (1 Jul 2018 - 31 Dec 2018)
Peter MacCallum Cancer Centre	Mark Grigg	Acting Chief Finance Officer (1 Jul 2018 - 31 Dec 2018)
Peter MacCallum Cancer Centre	Helen Hovenga	Executive Director, People and Culture

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.

	2019	2018
	\$000s	\$000s
Remuneration		
Short term employee benefits	3,093	2,807
Post-employment benefits	291	246
Other long-term benefits	72	68
Total	3,456	3,121

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 \$360 million (2018: \$363 million) indirect contributions of \$7.3 million (2018: \$6.2 million) and has a net LSL receivable balance of \$23.8M (2018: \$16.0M).

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 a 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 Victorian unless an exemption has been approved by the Minister for Health and Human Services 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 2019. (Nil:2018)

There were no related party transactions required to be disclosed for Peter Mac Board of Directors, Chief Executive Officer and Executive Directors in 2019 (2018:nil).

Except for the transaction listed below, there were no other related party transactions required to be disclosed for Peter MacCallum Cancer Foundation Board of Directors in 2019 (2018: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. Seigi Schmidmaier was a KMP at Peter MacCallum Cancer Centre and is 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	2019	2018
	\$000s	\$000s
Revenue from sale of goods and provision of services		
To Cell Therapies Pty Ltd	2,190	2,885
Revenue from rental of property		
From Cell Therapies Pty Ltd	396	387
Grants and gifts revenue		
From Peter MacCallum Cancer Foundation	25,812	34,579
Debtor receivable at 30 June		
Cell Therapies Pty Ltd	950	539
Peter MacCallum Cancer Foundation	2,436	4,623

8.5 Remuneration of auditors

	Consolidated	Consolidated
	2019	2018
	\$000s	\$000s
Victorian Auditor-General's Office		
Audit of the Financial Statements	162	153
Total remuneration of auditors	162	153

8.6 Ex-gratia expenses

	Consolidated	Consolidated
	2019	2018
	\$000s	\$000s
Peter Mac has made the following ex gratia expenses:		
Compensation for economic loss	-	34
Total ex-gratia expenses	-	34

Includes ex-gratia 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

There are no events which occurred post 30 June 2019 which may materially affect the operations, financial position and cash flow of Peter Mac or the consolidated group.

8.8 Controlled entities

The Peter Mac's interest in the jointly 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 as Trustee	Australia	Limited by Guarantee
Peter MacCallum Cancer Foundation ² Trust	Australia	n/a
Cell Therapies Pty Ltd	Australia	Ordinary (96.5% ownership)
Cellularity Pty Ltd ³	Australia	Ordinary (96.5% 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.

Parent	Investment in Cell Therapies Pty Ltd \$000s
Balance at 1 July 2017	1,128
Balance at 30 June 2018	1,128
Balance at 30 June 2019	1,128

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

Controlled entities contribution to the consolidated results		
	2019 \$000s	2018 \$000s
Net result for the year		
Peter MacCallum Cancer Foundation	8,355	7,426
Cell Therapies Pty Ltd	(289)	359

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

8.9 Jointly controlled operations

Name of Entity	Principal Activity	Ownership interest %	
		2019	2018
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:

	2019 \$000s	2018 \$000s
Current assets		
Cash and cash equivalents	1,457	1,586
Receivables	24	11
Other assets	141	101
Total current assets	1,622	1,698
Non-current assets		
Property, plant and equipment	22	18
Total non-current assets	22	18
Total assets	1,644	1,716
Current liabilities		
Payables	154	44
Provisions	25	11
Total current liabilities	179	55
Non-current liabilities		
Provisions	11	10
Total non-current liabilities	11	10
Total liabilities	190	65
Net Assets	1,454	1,651
Equity		
Accumulated surpluses / (deficits)	1,454	1,651
Total equity	1,454	1,651

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

	2019 \$000s	2018 \$000s
Revenue		
Government grants	876	1,397
Other revenue from operating activities	-	160
Interest and dividends	32	21
Total revenue	908	1,578
Expenses		
Employee expenses	374	242
Other expenses	724	219
Depreciation and amortisation	5	2
Total expenses	1,103	463
Net result	(195)	1,115

* 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 for a period up

to September 2020. On that basis, the financial statements have been prepared on a going concern basis.

The parent entity, Peter Mac's current asset ratio continues to be below an adequate short term position (2019: 0.51 and 2018: 1.15) although cash generated from operations has increased to \$20.1M (2018: \$14.1M), overall cash reserves have decreased from \$53.4M in 2018 to \$50.3M in 2019. A letter confirming adequate cash flow was also provided in the previous financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

8.11 Change in accounting policies

Peter Mac has elected to apply the limited exemption in *AASB 9* paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

- a. any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings; and
- b. financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

CHANGES TO CLASSIFICATION AND MEASUREMENT

On initial application of *AASB 9* on 1 July 2018, Peter Mac 's management has assessed for all financial assets based on the Peter Mac 's business models for managing the assets. The following are the changes in the classification of Peter Mac 's financial assets:

- a. Listed shares previously classified as available-for-sale under *AASB 139* are now classified as fair value through net result under *AASB 9* because these equity investments are held for trading.
- b. Managed investment schemes previously classified as available-for-sale under *AASB 139* are now classified as fair value through profit or loss under *AASB 9* because their cash flows do not represent solely payments of principal and

interest, thus not meeting the *AASB 9* criteria for classification at amortised cost. As the result of the above mentioned changes in classification, the related fair value gain of \$5,235,000 were transferred from the available-for-sale revaluation surplus to retained earnings on 1 July 2018.

- c. Contractual receivables previously classified as other loans and receivables under *AASB 139* are now reclassified as financial assets at amortised cost under *AASB 9*. A decrease of \$95,000 in loss allowance for these assets was recognised in opening retained earnings for the period.

The accounting for financial liabilities remains the same as it was under *AASB 139*.

Peter Mac's accounting policies for financial assets and liabilities are set out in Note 7.1.1. The following table summarises the required and elected reclassification upon adoption of *AASB 9*. The main effects resulting from the reclassification are as follows:

Consolidated As at 30 June 2019	AASB 9 Measurement Categories			
	AASB 139 Measurement Categories \$000	Fair value through net result (mandatory) \$000	Amortised cost \$000	Fair values through other comprehensive income \$000
<i>AASB 139 Measurement Categories</i>				
Loans and receivables				
Inter hospital debtors	1,601	-	1,601	-
Trade debtors	14,771	-	14,771	-
Patient fees	1,441	-	1,441	-
Accrued revenue	13,070	-	13,070	-
Statutory receivables	1,259	-	1,259	-
Long service leave - DHHS	15,969	-	15,969	-
Allowance for impairment losses of contractual receivables				
Trade debtors	(1,656)	-	-	(1,656)
Patient fees	(689)	-	-	(689)
Cash and cash equivalents				
Cash on hand (excluding Monies held in trust)	4	-	4	-
Cash at bank (excluding Monies held in trust)	18,253	-	18,253	-
Deposits at call (excluding Monies held in trust)	51,361	-	51,361	-
Financial assets available-for-sale	65,840	65,840	-	-
As at 1 July 2018	181,224	65,840	117,729	(2,345)

CHANGES TO THE IMPAIRMENT OF FINANCIAL ASSETS

Under *AASB 9*, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to *AASB 9*'s new expected credit loss (ECL) impairment model, which replaces *AASB 139*'s incurred loss approach.

For other loans and receivables, Peter Mac applies the *AASB 9*

simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method results in a decrease in the impairment loss allowance of \$95,000. Refer to note 7.1.3 for details about the calculation of the allowance. The loss allowance decreased further by \$359,000 for these financial assets during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

TRANSITION IMPACT

The transition impact of first-time adoption of AASB 9 on Comprehensive Operating Statement and Balance Sheet has been summarised in the following tables.

Impact on Comprehensive Operating Statement as at 1 July 2018 as follows:

Consolidated Comprehensive Operating Statement	30 June 2018 \$000
Impairment of financial assets	95
Other economic flows included in profit or loss	95
Changes to financial assets available-for-sale revaluation surplus	5,235
Other economic flows - other comprehensive income	5,235
Comprehensive income	5,330

Impact on Balance Sheet is illustrated with the following reconciliation between the carrying amounts under AASB 139 at 30 June 2018 and the balances reported under AASB 9 at 1 July 2018 for each affected balance sheet line item:

Consolidated Balance sheet	Notes	As at 30 June 2018 \$000	Reclassification \$000	Remeasurement (ECL) \$000	Restated as at 1 July 2018 \$000
Loans and receivables	5.1/6.2	101,760	(101,760)	-	-
Available for sale	4.1	65,840	(65,840)	-	-
Financial assets at fair value through profit and loss	4.1	-	65,840	-	65,840
Financial assets at amortised cost		-	101,760		101,760
Impairment loss allowance	5.1	(2,345)	-	95	(2,250)
All other assets		1,532,647	-	-	1,532,647
Total assets		1,697,902	-	95	1,697,997
Total liabilities		1,262,262	-	-	1,262,262
Accumulated surplus/(deficit)		110,939	5,235	95	116,269
Financial assets available for sale revaluation surplus		5,235	(5,235)	-	-
All other items in equity		319,466	-	-	319,466
Total equity		435,640	-	95	435,735

8.12 AASBs Issued that are not yet effective

The following AASBs become effective for reporting periods commencing after 1 July 2019:

- *AASB 1059 Service Concession Arrangements: Grantor*;
- *AASB 16 Leases*;
- *AASB 15 Revenue from Contract with Customers*; and
- *AASB 1058 Income of Not-for-Profit Entities*.

SERVICE CONCESSION ARRANGEMENTS

Prior to the issuance of AASB 1059, there was no definitive accounting guidance in Australia for service concession arrangements, which include a number of public private partnership (PPP) arrangements. The AASB issued the new standard to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: *International Public Sector Accounting Standard 32: Service Concession Arrangements: Grantor*.

For arrangements within the scope of *AASB 1059*, the public sector grantor will be required to record the asset(s) used in the service concession arrangement at current replacement cost in accordance with cost approach to Fair Value under *AASB 13: Fair Value Measurement (AASB 13)*, with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the "Grant Of A Right To The Operator" or GORTO liability) or a combination of both. The AASB recently announced a one-year deferral on the new accounting requirements for public sector grantors in service concession arrangements. As a result, *AASB 1059* will apply to annual periods beginning on or after 1 January 2020, rather than 1 January 2019.

The assessment has indicated that there will be no impact for Peter Mac.

LEASES

AASB 16 Leases replaces *AASB 117 Leases*, *AASB Interpretation 4 Determining whether an Arrangement contains a Lease*, *AASB Interpretation 115 Operating Leases-Incentives* and *AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below \$10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Lessor accounting under *AASB 16* is substantially unchanged from *AASB 117*. Lessors will continue to classify all leases using the same classification principle as in *AASB 117* and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. Peter Mac intends to adopt *AASB 16* in 2019-20 financial year when it becomes effective.

Peter Mac will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under *AASB 117*. Peter Mac will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below \$10,000).

In addition, *AASB 2018-8 – Amendments to Australian Accounting Standards – Right-of-Use Assets (RoU) of Not-for-Profit Entities* allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. Peter Mac intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

Peter Mac has performed a detailed impact assessment of *AASB 16* and the potential impact in the initial year of application has been estimated as follows:

- increase in RoU asset (\$14M),
- increase in related depreciation (\$2M),
- increase in lease liability (\$14M),
- increase in related interest (\$0.5M) calculated using effective interest method, and
- decrease in rental expense (\$2M).

REVENUE AND INCOME

AASB 15 supersedes *AASB 118 Revenue*, *AASB 111 Construction Contracts* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. *AASB 15* requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- *AASB 2016-8 Amendments to Australian Accounting Standards – Australian implementation guidance for NFP entities (AASB 2016-8)*, to provide guidance on application of revenue recognition principles under *AASB 15* in the not-for-profit sector.
- *AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors (2018-4)*, to provide guidance on how to distinguish payments received in connection with the access to an asset (or other resource) or to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on timing of revenue recognition for non-IP licence payments.
- *AASB 1058 Income of Not-for-Profit Entities, to supplement AASB 15* and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within *AASB 1004 Contributions*.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. Peter Mac intends to adopt these standards in 2019-20 financial year when it becomes effective.

Peter Mac will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Peter Mac has performed a detailed impact assessment of *AASB 15* and *AASB 1058* and the potential impact for each major class of revenue and income in the initial year of application has been estimated as follows:

- *AASB 15* - only specific commercial grants, research grants and income associated with clinical trials are impacted by this standard. If the funding agreement specifically details how the funds should be spent then it will be assessed under *AASB 15* and revenue will be recognised in line with the performance obligations of the contract. The estimated impact is:
 - > decrease in revenue (\$2M),
 - > increase in deferred revenue (\$2M).

- *AASB 1058* - only the treatment of capital and operating grants are impacted by this standard. The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under *AASB 1058*, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The estimated impact is :
 - > decrease in revenue (\$3.2M),
 - > increase in deferred revenue (\$3.2M).



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