

Justice Health and Forensic Mental Health Network

Financial Statements

for the year ended 30 June 2016



INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network (the Network), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and service group statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Network and the consolidated entity in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ab). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the ability of the Network and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Network or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Renee Meimaroglou
Director, Financial Audit Services

9 September 2016
SYDNEY

Justice Health and Forensic Mental Health Network
Certification of the Financial Statements
for the year ended 30 June 2016

I state, pursuant to section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Justice Health and Forensic Mental Health Network for the year ended 30 June 2016 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2015* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Justice Health and Forensic Mental Health Network; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Gary Forrest
Chief Executive
6 September 2016



Christopher Puplick
Chair
6 September 2016

Justice Health and Forensic Mental Health Network
Statement of Financial Position as at 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
683	(4,097)	35,138		683	(4,097)	35,138
6,277	4,694	3,430	16	6,277	4,694	3,430
1,079	1,136	1,136	17	1,079	1,136	1,136
8,039	1,733	39,704	18	8,039	1,733	39,704
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
98,265	98,898	100,639		98,265	98,898	100,639
5,387	4,685	3,414	19	5,387	4,685	3,414
4,268	4,937	3,436	19	4,268	4,937	3,436
107,920	108,520	107,489	19	107,920	108,520	107,489
3,780	3,818	4,518		3,780	3,818	4,518
111,700	112,338	112,007	20	111,700	112,338	112,007
119,739	114,071	151,711		119,739	114,071	151,711
Total Non-Current Assets						
Total Assets						
LIABILITIES						
Current Liabilities						
15,945	9,694	12,943		15,945	9,694	12,943
1,620	1,620	1,464	22	1,620	1,620	1,464
18,873	18,502	18,162	23	18,873	18,502	18,162
21	61	61	24	21	61	61
36,459	29,877	32,630	25	36,459	29,877	32,630
Total Current Liabilities						
Non-Current Liabilities						
75,366	75,366	76,986		75,366	75,366	76,986
228	228	198	23	228	228	198
75,594	75,594	77,184	24	75,594	75,594	77,184
112,053	105,471	109,814		112,053	105,471	109,814
7,686	8,600	41,897		7,686	8,600	41,897
Total Non-Current Liabilities						
Total Liabilities						
Net Assets						
EQUITY						
17,985	17,985	17,985		17,985	17,985	17,985
(10,299)	(9,385)	23,912		(10,299)	(9,385)	23,912
7,686	8,600	41,897		7,686	8,600	41,897

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Cash Flows for the year ended 30 June 2016

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2016	2016	2015		2016	2016	2015
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----				
(124)	(67)	(251)		(149,660)	(147,174)	(141,035)
(4,981)	(4,981)	(5,336)		(124)	(67)	(251)
(196,953)	(197,555)	(185,226)		(4,981)	(4,981)	(5,336)
				(47,293)	(50,381)	(44,191)
<u>(202,058)</u>	<u>(202,603)</u>	<u>(190,813)</u>		<u>(202,058)</u>	<u>(202,603)</u>	<u>(190,813)</u>
Total Payments						
Receipts						
149,454	149,454	176,956		149,454	149,454	176,956
2,180	2,178	3,222		2,180	2,178	3,222
2,355	2,355	2,327		2,355	2,355	2,327
11,270	9,837	5,805		11,270	9,837	5,805
-----	-----	1,191		-----	-----	1,191
652	72	467		652	72	467
7,820	6,266	5,655		7,820	6,266	5,655
<u>173,731</u>	<u>170,162</u>	<u>195,623</u>		<u>173,731</u>	<u>170,162</u>	<u>195,623</u>
<u>(28,327)</u>	<u>(32,441)</u>	<u>4,810</u>		<u>(28,327)</u>	<u>(32,441)</u>	<u>4,810</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
126	-----	152		126	-----	152
(4,789)	(5,330)	(1,889)		(4,789)	(5,330)	(1,889)
<u>(4,663)</u>	<u>(5,330)</u>	<u>(1,737)</u>		<u>(4,663)</u>	<u>(5,330)</u>	<u>(1,737)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
146	146	-----		146	146	-----
(1,611)	(1,610)	(1,324)		(1,611)	(1,610)	(1,324)
<u>(1,465)</u>	<u>(1,464)</u>	<u>(1,324)</u>		<u>(1,465)</u>	<u>(1,464)</u>	<u>(1,324)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES						
(34,455)	(39,235)	1,749		(34,455)	(39,235)	1,749
35,138	35,138	33,389		35,138	35,138	33,389
<u>683</u>	<u>(4,097)</u>	<u>35,138</u>		<u>683</u>	<u>(4,097)</u>	<u>35,138</u>
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the year ended 30 June 2016

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		23,912	17,985	41,897
Total Equity at 1 July 2015		<u>23,912</u>	<u>17,985</u>	<u>41,897</u>
Net Result for the year		(34,211)	-----	(34,211)
Total Other Comprehensive Income		-----	-----	-----
Total Comprehensive Income for the year		<u>(34,211)</u>	<u>-----</u>	<u>(34,211)</u>
Balance at 30 June 2016		<u>(10,299)</u>	<u>17,985</u>	<u>7,686</u>
Balance at 1 July 2014		21,113	17,985	39,098
Total Equity at 1 July 2014		<u>21,113</u>	<u>17,985</u>	<u>39,098</u>
Net Result for the year		2,799	-----	2,799
Total Other Comprehensive Income		-----	-----	-----
Total Comprehensive Income for the year		<u>2,799</u>	<u>-----</u>	<u>2,799</u>
Balance at 30 June 2015		<u>23,912</u>	<u>17,985</u>	<u>41,897</u>

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Service Group Statements
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Net Attributable		Total			
	2016	2015	2018	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Expenses Excluding Losses																						
Operating Expenses																						
Employee Related	53,647	48,387	613	475	12,979	10,601	8,407	6,569	70,206	71,031	475	615	3,532	3,021	3,925	3,990				153,784	144,888	
Visiting Medical Officers	2,440	2,169	2	—	1,138	917	348	130	3,088	3,588	22	33	103	105	382	468				7,529	7,408	
Other Operating Expenses	10,006	8,778	156	275	5,498	6,336	1,228	911	18,186	16,428	79	80	1,530	341	991	400				37,677	33,548	
Depreciation and Amortisation	841	441	9	10	344	278	164	111	3,780	3,780	8	13	65	24	91	53				4,922	4,719	
Grants and Subsidies	14	2	—	—	3	9	2	—	83	220	—	—	1	—	5	12				109	243	
Finance Costs	1,806	152	21	2	435	33	275	20	2,141	5,106	16	2	141	9	148	13				4,681	5,336	
Total Expenses Excluding Losses	68,763	59,939	801	782	20,397	18,174	10,422	7,741	97,097	100,146	600	743	5,372	3,500	5,540	4,937				208,982	195,944	
Revenue																						
NSW Ministry of Health Recurrent Allocations **																						
NSW Ministry of Health Capital Allocations **																						
Acceptance by the Crown Entity of Employee Benefits	2,471	2,033	28	25	596	605	376	263	3,206	3,401	21	25	163	119	193	168				149,454	176,956	
Sale of Goods and Services	232	2	3	1	6,368	4,097	35	9	4,267	1,974	2	1	15	4	18	7				2,180	2,180	
Investment Revenue	—	365	—	5	—	109	—	47	—	610	—	5	—	21	—	30				—	7,056	
Grants and Contributions	101	86	1	—	23	—	15	—	305	351	1	—	156	—	8	20				—	10,940	
Other Revenue	1,664	1,373	19	17	401	409	253	178	2,158	2,297	14	17	110	81	130	114				—	1,191	
Total Revenue	4,468	3,861	52	48	7,388	5,220	679	497	9,936	8,633	38	48	444	225	348	340				180,177	174,990	
Gain / (Loss) on Disposal	(22)	(4)	—	—	(6)	(2)	(3)	—	(31)	(24)	—	—	(2)	—	(2)	—				—	(67)	
Other Gains / (Losses)	—	—	—	—	—	—	—	—	(152)	(275)	—	—	—	—	—	—				—	(152)	
Net Result	(64,317)	(55,082)	(749)	(714)	(13,015)	(12,956)	(6,746)	(7,244)	(87,334)	(91,814)	(562)	(695)	(4,930)	(3,275)	(6,193)	(4,597)				180,177	(34,211)	
Other Comprehensive Income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				—	—	
Net Increase/(Decrease) in PP&E Revaluation Surplus	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				—	—	
Total Other Comprehensive Income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				—	—	
Total Comprehensive Income	(64,317)	(55,082)	(749)	(714)	(13,015)	(12,956)	(6,746)	(7,244)	(87,334)	(91,814)	(562)	(695)	(4,930)	(3,275)	(6,193)	(4,597)				180,177	(34,211)	

* The name and purpose of each service group is summarised in Note 15

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Net Attributable" column

Justice Health and Forensic Mental Health Network
Service Group Statements (Continued)
for the year ended 30 June 2016

	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Allocatable		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	
ASSETS																				
Current Assets																				
Cash and Cash Equivalents	225	10,749	3	137	67	3,259	34	1,386	317	17,959	2	133	18	628	18	685			683	35,136
Receivables	133	2,306	2	3,653	2,306	2,006	20	5	2,448	1,111	1	—	9	2	10	4			6,277	3,436
Inventories	287	297	4	9	157	215	35	31	556	556	2	3	44	12	28	14			1,075	1,158
Total Current Assets	645	11,047	9	146	3,877	5,780	68	1,424	3,296	19,626	5	136	71	642	56	903			8,033	39,704
Non-Current Assets																				
Property, Plant and Equipment																				
- Land and Buildings	18,862	9,396	182	210	6,891	5,924	3,291	2,375	67,753	80,805	158	270	1,311	522	1,817	1,338			95,285	100,641
- Plant and Equipment	824	318	10	7	378	201	180	80	3,714	2,731	9	9	72	16	100	45			5,387	3,410
- Leasehold Improvements	732	321	8	7	288	202	143	81	2,943	2,754	7	7	57	18	79	46			4,288	3,438
Intangible Assets	649	422	7	9	285	266	127	107	2,905	3,618	6	12	50	23	70	80			3,780	4,518
Total Non-Current Assets	19,167	10,457	207	233	7,833	6,593	3,741	2,643	77,016	89,710	180	300	1,490	581	2,055	1,489			111,700	112,007
TOTAL ASSETS	19,812	21,504	216	379	11,710	12,373	3,830	4,067	80,302	109,336	185	436	1,561	1,223	2,127	2,392			119,738	151,711
LIABILITIES																				
Current Liabilities																				
Payables	4,234	3,387	66	106	2,327	2,444	520	352	7,988	6,337	34	31	647	132	419	154			15,945	12,947
Borrowings	533	448	6	6	158	138	81	56	755	748	5	6	42	26	43	37			1,620	1,464
Provisions	6,384	6,075	75	60	1,593	1,331	1,032	825	8,916	8,916	59	77	433	379	482	500			18,873	18,162
Other	7	19	—	—	2	6	1	2	10	31	—	—	1	1	1	2			21	61
Total Current Liabilities	11,358	9,929	147	172	4,080	3,917	1,634	1,237	17,077	16,032	97	114	1,123	538	945	693			36,459	32,636
Non-Current Liabilities																				
Borrowings	24,796	23,550	286	289	7,356	7,141	3,756	3,041	35,013	39,346	218	252	1,937	1,375	1,998	1,940			75,366	76,986
Provisions	80	68	1	1	19	15	12	9	104	97	1	1	5	4	8	5			228	188
Total Non-Current Liabilities	24,876	23,618	287	290	7,375	7,156	3,771	3,050	35,117	39,443	219	253	1,942	1,379	2,006	1,945			75,594	77,184
TOTAL LIABILITIES	36,234	33,547	434	472	11,455	11,073	5,405	4,287	52,194	55,475	314	407	3,065	1,917	2,949	2,638			112,053	109,814
NET ASSETS	(16,422)	(12,041)	(221)	(93)	251	1,300	(1,575)	(220)	28,108	53,861	(129)	28	(1,504)	(694)	(827)	(246)			7,686	41,897

* The name and purpose of each service group is summarised in Note 15

1. Summary of Significant Accounting Policies

a) The Reporting Entity

The Justice Health and Forensic Mental Health Network (the Network) was established under the provisions of the Health Services Act 1997 with effect from 30 March 2012.

The Network, as a reporting entity, comprises all the entities under its control, namely:

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control.
- * The Justice Health and Forensic Mental Health Network Special Purpose Service Entity which was established as a Division of the Network on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The Network is a not-for-profit entity (as profit is not its principal objective).

It should be noted that the Network's financial statements do not include the cost of external or community based patient care services provided by Local Health District's (LHD) due to the application of the Ministry of Health policy PD2015_022 Health Services Act 1997 – Scale of Fees for Hospital and Other Services. The cost of these services remain in the LHD and are not charged to the Network. The Network also has established Memoranda of Understanding with various Local Health Districts to enable the operation of the Forensic Mental Health Network and improve patient flow.

These consolidated financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive and Chair of the Board on 6 September 2016.

b) Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. The financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ab).

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

The Secretary of Health, the Chair of the Justice Health and Forensic Mental Health Network Board and the Chief Executive, expect to have a signed Service Agreement later in 2016. The Service Agreement will contain details of service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the Network's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other circumstances why the going concern is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The Network has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the Network and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

c) Comparative Information

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

1. Summary of Significant Accounting Policies

d) Statement of Compliance

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

e) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2016 (comparable on-costs for 30 June 2015 were also 16.7%). The Network has assessed the actuarial advice based on the Network's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

ii) Long Service Leave and Superannuation

The Network's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

The Network accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 24.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

iv) Other Provisions

Other provisions exist when the Network has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

f) Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

g) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's Mandate to not-for-profit NSW general government sector entities.

1. Summary of Significant Accounting Policies

h) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Network transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

Patient Fees

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised on an accrual basis when the service has been provided to the patient.

High Cost Drugs

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Debt Forgiveness

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

Grants and Contributions

Grants and contributions are recognised as revenues when the Network obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the Network as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

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

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

- * amount of GST incurred by the Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and

- * receivables and payables are stated with the amount of GST included.

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

j) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

Land and buildings which are owned by the Health Administration Corporation and operated/occupied by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

k) Capitalisation Thresholds

Individual items of Property, Plant & Equipment and Intangibles are capitalised where their cost is \$10,000 or above.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

l) Depreciation of Property, Plant and Equipment

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

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

	2016	2015
Buildings	2.5%	2.5%
Computer Equipment	20%	20%
Electro Medical Equipment		
- Costing less than \$200,000	10%	10%
- Costing more than or equal to \$200,000	12.5%	12.5%
Furniture, Fittings and Furnishings	5%	5%
Infrastructure Systems	2.5%	2.5%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%
Leased Buildings	10%	10%

m) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 19 and Note 21 for further information regarding fair value.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

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

1. Summary of Significant Accounting Policies

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

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

n) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

o) Restoration Costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

p) Intangible Assets

The Network recognises intangible assets only if it is probable that future economic benefits will flow to the Network and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Network's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over five years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

q) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

r) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

s) Inventories

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of in accordance with instructions issued by the NSW Ministry of Health.

t) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

1. Summary of Significant Accounting Policies

u) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale", must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

v) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Network transfers the financial asset:

- * where substantially all the risks and rewards have been transferred; or
- * where the Network has not transferred substantially all the risks and rewards, if the Network has not retained control.

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

w) Payables

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Network.

x) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

Borrowings include finance lease liabilities. The finance lease liability is determined in accordance with AASB 117, Leases.

y) Fair Value Hierarchy

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

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

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

Refer Note 21 and Note 32 for further disclosures regarding fair value measurements of financial and non-financial assets.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

z) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 1(m).

aa) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 27.

As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, these funds are not recognised in the financial statements.

ab) Adjusted Budgeted Amounts

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The Network's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 31.

ac) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 15.

Revenue and expenses are allocated to service groups using statistical data for the twelve months ended 30 June 2015, then adjusted for any material change in service delivery or funding distribution occurring in the 2015-16 financial year.

In respect of assets and liabilities, the Network identifies those components that can be specifically identified and reported by service groups.

1. Summary of Significant Accounting Policies

ad) Changes in Accounting Policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The early adoption of AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.

AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The change is not expected to materially impact the financial statements.

AASB 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	133,292	124,980
----	----	Superannuation - Defined Benefit Plans	857	921
----	----	Superannuation - Defined Contribution Plans	11,427	10,845
----	----	Long Service Leave	6,569	6,074
----	----	Redundancies	215	112
----	----	Workers' Compensation Insurance	1,405	1,717
----	----	Fringe Benefits Tax	19	40
----	----		153,784	144,689
3. Personnel Services				
133,292	124,980	Salaries and Wages	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
11,427	10,845	Superannuation - Defined Contribution Plans	----	----
370	353	Long Service Leave	----	----
215	112	Redundancies	----	----
1,405	1,717	Workers' Compensation Insurance	----	----
19	40	Fringe Benefits Tax	----	----
146,728	138,047		----	----
4. Other Operating Expenses				
269	100	Advertising	269	100
101	101	Auditor's Remuneration - Audit of Financial Statements	101	101
84	269	Consultancies	84	269
120	59	Contractors	120	59
382	393	Domestic Supplies and Services	382	393
13,434	8,957	Drug Supplies	13,434	8,957
630	646	Food Supplies	630	646
25	4	Fuel, Light and Power	25	4
38	2	Hospital Ambulance Transport Costs	38	2
3,234	2,923	Information Management Expenses	3,234	2,923
87	221	Insurance	87	221
1,721	3,041	Maintenance (See 4(b) below)	1,721	3,041
586	606	Medical and Surgical Supplies	586	606
283	259	Motor Vehicle Expenses	283	259
348	269	Postal and Telephone Costs	348	269
762	880	Printing and Stationery	762	880
74	58	Rates and Charges	74	58
522	433	Rental	522	433
1,046	976	Special Service Departments	1,046	976
1,832	1,838	Staff Related Costs	1,832	1,838
1,330	1,134	Travel Related Costs	1,330	1,134
10,769	10,379	Other (See 4(a) below)	10,769	10,379
37,677	33,548		37,677	33,548

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
28	30	Contract for Patient Services	28	30
619	603	Corporate Support Services	619	603
273	217	Courier and Freight	273	217
283	94	Legal Services	283	94
21	36	Membership/Professional Fees	21	36
8,619	8,295	Public Private Partnership Contracted Services	8,619	8,295
61	62	Quality Assurance/Accreditation	61	62
18	11	Security Services	18	11
847	1,031	Other Miscellaneous	847	1,031
<u>10,769</u>	<u>10,379</u>		<u>10,769</u>	<u>10,379</u>
b) Reconciliation of Total Maintenance				
527	474	Maintenance Contracts	527	474
1,164	2,544	New/Replacement Equipment under \$10,000	1,164	2,544
30	23	Repairs Maintenance/Non Contract	30	23
<u>1,721</u>	<u>3,041</u>		<u>1,721</u>	<u>3,041</u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
5. Depreciation and Amortisation				
2,550	2,550	Depreciation - Buildings	2,550	2,550
622	619	Depreciation - Plant and Equipment	622	619
559	492	Amortisation - Leasehold Improvements	559	492
1,171	1,058	Amortisation - Intangible Assets	1,171	1,058
4,902	4,719		4,902	4,719
6. Grants and Subsidies				
----	11	Grants to Research Organisations	----	11
79	----	Grants to Other NSW Health Entities	79	----
30	232	Other Grants	30	232
109	243		109	243
7. Finance Costs				
4,981	5,336	Public Private Partnership Lease Interest Charges	4,981	5,336
4,981	5,336		4,981	5,336

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		8. Sale of Goods and Services		
		Patient Fees		
		- Inpatient Fees	2,369	2,209
2,369	2,209	Cafeteria/Kiosk	75	86
75	86	Information Retrieval	60	51
60	51	High Cost Drugs	8,168	3,516
8,168	3,516	Private Use of Motor Vehicles	88	49
88	49	Other	180	183
180	183			
<u>10,940</u>	<u>6,094</u>		<u>10,940</u>	<u>6,094</u>
		9. Investment Revenue		
		Interest	----	1,191
----	1,191			
<u>----</u>	<u>1,191</u>		<u>----</u>	<u>1,191</u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
10. Grants and Contributions				
----	113	Cancer Institute Grants	----	113
422	287	Grants from Other NSW Health Entities	422	287
188	59	Other Grants	188	59
<u>610</u>	<u>459</u>		<u>610</u>	<u>459</u>
 11. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	857	921
----	----	Long Service Leave	6,199	5,721
<u>----</u>	<u>----</u>		<u>7,056</u>	<u>6,642</u>
 12. Other Revenue				
Other Revenue comprises the following:-				
1	1	Commissions	1	1
394	185	Conference and Training Fees	394	185
14	34	Discounts	14	34
38	----	Insurance Refunds	38	----
3,822	4,061	Treasury Managed Fund Hindsight Adjustment	3,822	4,061
481	205	Other	481	205
<u>4,750</u>	<u>4,486</u>		<u>4,750</u>	<u>4,486</u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		13. Gain / (Loss) on Disposal		
756	318	Property, Plant and Equipment	756	318
(563)	(135)	Accumulated Depreciation	(563)	(135)
193	183	Written Down Value	193	183
126	152	Proceeds from Disposal	126	152
		Gain/(Loss) on Disposal of Property, Plant and Equipment		
<u>(67)</u>	<u>(31)</u>		<u>(67)</u>	<u>(31)</u>
		14. Other Gains / (Losses)		
(152)	(275)	Impairment of Receivables	(152)	(275)
<u>(152)</u>	<u>(275)</u>		<u>(152)</u>	<u>(275)</u>

15. Service Groups of the Network

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services for persons attending community health centres or in the home, including health promotion activities, women's health, dental, drug and alcohol and HIV/AIDS services. It also covers co-ordination of domestic violence and sexual assault prevention. Grants to non-government organisations are also included.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. This program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that are used by all members of the community.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

Service Description: This service group covers the provision of services in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

15. Service Groups of the Network

Service Group 3.1 - Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 5.1 - Population Health Services

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
16. Cash and Cash Equivalents				
683	27,138	Cash at Bank and On Hand	683	27,138
----	8,000	Short Term Deposits	----	8,000
<u>683</u>	<u>35,138</u>		<u>683</u>	<u>35,138</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
683	35,138	Cash and Cash Equivalents (per Statement of Financial Position)	683	35,138
<u>683</u>	<u>35,138</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>683</u>	<u>35,138</u>

Refer to Note 32 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
17. Receivables				
Current				
1,163	1,670	Sale of Goods and Services	1,163	1,670
217	189	Intra Health Receivables	217	189
1,294	995	Goods and Services Tax	1,294	995
<u>3,714</u>	<u>818</u>	Other Debtors	<u>3,714</u>	<u>818</u>
6,388	3,672	Sub Total	6,388	3,672
<u>(648)</u>	<u>(667)</u>	Less Allowance for Impairment	<u>(648)</u>	<u>(667)</u>
5,740	3,005	Sub Total	5,740	3,005
537	425	Prepayments	537	425
<u>6,277</u>	<u>3,430</u>		<u>6,277</u>	<u>3,430</u>
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(667)	(495)	Balance at Commencement of Reporting Period	(667)	(495)
171	103	Amounts written off during the period	171	103
(152)	(275)	(Increase)/decrease in Allowance Recognised in the Net Result	(152)	(275)
<u>(648)</u>	<u>(667)</u>	Balance at 30 June	<u>(648)</u>	<u>(667)</u>
<u>(648)</u>	<u>(667)</u>		<u>(648)</u>	<u>(667)</u>
b) The current and non-current sale of goods and services				
balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
736	1,007	Patient Fees - Inpatient & Other	736	1,007
<u>736</u>	<u>1,007</u>		<u>736</u>	<u>1,007</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 32.

Justice Health and Forensic Mental Health Network
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PARENT

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2016
\$000

2015
\$000

2016
\$000

2015
\$000

18. Inventories

1,079

1,136

Drugs

1,079

1,136

1,079

1,136

1,079

1,136

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
19. Property, Plant and Equipment				
Land and Buildings - Fair Value				
117,388	117,213	Gross Carrying Amount	117,388	117,213
(19,123)	(16,574)	Less: Accumulated Depreciation and Impairment	(19,123)	(16,574)
98,265	100,639	Net Carrying Amount	98,265	100,639
Plant and Equipment - Fair Value*				
8,720	6,686	Gross Carrying Amount	8,720	6,686
(3,333)	(3,272)	Less: Accumulated Depreciation and Impairment	(3,333)	(3,272)
5,387	3,414	Net Carrying Amount	5,387	3,414
Leasehold Improvements - Fair Value*				
7,165	5,775	Gross Carrying Amount	7,165	5,775
(2,897)	(2,339)	Less: Accumulated Depreciation and Impairment	(2,897)	(2,339)
4,268	3,436	Net Carrying Amount	4,268	3,436
107,920	107,489	Total Property, Plant and Equipment At Net Carrying Amount	107,920	107,489

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

19. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2016					
Net carrying amount at start of year	15,225	85,414	3,414	3,436	107,489
Additions	----	176	2,792	1,502	4,470
Reclassifications to Intangibles	----	----	(254)	----	(254)
Disposals	----	----	(193)	----	(193)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	139	----	139
Depreciation Expense	----	(2,550)	(622)	(559)	(3,731)
Reclassifications	----	----	111	(111)	----
Net carrying amount at end of year	15,225	83,040	5,387	4,268	107,920

	Land \$000	Buildings \$000	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
2015					
Net carrying amount at start of year	15,225	87,964	3,385	3,300	109,874
Additions	----	----	942	517	1,459
Disposals	----	----	(183)	----	(183)
Depreciation Expense	----	(2,550)	(619)	(492)	(3,661)
Reclassifications	----	----	(111)	111	----
Net carrying amount at end of year	15,225	85,414	3,414	3,436	107,489

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 1(j)].
- (ii) The 2015/16 indices disclosure below represents the estimated movement in fair value after the 31 December 2015 full revaluation.
- (iii) Indices provided by CBRE were not applied as management assessed the impact to be immaterial.

Year	Land	Buildings
2014/15	2%	1%
2015/16	1%	2%

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		20. Intangible Assets		
		Intangibles		
6,009	5,576	Cost (Gross Carrying Amount)	6,009	5,576
(2,229)	(1,058)	Less: Accumulated Amortisation and Impairment	(2,229)	(1,058)
<u>3,780</u>	<u>4,518</u>	Net Carrying Amount	<u>3,780</u>	<u>4,518</u>
<u>3,780</u>	<u>4,518</u>	Total Intangible Assets at Net Carrying Amount	<u>3,780</u>	<u>4,518</u>

PARENT & CONSOLIDATION

20. Intangibles - Reconciliation

	Intangibles \$000	Total \$000
2016		
Net carrying amount at start of year	4,518	4,518
Additions (From Internal Development or Acquired Separately)	179	179
Reclassifications from Plant & Equipment	254	254
Amortisation (Recognised in Depreciation and Amortisation)	(1,171)	(1,171)
Net carrying amount at end of year	3,780	3,780

	Intangibles \$000	Total \$000
2015		
Net carrying amount at start of year	5,145	5,145
Additions (From Internal Development or Acquired Separately)	431	431
Amortisation (Recognised in Depreciation and Amortisation)	(1,058)	(1,058)
Net carrying amount at end of year	4,518	4,518

PARENT & CONSOLIDATION

21. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels.

a) Fair Value Hierarchy

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	----	98,265	98,265
	----	----	98,265	98,265

There were no transfers between level 1 and 2 during the period ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 19)				
- Land and Buildings	----	----	100,639	100,639
	----	----	100,639	100,639

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

Work in Progress and Newly Completed Projects are carried at cost, therefore excluded from figures above and as a result will not agree to Note 19.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers every three years. The last revaluation was performed by CBRE for the FY2015/16 financial year. CBRE is an independent entity and is not an employee of the Network.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 19 reconciliation.

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

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs.

Justice Health and Forensic Mental Health Network
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21. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2016	Land and Buildings \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2015	100,639	100,639
Additions	176	176
Depreciation	(2,550)	(2,550)
Fair value as at 30 June 2016	<u><u>98,265</u></u>	<u><u>98,265</u></u>
2015	Land and Buildings \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	103,189	103,189
Additions	-----	-----
Depreciation	(2,550)	(2,550)
Fair value as at 30 June 2015	<u><u>100,639</u></u>	<u><u>100,639</u></u>

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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		22. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	1,320	5,029
-----	-----	Taxation and Payroll Deductions	1,553	(962)
2,873	4,067	Accrued Liability - Purchase of Personnel Services	-----	-----
4,096	2,626	Creditors	4,096	2,626
		Other Creditors		
467	760	- Intra Health Liability	467	760
8,509	5,490	- Other	8,509	5,490
<u>15,945</u>	<u>12,943</u>		<u>15,945</u>	<u>12,943</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 32.

		23. Borrowings		
		Current		
1,620	1,464	Public Private Partnership	1,620	1,464
<u>1,620</u>	<u>1,464</u>		<u>1,620</u>	<u>1,464</u>
		Non-Current		
75,366	76,986	Public Private Partnership	75,366	76,986
<u>75,366</u>	<u>76,986</u>		<u>75,366</u>	<u>76,986</u>

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.

Final Repayment is scheduled for 30 June 2034.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 32.

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
24. Provisions				
Current				
-----	-----	Annual Leave - Short Term Benefit	13,792	12,621
-----	-----	Annual Leave - Long Term Benefit	2,459	3,259
-----	-----	Long Service Leave Consequential On-Costs	2,622	2,282
18,873	18,162	Provision for Personnel Services Liability	-----	-----
18,873	18,162		18,873	18,162
Non-Current				
-----	-----	Long Service Leave Consequential On-Costs	228	198
228	198	Provision for Personnel Services Liability	-----	-----
228	198		228	198
Aggregate Employee Benefits and Related On-Costs				
-----	-----	Provisions - Current	18,873	18,162
-----	-----	Provisions - Non-Current	228	198
-----	-----	Accrued Salaries, Wages and On-Costs (Note 22)	2,873	4,067
21,974	22,427	Liability - Purchase of Personnel Services	-----	-----
21,974	22,427		21,974	22,427
25. Other Liabilities				
Current				
-----	-----	Income in Advance	21	61
21	61		21	61

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
26. Commitments for Expenditure				
a) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
1,053	373	Not later than one year	1,053	373
3,649	17	Later than one year and not later than five years	3,649	17
<u>4,702</u>	<u>390</u>	Total Operating Lease Commitments (Including GST)	<u>4,702</u>	<u>390</u>
The operating lease commitments above are leased properties				
b) Finance Lease Commitments				
Minimum lease payment commitments in relation to finance leases are payable as follows:				
9,794	9,794	Not later than one year	9,794	9,794
39,177	39,177	Later than one year and not later than five years	39,177	39,177
125,743	135,537	Later than five years	125,743	135,537
<u>174,714</u>	<u>184,508</u>	Minimum Lease Payments	<u>174,714</u>	<u>184,508</u>
<u>97,728</u>	<u>106,058</u>	Less: Future Finance Charges	<u>97,728</u>	<u>106,058</u>
<u>76,986</u>	<u>78,450</u>	Present Value of Minimum Lease Payments	<u>76,986</u>	<u>78,450</u>
The present value of finance lease commitments is as follows:				
1,620	1,464	Not later than one year	1,620	1,464
8,392	7,587	Later than one year and not later than five years	8,392	7,587
66,974	69,399	Later than five years	66,974	69,399
<u>76,986</u>	<u>78,450</u>	Present Value of Minimum Lease Payments Classified as:	<u>76,986</u>	<u>78,450</u>
1,620	1,464	(a) Current (Note 23)	1,620	1,464
75,366	76,986	(b) Non-Current (Note 23)	75,366	76,986
<u>76,986</u>	<u>78,450</u>		<u>76,986</u>	<u>78,450</u>

The finance lease commitments above are for the Forensic Hospital complex.

c) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$4.7 million as at 30 June 2016 includes input tax credits of \$0.4 million that are expected to be recoverable from the Australian Taxation Office (2015 \$0.1 million).

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27. Trust Funds

The Network holds trust funds of \$0.8 million which are held for the safe keeping of patients' monies.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	1,043	718	27	----	1,070	718
Revenue	1,913	1,974	27	27	1,940	2,001
Expenses	(2,234)	(1,649)	----	----	(2,234)	(1,649)
Balance at the end of the financial year	722	1,043	54	27	776	1,070

28 Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund workers compensation insurance hindsight adjustments are calculated 3 years (interim) and 5 years (final) after the start of each policy year. Hindsight (payments/refunds) adjust insurance contributions paid to reflect actual claims experience. iCare Self Insurance (manager of the Treasury Managed Fund) calculates hindsight adjustments after the 'hindsight date' has past. At 30 June 2016, hindsight adjustments were due for the 2011/12 (final) and 2013/14 (interim) policy years. Adjustments for the 30 June 2016 'hindsight date' have not been provided by the Treasury Managed Fund. It is not possible for the Network to reliably quantify the hindsight benefit to be received or amount payable.

b) Other

The liability to pay PPP Solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving non-indexable availability charges and interest rate adjustments. Other service fees are to be indexed in accordance with inflation and wages escalation. The estimated value of the contingent liability associated with indexation and interest rate adjustment is unable to be fully determined because of uncertain future events. Any fluctuation between fixed interest payable & variable interest rebate is recognised in the statement of comprehensive income at reporting date.

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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
29. Reconciliation of Cash Flows from Operating Activities to Net Result				
(28,327)	4,810	Net Cash Flows from Operating Activities	(28,327)	4,810
(4,902)	(4,718)	Depreciation and Amortisation	(4,902)	(4,718)
(152)	(275)	Allowance for Impairment	(152)	(275)
40	99	(Increase)/ Decrease Income in Advance	40	99
(741)	(173)	(Increase)/ Decrease in Provisions	(741)	(173)
2,955	1,516	Increase / (Decrease) in Prepayments and Other Assets	2,955	1,516
(3,017)	1,571	(Increase)/ Decrease in Payables from Operating Activities	(3,017)	1,571
(67)	(31)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(67)	(31)
(34,211)	2,799	Net Result	(34,211)	2,799

30. Unclaimed Monies

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

All money and personal effects of patients which are left in the custody of Network by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of Network.

All such money and the proceeds of the realisation of any personal effects are lodged to the credit of the Samaritan Fund which is used specifically for the benefit of necessitous patients or necessitous outgoing patients.

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31. Adjusted Budget Amount - Parent and Consolidated

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2015 are as follows:

	\$000
Initial Allocation, 1 July 2015	142,473
Subsequent supplementations - Special Projects (Drug Summit 4)	8,136
Subsequent supplementations - Special Projects (Living Well - NSW Mental Health Reform)	1,615
Subsequent supplementations - Other Special Projects	1,337
Subsequent supplementations - General Funding (Rural Oral Health Outreach Service)	(1,012)
Subsequent supplementations - General Funding (Reversal of the Social Services Legislation Amendment Bill)	(2,062)
Subsequent supplementations - General Funding (Finalisation of Recurrent Subsidy)	(1,271)
Subsequent supplementations - Other General Funding	238
Balance as per Statement of Comprehensive Income	149,454

Adjusted Budget Review - Parent and Consolidated

Net Result

Actual Net Result was unfavourable to budget by \$0.9 million, due to increased Employee Related expenses of \$5.0 million to meet the service demands from growing prisoner population; partially offset by the receipt of TMF Workers' Compensation Hindsight adjustment of \$2.6 million in May 2016, and higher patient fee billing of \$1.1 million.

The actual loss for the year of \$34.2 million was mainly due to a one-time transfer of \$34 million to the NSW Treasury Banking System from 1 July 2015, as required by the NSW Treasury Circular TC15-01 *Cash Management - Expanding the Scope of the Treasury Banking System*, thereby reducing the Recurrent Allocations by that amount.

Future Funding

It should be noted that the growth of 19.1% in prisoner population over the last 24 months was unprecedented, and is imposing significant amount of pressure on the Network's operational and resourcing requirements. The Network is working with the Ministry of Health to ensure sufficient level of funding can be made available to address this growth in service demand, to ensure adequacy of clinical quality and patient safety.

Assets and Liabilities

Actual Net Assets for the year were lower than budget by \$0.9 million largely due to unfavourability in Net Result. The \$34 million reduction in cash and Cash Equivalents compared with last year is largely represented by a reduction in 2015/16 Recurrent Allocations as a result of new cash management arrangements for unrestricted cash assets as required by the NSW Treasury Circular TC15-01 *Cash Management - Expanding the Scope of the Treasury Banking System* implemented from 1 July 2015. This is the main reason for the reduction in Equity from \$41.9 million in 2014/15 to \$7.7 million in 2015/16.

Cash Flows

Actual net cash flows from the operating activities were favourable to budget by \$4.1 million mainly due to higher revenue collections for the year.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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32. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Network, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

(a) Financial Instrument Categories

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Financial Assets Class:	Category	Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Cash and Cash Equivalents (note 16)	N/A	683	35,138
Receivables (note 17)*	Loans and receivables (at amortised cost)	4,446	2,010
		<u>5,129</u>	<u>37,148</u>

Justice Health and Forensic Mental Health Network
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32. Financial Instruments

Financial Liabilities

Borrowings (note 23)		76,986	78,450
Payables (note 22)**	Financial liabilities measured at amortised cost	14,392	13,905
		91,378	92,355

Notes

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit Risk

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

Credit risk arises from financial assets of the Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system from 2015/16, which provide a budget adjustment instead interest payment to the Network. Interest was earned on daily bank balances at rates of approximately 3.20% in the previous year.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Network will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016: \$853K; 2015: \$783K) and not more than 3 months past due (2016: \$87K; 2015: \$255K) are not considered impaired. Together these represent 58% of the total trade debtors.

Financial assets that are past due or impaired could be either 'Sales of Goods and Services' or 'Other Debtors' in the 'Receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

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32. Financial Instruments

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2016			
<3 months overdue	137	106	31
3 months - 6 months overdue	47	----	47
> 6 months overdue	570	----	570
2015			
<3 months overdue	255	210	45
3 months - 6 months overdue	22	----	22
> 6 months overdue	600	----	600

Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity Risk

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

The Network has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

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

The Network has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the Network fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

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32. Financial Instruments

The table below summarises the maturity profile of the Network's financial liabilities together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		1,320	----	----	1,320	1,320	----	----
- Creditors		13,072	----	----	13,072	13,072	----	----
Borrowings:								
- Public Private Partnership	10.60%	174,714	----	174,714	----	9,794	39,177	125,743
		<u>189,106</u>	----	<u>174,714</u>	<u>14,392</u>	<u>24,186</u>	<u>39,177</u>	<u>125,743</u>
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,029	----	----	5,029	5,029	----	----
- Creditors		8,876	----	----	8,876	8,876	----	----
Borrowings:								
- Public Private Partnership	10.60%	184,508	----	184,508	----	9,794	39,177	135,537
		<u>198,413</u>	----	<u>184,508</u>	<u>13,905</u>	<u>23,699</u>	<u>39,177</u>	<u>135,537</u>

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Network can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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32. Financial Instruments

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Network's interest bearing liabilities.

However, the Network is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury).

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Network's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	683	(7)	(7)	7	7
Receivables	4,446	----	----	---	----
Financial Liabilities					
Payables	14,392	----	----	---	---
Borrowings	76,986	770	770	(770)	(770)
2015					
Financial Assets					
Cash and Cash Equivalents	35,138	(351)	(351)	351	351
Receivables	2,010	---	---	---	----
Financial Liabilities					
Payables	13,905	----	----	----	----
Borrowings	78,450	785	785	(785)	(785)

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33. Events after the Reporting Period

In July 2016, iCare Self Insurance advised of the Treasury Managed Fund workers compensation insurance hindsight adjustment calculations for the 2010/11 and 2012/13 policy years. This has resulted in a hindsight refund (revenue) of \$1.3 million being recognised as a receivable at 30 June 2016.

Other than the above, there has not been any matters arising subsequent to balance date that would require these financial statements to be amended. However the recent Government decision on market test custodial and health services provided at John Morony Correctional Centre has created uncertainty on the Network's continuing service provision at the Centre. The Government has made public comment about the possible sale of the Malabar site for residential housing. The Network owns the Forensic Hospital buildings on the Malabar site. The Government's announcement was unclear in respect of the Network's assets however any divestment has material implications for the Network.

END OF AUDITED FINANCIAL STATEMENTS