

Sydney
Local Health District

Financial Statements

for the year ended 30 June 2017



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Local Health District (the District), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, of the District and the consolidated entity. The consolidated entity comprises the District 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 District and the consolidated entity as at 30 June 2017, 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 the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the District and the consolidated entity in accordance with the requirements of the:

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

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

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

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

I 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 Note 1 (ae). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

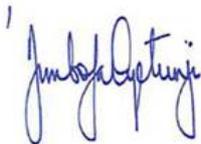
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the District or the consolidated entity carried out its 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
- about any other information which may have been hyperlinked to/from the financial statements.



A Oyetunji
Director, Financial Audit Services

6 September 2017
SYDNEY

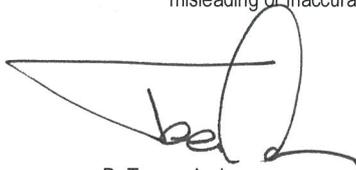
**Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2017**

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

- 1) The financial statements of Sydney Local Health District for the year ended 30 June 2017 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 and the Public Finance and Audit Regulation 2015 and
 - c) Financial Reporting Directions mandated by the Treasurer.

- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of Sydney Local Health District; and

- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Dr Teresa Anderson
Chief Executive
5 September 2017



Jacqueline Ferguson
Director of Finance
5 September 2017

Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2017

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual			Notes	Actual	Adjusted Budget Unaudited	Actual		
2017	2017	2016				2017	2017	2016		
\$000	\$000	\$000				\$000	\$000	\$000		
			Expenses excluding losses							
			Operating Expenses							
----	----	----	Employee Related		2	1,009,384	996,238	988,848		
982,079	972,455	925,311	Personnel Services		3	----	----	----		
44,155	45,241	44,885	Visiting Medical Officers			44,155	45,241	44,885		
588,099	606,775	482,100	Other Operating Expenses		4	591,932	606,775	485,237		
52,667	53,360	46,606	Depreciation and Amortisation		1(l), 5	53,511	53,360	47,428		
18,899	20,025	18,303	Grants and Subsidies		6	19,257	20,025	18,519		
4	6	7	Finance Costs		1(g), 7	4	6	7		
12,143	12,143	8,581	Payments to Affiliated Health Organisations		8	12,143	12,143	8,581		
1,698,046	1,710,005	1,525,793	Total Expenses excluding losses			1,730,386	1,733,788	1,593,505		
			Revenue							
1,281,324	1,281,324	1,239,083	NSW Ministry of Health Recurrent Allocations		1(h)	1,281,324	1,281,324	1,239,083		
26,674	26,645	8,143	NSW Ministry of Health Capital Allocations		1(h)	26,674	26,645	8,143		
----	----	----	Acceptance by the Crown Entity of Employee Benefits		1(e)(ii), 12	24,211	23,783	59,275		
214,632	225,890	203,417	Sale of Goods and Services		1(h), 9	214,632	225,890	203,417		
4,732	5,446	5,559	Investment Revenue		1(h), 10	5,301	5,446	6,088		
37,881	36,544	43,996	Grants and Contributions		1(h), 11	44,369	36,544	50,068		
41,494	43,148	27,853	Other Revenue		13	44,097	43,148	30,047		
1,606,737	1,618,997	1,528,051	Total Revenue			1,640,608	1,642,780	1,596,121		
(454)	----	(107)	Gain / (Loss) on Disposal		14	(473)	----	(134)		
(942)	(770)	(5,334)	Other Gains / (Losses)		15	(942)	(770)	(5,334)		
(92,705)	(91,778)	(3,183)	Net Result		31	(91,193)	(91,778)	(2,852)		
			Other Comprehensive Income							
			Items that will not be reclassified to net result							
----	----	223,237	Net Increase/(Decrease) in Property, Plant & Equipment Revaluation Surplus		20	----	----	223,202		
----	----	223,237	Total Other Comprehensive Income			----	----	223,202		
(92,705)	(91,778)	220,054	TOTAL COMPREHENSIVE INCOME			(91,193)	(91,778)	220,350		

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Financial Position as at 30 June 2017

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual				Notes	Actual	Adjusted Budget Unaudited	Actual	
2017	2017	2016					2017	2017	2016	
\$000	\$000	\$000					\$000	\$000	\$000	
ASSETS										
Current Assets										
176,664	156,561	179,800	Cash and Cash Equivalents		17	199,714	177,067	200,305		
77,932	79,333	53,092	Receivables		18	78,515	80,904	54,665		
9,225	7,216	7,217	Inventories		19	9,225	7,216	7,217		
263,821	243,110	240,109	Total Current Assets			287,454	265,187	262,187		
Non-Current Assets										
1,110,726	1,094,999	1,126,346	Property, Plant & Equipment							
96,336	114,101	77,754	- Land and Buildings		20	1,118,383	1,103,118	1,134,464		
430	444	443	- Plant and Equipment		20	98,820	116,735	80,388		
149	427	427	- Infrastructure Systems		20	430	444	443		
1,207,641	1,209,971	1,204,970	- Leasehold Improvements		20	149	427	427		
553	659	659	Total Property, Plant & Equipment			1,217,782	1,220,724	1,215,722		
3,552	2,501	2,501	Intangible Assets		21	553	659	659		
1,211,746	1,213,131	1,208,130	Other		22	3,552	2,501	2,501		
1,475,567	1,456,241	1,448,239	Total Non-Current Assets			1,221,887	1,223,884	1,218,882		
			Total Assets			1,509,341	1,489,071	1,481,069		
LIABILITIES										
Current Liabilities										
94,823	86,882	83,144	Payables		25	95,075	87,115	83,372		
630	----	----	Borrowings		26	630	----	----		
298,163	292,910	196,859	Provisions		27	298,633	293,520	197,469		
251	137	137	Other		28	346	684	684		
393,867	379,929	280,140	Total Current Liabilities			394,684	381,319	281,525		
Non-Current Liabilities										
6,319	----	----	Borrowings		26	6,319	----	----		
1,985	1,985	1,998	Provisions		27	1,985	1,985	1,998		
8,304	1,985	1,998	Total Non-Current Liabilities			8,304	1,985	1,998		
402,171	381,914	282,138	Total Liabilities			402,988	383,304	283,523		
1,073,396	1,074,327	1,166,101	Net Assets			1,106,353	1,105,767	1,197,546		
EQUITY										
367,318	367,666	367,666	Reserves			369,821	370,168	370,169		
706,078	706,661	798,435	Accumulated Funds			736,532	735,599	827,377		
1,073,396	1,074,327	1,166,101	Total Equity			1,106,353	1,105,767	1,197,546		

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

PARENT	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2016		798,435	367,666	1,166,101
Total Equity at 1 July 2016		798,435	367,666	1,166,101
Net Result for the year		(92,705)	----	(92,705)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	----	----
Available for Sale Financial Assets:				
Transfers on Disposal		348	(348)	----
Total Other Comprehensive Income		348	(348)	----
Total Comprehensive Income for the year		(92,357)	(348)	(92,705)
Balance at 30 June 2017		706,078	367,318	1,073,396
Balance at 1 July 2015		801,544	144,503	946,047
Total Equity at 1 July 2015		801,544	144,503	946,047
Net Result for the year		(3,183)	----	(3,183)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	223,237	223,237
Available for Sale Financial Assets:				
Transfers on Disposal		74	(74)	----
Total Other Comprehensive Income		74	223,163	223,237
Total Comprehensive Income for the year		(3,109)	223,163	220,054
Balance at 30 June 2016		798,435	367,666	1,166,101

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2017

CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2016		827,377	370,169	1,197,546
Total Equity at 1 July 2016		827,377	370,169	1,197,546
Net Result for the year		(91,193)	-----	(91,193)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	-----	-----
Available for Sale Financial Assets:				
Transfers on Disposal		348	(348)	-----
Total Other Comprehensive Income		348	(348)	-----
Total Comprehensive Income for the year		(90,845)	(348)	(91,193)
Balance at 30 June 2017		736,532	369,821	1,106,353
Balance at 1 July 2015		830,155	147,041	977,196
Total Equity at 1 July 2015		830,155	147,041	977,196
Net Result for the year		(2,852)	-----	(2,852)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	223,202	223,202
Available for Sale Financial Assets:				
Transfers on Disposal		74	(74)	-----
Total Other Comprehensive Income		74	223,128	223,202
Total Comprehensive Income for the year		(2,778)	223,128	220,350
Balance at 30 June 2016		827,377	370,169	1,197,546

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----				
(33,892)	(35,017)	(29,680)		(992,201)	(984,348)	(944,011)
(1,601,297)	(1,620,767)	(1,512,102)		(34,299)	(35,067)	(29,944)
				(616,585)	(637,081)	(576,174)
<u>(1,635,189)</u>	<u>(1,655,784)</u>	<u>(1,541,782)</u>		<u>(1,643,085)</u>	<u>(1,656,496)</u>	<u>(1,550,129)</u>
Receipts						
1,281,324	1,281,324	1,239,083		1,281,324	1,281,324	1,239,083
26,674	26,645	8,143		26,674	26,645	8,143
----	----	----		16,655	16,655	16,632
214,106	229,355	207,648		214,896	229,360	206,555
4,667	5,343	5,444		5,236	5,343	5,973
57,801	56,465	63,723		48,230	40,406	53,733
96,068	91,723	62,067		98,318	91,835	65,095
<u>1,680,640</u>	<u>1,690,855</u>	<u>1,586,108</u>		<u>1,691,333</u>	<u>1,691,568</u>	<u>1,595,214</u>
45,451	35,071	44,326		48,248	35,072	45,085
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
8	----	282		8	----	282
----	----	----		----	----	402
(55,539)	(58,304)	(40,877)		(55,791)	(58,304)	(41,910)
<u>(55,531)</u>	<u>(58,304)</u>	<u>(40,595)</u>		<u>(55,783)</u>	<u>(58,304)</u>	<u>(41,226)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
6,992	----	----		6,992	----	----
(48)	(6)	(224)		(48)	(6)	(224)
<u>6,944</u>	<u>(6)</u>	<u>(224)</u>		<u>6,944</u>	<u>(6)</u>	<u>(224)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES						
(3,136)	(23,239)	3,507		(591)	(23,238)	3,635
179,800	179,800	176,293		200,305	200,305	196,670
<u>176,664</u>	<u>156,561</u>	<u>179,800</u>		<u>199,714</u>	<u>177,067</u>	<u>200,305</u>
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

a) The Reporting Entity

Sydney Local Health District (SLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

SLHD, 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. It also encompasses the Restricted Assets (as disclosed in notes 16 and 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SLHD to exercise its functions.
- * The Anzac Health and Medical Research Foundation is a controlled entity of SLHD conducting medical research on the Concord Hospital campus and the consolidated entity comprises the Parent, Special Purpose Service Entity and Anzac Health and Medical Research Foundation.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the Parent, Anzac Health and Medical Research Foundation 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.

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

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 5 September 2017.

b) Basis of Preparation

SLHD'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. Further information on the unaudited adjusted budget figures can be found at Note 1(ae).

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

The Secretary of Health, the Chair of Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under SLHD'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 SLHD 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 assumption is appropriate include:

- * Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * SLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * SLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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 NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 17.2% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 16.7%). SLHD has assessed the actuarial advice based on the SLHD'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

SLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

SLHD 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 SLHD as shown in Note 27.

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 employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's 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 SLHD 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

SLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) Finance Costs

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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 SLHD 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.

Highly Specialised Drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are 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.

State Insurance Regulatory Authority (SIRA)

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. SLHD recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by SLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

Investment Revenue

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

Dividend revenue is recognised in accordance with AASB 118 Revenue, when SLHD's right to receive payment is established.

Debt Forgiveness

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

Use of Hospital Facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge for the use of hospital facilities at rates determined by the NSW Ministry of Health. Charges consist of two components:

- * a monthly charge raised by SLHD based on a percentage of receipts generated.
- * the residual of the Private Practice Trust Fund at the end of each financial year, such sum being credited for SLHD use in the advancement of SLHD or individuals within it.

Use of Outside Facilities

SLHD uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for SLHD 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.

General operating expenses/revenues of \$12.143 million (Tresillian and Scarba) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. SLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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 SLHD 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.

Most assets are acquired from Health Administration Corporation, a controlled entity of the immediate parent.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

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.

Refer to Note 1(ab) for assets transferred as a result of equity transfer.

Land and buildings are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by SLHD are deemed to be controlled by SLHD 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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 SLHD. 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:

	2017	2016
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%
Linen	25%	25%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20%	20%
Office Equipment	10%	10%
Plant and Machinery	10%	10%
*Buildings - Leasehold	4%	4%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

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.

Investment property is separately discussed at Note 1(p).

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 20 and Note 23 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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) Investment Properties

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116, Property, Plant and Equipment.

SLHD does not have any property that meets the definition of Investment Property.

q) Intangible Assets

SLHD recognises intangible assets only if it is probable that future economic benefits will flow to SLHD 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 SLHD's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Computer software developed or acquired by SLHD are recognised as intangible assets and are amortised over four years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the parent.

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.

r) 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.

s) 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

t) 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.

u) 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.

v) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. SLHD

* SLHD subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss". Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

T-CorpIM Funds are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to SLHD's key management personnel.

The risk management strategy of SLHD has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act.

T-CorpIM Funds are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

The movement in the fair value of the T-CorpIM Funds incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that SLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

These investments are measured at amortised cost using the effective interest method. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

* Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date SLHD commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

w) 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.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously 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.

x) 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 SLHD transfers the financial asset:

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

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

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

y) Payables

These amounts represent liabilities for goods and services provided to SLHD 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 SLHD.

z) 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.

aa) Fair Value Hierarchy

A number of SLHD'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, SLHD 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).

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

Refer Note 23 and Note 35 for further disclosures regarding fair value measurements of financial and non-financial assets.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

ab) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, SLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, SLHD does not recognise that asset.

ac) 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 SLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(m).

ad) Trust Funds

SLHD receives monies in a trustee capacity for various trusts as set out in Note 30.

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

ae) 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). SLHD'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, SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD 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 34.

af) Emerging Asset

SLHD's emerging interest in the Lifehouse Class A Assets, Radiation Oncology Building and Lifehouse Main Building has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required SLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 40 years using the annuity method and the Government Bond rate of 4.74% at commencement of the concession period.

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

(i) Effective for the first time in 2016-17

The accounting policies applied in 2016-17 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:

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities extends the scope of AASB 124 *Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Summary of Significant Accounting Policies

(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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 *Statement of Cash Flows* to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

AASB 9 Financial Instruments and *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may significantly impact the timing and amount of impairment recognition.

AASB 16 Leases applies to annual periods beginning on or after 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. The application of this standard will likely have a significant transitional impact as all leases, except short term (<12 months) and low value leases, brought on balance sheet.

AASB 15 Revenue from Contracts with Customers (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue currently recognised by reference to the stage of completion of the transaction.

AASB 1058 Income of Not-for-Profit Entities applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash.

AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions* and is not expected to materially impact the financial statements.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
2. Employee Related				
----	----	Salaries and Wages (including annual leave)	898,162	845,580
----	----	Superannuation - Defined Benefit Plans	9,121	9,472
----	----	Superannuation - Defined Contribution Plans	78,300	73,739
----	----	Long Service Leave	14,931	52,991
----	----	Redundancies	662	43
----	----	Workers' Compensation Insurance	8,163	6,959
----	----	Fringe Benefits Tax	45	64
-----	-----		<u>1,009,384</u>	<u>988,848</u>
The amounts below are capitalised and do not form part of the above total employee related costs:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	129	----
3. Personnel Services				
895,334	841,653	Salaries and Wages	----	----
78,034	73,404	Superannuation - Defined Contribution Plans	----	----
(159)	3,188	Long Service Leave	----	----
662	43	Redundancies	----	----
8,163	6,959	Workers' Compensation Insurance	----	----
45	64	Fringe Benefits Tax	----	----
<u>982,079</u>	<u>925,311</u>		<u>-----</u>	<u>-----</u>
Personnel services of Sydney Local Health District was provided by its controlled entity, Sydney Local Health District Special Purpose Service Entity.				
The amounts below are capitalised and do not form part of the above total personnel services:				
129	----	Personnel Services Expenses Capitalised - Land and Buildings	----	----

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
174	130	Advertising	175	133
240	240	Auditor's Remuneration - Audit of Financial Statements	266	266
21,699	21,396	Blood and Blood Products	21,699	21,396
545	600	Consultancies	545	600
4,841	3,577	Contractors	4,988	4,036
18,030	17,264	Domestic Supplies and Services	18,037	17,273
74,834	78,416	Drug Supplies	74,857	78,441
25,232	25,965	Food Supplies	25,264	25,979
12,172	10,491	Fuel, Light and Power	12,172	10,491
3,942	4,671	Hospital Ambulance Transport Costs	3,942	4,671
22,344	21,007	Information Management Expenses	22,354	21,049
1,596	1,777	Insurance	1,629	1,779
36,905	31,503	Maintenance (See 4(b) below)	37,750	31,694
95,792	91,179	Medical and Surgical Supplies	95,810	91,226
1,943	1,980	Motor Vehicle Expenses	1,948	1,984
2,549	2,403	Postal and Telephone Costs	2,557	2,406
4,041	4,124	Printing and Stationery	4,070	4,165
2,019	2,597	Rates and Charges	2,030	2,612
3,947	3,707	Rental	3,947	3,707
277	43	Hosted Services Purchased from entities controlled by the immediate parent	277	43
61,221	62,670	Special Service Departments (Pathology, Dental, Dialysis, Radiology, Research and other departments)	62,381	63,742
16,728	13,223	Staff Related Costs	17,738	14,008
4,935	4,816	Travel Related Costs	5,095	4,968
172,093	78,321	Other (See 4(a) below)	172,401	78,568
588,099	482,100		591,932	485,237

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
4. Other Operating Expenses				
a) Other Includes:				
1,759	503	Aircraft Expenses (Ambulance)	1,759	503
51,001	44,861	Contract for Patient Services	51,021	44,861
10,383	10,208	Corporate Support Services	10,383	10,208
881	786	Courier and Freight	930	836
935	7,913	Legal Services	935	7,930
441	670	Membership/Professional Fees	460	680
2,088	2,298	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,093	2,302
1,892	2,521	Other Operating Lease Expense - Minimum Lease Payments	1,892	2,521
116	88	Quality Assurance/Accreditation	116	88
814	928	Security Services	814	928
101,783	7,545	Other Miscellaneous	101,998	7,711
<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
172,093	78,321		172,401	78,568
<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
4. Other Operating Expenses				
b) Reconciliation of Total Maintenance				
18,349	21,018	Maintenance Contracts	18,451	21,115
10,343	4,926	New/Replacement Equipment under \$10,000	11,020	4,993
8,874	5,496	Repairs Maintenance/Non Contract	8,940	5,523
(661)	63	Other	(661)	63
<hr/>				
36,905	31,503	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	37,750	31,694
7,233	7,244	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	7,233	7,244
<hr/>				
44,138	38,747	Total Maintenance Expenses	44,983	38,938
<hr/> <hr/>				

Auditor's Remuneration' was paid to The Audit Office of New South Wales, an entity controlled by the ultimate parent.

Hospital Ambulance Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Special Service Departments' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Rental' and 'Staff Related costs' expenses were paid to entities controlled by the immediate parent.

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
39,238	34,138	Depreciation - Buildings	39,699	34,595
12,974	12,100	Depreciation - Plant and Equipment	13,357	12,465
13	12	Depreciation - Infrastructure Systems	13	12
278	263	Amortisation - Leasehold Improvements	278	263
164	93	Amortisation - Intangible Assets	164	93
52,667	46,606		53,511	47,428
6. Grants and Subsidies				
17,635	17,062	Non-Government Organisations	17,635	17,062
241	167	Grants to Research Organisations	241	167
451	483	Grants paid to entities controlled by the immediate parent	451	483
572	591	Other Grants	930	807
18,899	18,303		19,257	18,519
7. Finance Costs				
4	7	Interest on Loans	4	7
4	7		4	7
8. Payments to Affiliated Health Organisations				
Recurrent Sourced				
11,533	7,987	Tresillian Family Care Centres at Belmore, Willoughby, and Wollstonecraft	11,533	7,987
610	594	Central Sydney Scarba Service	610	594
12,143	8,581		12,143	8,581

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
9. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
656	691	Pharmacy Sales	656	691
10,090	8,892	Sale of Prosthesis	10,090	8,892
24	12	Other	24	12
10,770	9,595		10,770	9,595
b) Rendering of Services comprise the following:-				
		Patient Fees		
77,980	72,516	- Inpatient Fees	77,980	72,516
109	112	- Nursing Home Fees	109	112
3,511	3,163	- Non Inpatient Fees	3,511	3,163
12,356	11,945	Department of Veterans' Affairs	12,356	11,945
624	490	Staff-Meals and Accommodation	624	490
18,093	15,959	Infrastructure Fees - Monthly Facility Charge	18,093	15,959
10,362	8,578	Infrastructure Fees - Annual Charge	10,362	8,578
2,819	2,773	Cafeteria/Kiosk	2,819	2,773
4,066	4,714	Car Parking	4,066	4,714
1,239	2,802	Child Care Fees	1,239	2,802
4,800	4,452	Clinical Services (excluding Clinical Drug Trials)	4,800	4,452
255	323	Commercial Activities	255	323
132	139	Enteral Nutrition	132	139
114	98	Fees for Medical Records	114	98
65	71	Information Retrieval	65	71
39,940	36,150	Highly Specialised Drugs	39,940	36,150
5,710	5,579	Motor Accident Authority Third Party	5,710	5,579
----	3	Patient Transport Fees	----	3
140	189	Private Use of Motor Vehicles	140	189
132	778	Salary Packaging Fee	132	778
13,641	12,639	Hosted Services Provided to entities controlled by immediate parent	13,641	12,639
6,007	5,344	Services Provided to Non NSW Health Organisations	6,007	5,344
12	131	Shared Corporate Services	12	131
1,755	4,874	Other	1,755	4,874
203,862	193,822		203,862	193,822
214,632	203,417		214,632	203,417

The majority of 'Shared Corporate Services' was earned from entities controlled by the immediate parent.

The Hosted Services Provided to entities (South Western Sydney LHD and NSW Health Pathology) controlled by immediate parent.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		10. Investment Revenue		
4,667	5,444	Interest	5,236	5,973
65	115	Other	65	115
<u>4,732</u>	<u>5,559</u>		<u>5,301</u>	<u>6,088</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
11. Grants and Contributions				
7,406	5,910	Clinical Drug Trials	7,406	5,910
11,476	11,946	Commonwealth Government Grants	11,476	11,946
4,198	9,094	Industry Contributions/Donations	4,942	9,364
4,487	4,966	Cancer Institute Grants	4,487	4,966
3,097	2,747	Grants received from entities controlled by the ultimate parent	3,097	2,747
2,180	4,280	Grants received from entities controlled by the immediate parent	2,180	4,280
1,788	2,387	Research Grants	7,532	8,189
3,249	2,666	Other Grants	3,249	2,666
37,881	43,996		44,369	50,068

The Cancer Institute is an entity controlled by the immediate parent.

The majority of grants that were received from entities controlled by the ultimate parent were received from NSW Department of Education and Department of Family and Community Services.

The majority of grants that were received from entities controlled by the immediate parent were received from Western Sydney LHD, Health Education and Training Institute, NSW Health Pathology and Agency for Clinical Innovation.

12. Acceptance by the Crown Entity of Employee Benefits

The following liabilities and expenses have been assumed by the Crown Entity:

----	----	Superannuation-defined benefit	9,121	9,472
----	----	Long Service Leave	15,090	49,803
----	----		24,211	59,275

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
13. Other Revenue				
Other Revenue comprises the following:-				
----	5	Bad Debts Recovered	----	5
207	178	Commissions	207	178
1,182	941	Conference and Training Fees	1,182	941
1	104	Discounts	1	104
25,504	367	Insurance Refunds	25,504	367
5,901	4,372	* Lease and Rental	5,901	4,372
----	62	Property not Previously Recognised	----	62
141	23	Sale of Merchandise, Old Wares and Books	141	23
763	684	Sponsorship	763	684
3,616	17,071	Treasury Managed Fund Hindsight Adjustment	3,616	17,071
10	----	Unclaimed Deposits	10	----
4,169	4,046	Other	6,772	6,240
41,494	27,853		44,097	30,047
*Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.				
14. Gain / (Loss) on Disposal				
22,402	11,509	Property, Plant and Equipment	22,544	11,702
(21,940)	(11,120)	Accumulated Depreciation	(22,063)	(11,286)
462	389	Written Down Value	481	416
8	282	Proceeds from Disposal	8	282
(454)	(107)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(473)	(134)
(454)	(107)	Total Gain/(Loss) on Disposal	(473)	(134)
15. Other Gains / (Losses)				
(942)	(5,334)	Impairment of Receivables	(942)	(5,334)
(942)	(5,334)		(942)	(5,334)

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	17,203	7,143	10,489	34,835
Contributions recognised in previous years which were not expended in the current reporting period	55,324	32,997	41,328	129,649
Total amount of unexpended contributions as at reporting date	72,527	40,140	51,817	164,484

Comment on restricted assets appears in Note 24

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	19,519	14,535	10,489	44,543
Contributions recognised in previous years which were not expended in the current reporting period	74,301	37,266	41,328	152,895
Total amount of unexpended contributions as at reporting date	93,820	51,801	51,817	197,438

Comment on restricted assets appears in Note 24

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
17. Cash and Cash Equivalents				
73,834	79,982	Cash at Bank and On Hand	76,975	88,987
102,830	99,818	Short Term Deposits	122,739	111,318
<u>176,664</u>	<u>179,800</u>		<u>199,714</u>	<u>200,305</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>				
<u>176,664</u>	<u>179,800</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>199,714</u>	<u>200,305</u>
<u>176,664</u>	<u>179,800</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>199,714</u>	<u>200,305</u>

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
18. Receivables				
Current				
38,093	35,015	Sale of Goods and Services	38,642	36,646
10,306	8,636	Intra Health Receivables	10,306	8,636
4,270	3,503	Goods and Services Tax	4,191	3,340
26,515	9,833	Other Debtors	26,565	9,869
<u>79,184</u>	<u>56,987</u>	Sub Total	<u>79,704</u>	<u>58,491</u>
(3,816)	(5,594)	Less Allowance for Impairment	(3,816)	(5,594)
75,368	51,393	Sub Total	75,888	52,897
2,564	1,699	Prepayments	2,627	1,768
<u>77,932</u>	<u>53,092</u>		<u>78,515</u>	<u>54,665</u>

Intra Health Receivables' include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from South Western Sydney LHD \$2.928M, South Eastern Sydney LHD \$0.944M, HealthShare NSW \$0.913M, Western NSW LHD \$0.424M, The Sydney Childrens Hospital Network \$0.414M, Health Education and Training Institute \$0.372M, eHealth NSW \$0.340M and Cancer institute NSW \$0.334M.

a) Movement in the Allowance for Impairment

Sale of Goods and Services				
(4,760)	(5,949)	Balance at Commencement of Reporting Period	(4,760)	(5,949)
2,214	6,317	Amounts written off during the period	2,214	6,317
(156)	(5,128)	the Net Result	(156)	(5,128)
<u>(2,702)</u>	<u>(4,760)</u>	Balance at 30 June	<u>(2,702)</u>	<u>(4,760)</u>

b) Movement in the Allowance for Impairment

Other Debtors				
(834)	(1,366)	Balance at Commencement of Reporting Period	(834)	(1,366)
507	738	Amounts written off during the period	507	738
(787)	(206)	the Net Result	(787)	(206)
<u>(1,114)</u>	<u>(834)</u>	Balance at 30 June	<u>(1,114)</u>	<u>(834)</u>
<u>(3,816)</u>	<u>(5,594)</u>		<u>(3,816)</u>	<u>(5,594)</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		18. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
4,431	4,871	Patient Fees - Compensable	4,431	4,871
10,525	8,239	Patient Fees - Ineligible	10,525	8,239
10,801	11,260	Patient Fees - Inpatient & Other	10,801	11,260
<u>25,757</u>	<u>24,370</u>		<u>25,757</u>	<u>24,370</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		19. Inventories		
4,751	5,592	Drugs	4,751	5,592
4,474	1,625	Medical and Surgical Supplies	4,474	1,625
<u>9,225</u>	<u>7,217</u>		<u>9,225</u>	<u>7,217</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,991,250	1,975,341	Gross Carrying Amount	2,004,800	1,988,891
880,524	848,995	Less: Accumulated Depreciation and Impairment	886,417	854,427
1,110,726	1,126,346	Net Carrying Amount	1,118,383	1,134,464
Plant and Equipment - Fair Value*				
218,862	204,665	Gross Carrying Amount	224,558	210,252
122,526	126,911	Less: Accumulated Depreciation and Impairment	125,738	129,864
96,336	77,754	Net Carrying Amount	98,820	80,388
Infrastructure Systems - Fair Value				
500	500	Gross Carrying Amount	500	500
70	57	Less: Accumulated Depreciation and Impairment	70	57
430	443	Net Carrying Amount	430	443
Leasehold Improvements - Fair Value*				
690	690	Gross Carrying Amount	690	690
541	263	Less: Accumulated Depreciation and Impairment	541	263
149	427	Net Carrying Amount	149	427
1,207,641	1,204,970	Total Property, Plant and Equipment At Net Carrying Amount	1,217,782	1,215,722

* 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT

20. 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	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017						
Net carrying amount at start of year	351,300	775,046	77,754	443	427	1,204,970
Additions	----	23,800	31,679	----	----	55,479
Reclassifications to Intangibles	----	----	----	----	----	----
Recognition of Assets Held for Sale	----	----	----	----	----	----
Disposals	----	(157)	(305)	----	----	(462)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	157	----	----	157
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----	----
Depreciation Expense	----	(39,238)	(12,974)	(13)	(278)	(52,503)
Reclassifications	----	(25)	25	----	----	----
Net carrying amount at end of year	351,300	759,426	96,336	430	149	1,207,641

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2016						
Net carrying amount at start of year	311,644	611,915	62,934	442	----	986,935
Additions	----	13,701	26,461	----	690	40,852
Disposals	----	----	(389)	----	----	(389)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	848	----	----	848
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	39,656	183,568	----	13	----	223,237
Depreciation Expense	----	(34,138)	(12,100)	(12)	(263)	(46,513)
Reclassifications	----	----	----	----	----	----
Net carrying amount at end of year	351,300	775,046	77,754	443	427	1,204,970

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SLHD [see note 1(j)].
- (ii) Indices provided by AON (2016: AON) were not applied in 2017 as they were deemed immaterial.
- (iii) For land, buildings and infrastructure systems and Other Assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2017						
Net carrying amount at start of year	351,299	783,165	80,388	443	427	1,215,722
Additions	----	23,800	31,931	----	----	55,731
Disposals	----	(157)	(324)	----	----	(481)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	157	----	----	157
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----	----
Depreciation Expense	----	(39,699)	(13,357)	(13)	(278)	(53,347)
Reclassifications	----	(25)	25	----	----	----
Net carrying amount at end of year	351,299	767,084	98,820	430	149	1,217,782
2016						
Net carrying amount at start of year	311,644	620,525	64,927	442	----	997,538
Additions	----	13,701	27,494	----	690	41,885
Disposals	----	----	(416)	----	----	(416)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	848	----	----	848
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	39,655	183,534	----	13	----	223,202
Depreciation Expense	----	(34,595)	(12,465)	(12)	(263)	(47,335)
Reclassifications	----	----	----	----	----	----
Net carrying amount at end of year	351,299	783,165	80,388	443	427	1,215,722

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SLHD [see note 1(j)].
- (ii) Indices provided by AON (2016: AON) were not applied in 2017 as they were deemed immaterial.
- (iii) For land, buildings and infrastructure systems and Other Assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
21. Intangible Assets				
		Intangibles		
848	789	Cost (Gross Carrying Amount)	848	789
295	130	Less Accumulated Amortisation and Impairment	295	130
<u>553</u>	<u>659</u>	Net Carrying Amount	<u>553</u>	<u>659</u>
<u>553</u>	<u>659</u>	Total Intangible Assets at Net Carrying Amount	<u>553</u>	<u>659</u>

21. Intangibles Assets - Reconciliation

PARENT		
	Intangibles \$000	Total \$000
2017		
Net carrying amount at start of year	659	659
Additions (From Internal Development or Acquired Separately)	58	58
Amortisation (Recognised in Depreciation and Amortisation)	(164)	(164)
Net carrying amount at end of year	553	553
2016		
Net carrying amount at start of year	635	635
Additions (From Internal Development or Acquired Separately)	117	117
Amortisation (Recognised in Depreciation and Amortisation)	(93)	(93)
Net carrying amount at end of year	659	659

CONSOLIDATION		
	Intangibles \$000	Total \$000
2017		
Net carrying amount at start of year	659	659
Additions (From Internal Development or Acquired Separately)	58	58
Amortisation (Recognised in Depreciation and Amortisation)	(164)	(164)
Net carrying amount at end of year	553	553
2016		
Net carrying amount at start of year	635	635
Additions (From Internal Development or Acquired Separately)	117	117
Amortisation (Recognised in Depreciation and Amortisation)	(93)	(93)
Net carrying amount at end of year	659	659

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		22. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 1(af))		
3,552	2,501		3,552	2,501
<u>3,552</u>	<u>2,501</u>		<u>3,552</u>	<u>2,501</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT & CONSOLIDATION

23. 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

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,598	1,060,804	1,070,402
- Infrastructure Systems	----	----	430	430
Other Assets (Note 22) Emerging Assets	----	----	3,552	3,552
	-----	-----	-----	-----
	-----	9,598	1,064,786	1,074,384
CONSOLIDATION				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,598	1,068,461	1,078,059
- Infrastructure Systems	----	----	430	430
Other Assets (Note 22) Emerging Assets	----	----	3,552	3,552
	-----	-----	-----	-----
	-----	9,598	1,072,443	1,082,041

There were no transfers between level 1 and 2 during the year ended 30 June 2017.

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 20.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,697	1,099,811	1,109,508
- Infrastructure Systems	----	----	443	443
Other Assets (Note 22) Emerging Assets	----	----	2,501	2,501
	-----	-----	-----	-----
	-----	9,697	1,102,755	1,112,452
CONSOLIDATION				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,697	1,107,930	1,117,627
- Infrastructure Systems	----	----	443	443
Other Assets (Note 22) Emerging Assets	----	----	2,501	2,501
	-----	-----	-----	-----
	-----	9,697	1,110,874	1,120,571

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

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 20.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems and 'Other Assets' the SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by AON for the 2015/16 financial year. AON is an independent entity and is not an employee of SLHD.

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 20 reconciliation.

The non-current assets categorised in a) above have been measured as either level 2 or 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 commercial and non-restricted land is included in Level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

The majority 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 and 'Other Assets', 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. However, residential properties are valued on a market approach and included in level 2.

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2017	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2016	1,099,811	443	2,501	1,102,755
Additions	----	----	1,051	1,051
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	----	----	----	----
Transfers from Level 2	----	----	----	----
Transfers to Level 2	----	----	----	----
Disposals	(157)	----	----	(157)
Depreciation	(38,850)	(13)	----	(38,863)
Fair value as at 30 June 2017	1,060,804	430	3,552	1,064,786
CONSOLIDATION				
Fair value as at 1 July 2016	1,107,930	443	2,501	1,110,874
Additions	----	----	1,051	1,051
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	----	----	----	----
Transfers from Level 2	----	----	----	----
Transfers to Level 2	----	----	----	----
Disposals	(157)	----	----	(157)
Depreciation	(39,312)	(13)	----	(39,325)
Fair value as at 30 June 2017	1,068,461	430	3,552	1,072,443

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT & CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

2016	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2015	520,980	442	1,497	522,919
Additions	62	----	1,004	1,066
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	220,375	13	----	220,388
Transfers from Level 2	391,552	----	----	391,552
Transfers to Level 2	(248)	----	----	(248)
Disposals	----	----	----	----
Depreciation	(32,910)	(12)	----	(32,922)
Fair value as at 30 June 2016	1,099,811	443	2,501	1,102,755
CONSOLIDATION				
Fair value as at 1 July 2015	529,590	442	1,497	531,529
Additions	62	----	1,004	1,066
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	220,340	13	----	220,353
Transfers from Level 2	391,552	----	----	391,552
Transfers to Level 2	(248)	----	----	(248)
Disposals	----	----	----	----
Depreciation	(33,366)	(12)	----	(33,378)
Fair value as at 30 June 2016	1,107,930	443	2,501	1,110,874

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT

CONSOLIDATION

2017
\$000

2016
\$000

2017
\$000

2016
\$000

24. Restricted Assets

SLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

		Category		
72,527	82,525	Specific Purposes	93,820	107,229
40,140	41,870	Research Grants	51,801	48,607
51,817	48,270	Private Practice Funds	51,817	48,270
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164,484	172,665		197,438	204,106
<hr/> <hr/>			<hr/> <hr/>	

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	20,206	17,332
----	----	Taxation and Payroll Deductions	6,131	5,730
26,253	23,063	Accrued Liability - Purchase of Personnel Services	----	----
48,864	42,606	Creditors	48,857	42,595
		Other Creditors		
18,434	14,860	- Intra Health Liability	18,434	14,860
1,272	2,615	- Other	1,447	2,855
94,823	83,144		95,075	83,372

Creditors include some amounts owing to entities controlled by the ultimate parent.

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Other Creditors - Intra Health Liability relate to balances payable to NSW Ministry of Health \$11.909M, HealthShare NSW \$5.657M and South Western Sydney LHD \$0.589M.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

		26. Borrowings		
		Current		
630	----	Other Loans and Deposits	630	----
630	----		630	----
		Non-Current		
6,319	----	Other Loans and Deposits	6,319	----
6,319	----		6,319	----

'Other Loans and Deposits' include balances due to entities controlled by the immediate parent. Majority of the balances are due from NSW Treasury.

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

Final Repayment of loan is scheduled for 30 June 2027

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury, which is controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 35.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
27. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	100,425	94,491
----	----	Annual Leave - Long Term Benefit	58,047	58,250
----	----	Long Service Leave Consequential On-Costs	22,831	22,978
180,833	175,109	Provision for Personnel Services Liability	----	----
2,030	----	ADO Liability	2,030	----
115,300	21,750	Other	115,300	21,750
298,163	196,859		298,633	197,469
<p>In November 2016, a judgement was handed down by the NSW Supreme Court in regard to a legal matter. Final damages to be awarded to the claimant are yet to be determined by the Court. As per paragraph 92 of AASB 137, further information about this matter has not been reported as it may prejudice the position of the entity in relation to the dispute.</p>				
Non-Current				
1,985	1,998	Long Service Leave Consequential On-Costs	1,985	1,998
1,985	1,998		1,985	1,998
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	183,333	175,719
----	----	Provisions - Non-Current	1,985	1,998
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	26,337	23,062
211,101	200,170	Liability - Purchase of Personnel Services	----	----
211,101	200,170		211,655	200,779
28. Other Liabilities				
Current				
251	137	Income in Advance	346	684
251	137		346	684

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
29. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
34,715	12,967	Not later than one year	34,715	12,967
1,650	110	Later than one year and not later than five years	1,650	110
<u>36,365</u>	<u>13,077</u>	Total Capital Expenditure Commitments (Including GST)	<u>36,365</u>	<u>13,077</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
7,427	7,371	Not later than one year	7,427	7,371
6,952	11,276	Later than one year and not later than five years	6,952	11,276
<u>14,379</u>	<u>18,647</u>	Total Operating Lease Commitments (Including GST)	<u>14,379</u>	<u>18,647</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$50.744 million as at 30 June 2017 includes input tax credits of \$4.613 million that are expected to be recoverable from the Australian Taxation Office (2016 \$2.884 million).				

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

30. Trust Funds

SLHD holds trust funds of \$12.7 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as SLHD 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		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	141	136	2,489	3,315	11,729	13,532	14,359	16,983
Revenue	228	199	507	781	40,428	37,235	41,163	38,215
Expenses	(212)	(194)	(1,133)	(1,607)	(41,469)	(39,038)	(42,814)	(40,839)
Balance at the end of the financial year	157	141	1,863	2,489	10,688	11,729	12,708	14,359

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
31. Reconciliation of Cash Flows from Operating Activities to Net Result				
45,451	44,326	Net Cash Flows from Operating Activities	48,248	45,085
(52,667)	(46,606)	Depreciation and Amortisation	(53,511)	(47,428)
(942)	(5,334)	Allowance for Impairment	(942)	(5,334)
(114)	(101)	(Increase)/ Decrease Income in Advance	338	(598)
(101,290)	(6,283)	(Increase)/ Decrease in Provisions	(101,151)	(6,166)
29,329	13,633	Increase / (Decrease) in Prepayments and Other Assets	28,036	14,779
(12,018)	(2,773)	(Increase)/ Decrease in Payables from Operating Activities	(11,738)	(3,118)
(454)	(107)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(473)	(134)
-----	62	Assets donated or brought to account for the first time	-----	62
(92,705)	(3,183)	Net Result	(91,193)	(2,852)

32. 2016/17 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to SLHD.

Services provided include:

- Chaplaincies and Pastoral Care
- Pink Ladies/Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Patient & Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Health Education, Transport, Home Help & Patient Activities

33. 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 the SLHD 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 the SLHD.

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.

Sydney Local Health District
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PARENT AND CONSOLIDATION

34. Adjusted Budget Review - Parent and Consolidated

Net Result

In accordance with the Ministry of Health's Performance Framework SLHD has been rated at Performance Level 0 for the entire twelve months to the end of 30 June 2017. This performance is a continuation of the monthly rating achieved for the previous six financial years.

As at 30 June 2017 the District's Consolidated Net Result is \$0.585 M favourable to budget. The Parent result was \$0.927 M unfavourable to budget.

Assets and Liabilities

As at 30 June 2017 SLHD Consolidation had Current Assets of \$287.454M and Current Liabilities of \$394.684M. Non Current Assets totalled \$1,221.887M and Non Current Liabilities were \$8.304M. During 2015/16 the value of SLHD's land and buildings were revalued by an independent valuer. This financial year the District has continued to record an emerging asset for a building situated on the District's land that is owned and operated by Lifehouse Australia. Overall SLHD has a sound asset base with Net Assets of \$1,106.353M.

Cash Flows

At Consolidation level, SLHD's net increase in Cash and Cash Equivalents closing balance for the 2016/17 financial year was \$199.714M. This comprised a net increase in cash flows from Operating activities of \$48.248M, a net decrease in cash flows from Investing activities of \$55.783M. The decrease in cash flows from Investing activities reflected a range of capital works and assets purchases including the Aged Care / Rehab Network (\$2,219M), Asset Refurbishment (\$1,551M), Medical Research Infrastructure (\$8,831M), RPA Radiology Replacement of Angiography Equipment (\$1,590M), RPA Radiology Procurement of Biplane Angiography Unit (\$1,494M), RPA Radiology Replacement of CT1 and CT2 Scanners (\$0.304 M), RPAH building 63 Lift (\$0.704M), CT Camera at Concord Hospital (\$0.743M), RPA Energy Efficiency Program (\$0.265M), CT Scanner Replacement at Concord Hospital (\$1,881M), Cath Lab Replacement at Concord Hospital (\$1,366M), HI WIP Transfers (\$9,005M), RPA Robotic Training Centre (\$3,084M), Endoscopic Equipment Replacement at Concord Hospital (\$1,719M), RPA Replacement Fluoroscopy System (\$1,025M), Neosurgical Microscope Replacement at Concord Hospital (\$0.361M), Security and Duress Alarms Upgrade (\$4,265M), Sydney Dental Hospital Level 4 Refurbishment (\$1,132M), Chris O' Brien CT Scanner (\$1,036M), and Minor works and equipment (\$13,212M)

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 2016 are as follows:

	\$000
Initial Allocation, 01/07/2016	1,211,865
Award Increases	3,251
Growth Allocation - as per Schedule C Initial budget 16/17	37,180
2016_17 Chris Obrien Lifehouse Activity Based Funding	4,443
2016_17 Integrated Care Demonstrator Program	1,160
2016_17 NSW Aged Care Assessment Program Funding Allocation	457
2016-17 Bed Replacement program	2,889
Additional Pelvic Exenteration activity	1,501
Ministerial Approved NGO Grnts Program - Drug Summit 4 - 2016_17	1,248
National Partnership Agreement on Adult Public Dental Services	2,800
Nursing and Midwifery Enhancements	1,703
Organ and Tissue Donation Service Funding	417
Transfer of National Partnership dental service funding	500
Transfer of Tresillian Budget	3,379
Translational Research Grants Scheme (TRGS)	754
Treatment of 2016_17 Concord Hospital Superannuation	3,249
Voluntary Redundancy Reimbursement	629
Miscellaneous	3,899
	<hr/>
Balance as per Statement of Comprehensive Income	1,281,324
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Sydney Local Health District
Notes to and forming part of the Financial Statements
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35. Financial Instruments

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

SLHD's main risks arising from financial instruments are outlined below, together with SLHD'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 risks faced by SLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	176,664	179,800
Receivables (note 18)*	Loans and receivables (at amortised cost)	71,098	47,890
		<u>247,762</u>	<u>227,690</u>
Financial Liabilities			
Borrowings (note 26)		6,949	-----
Payables (note 25)**	Financial liabilities measured at amortised cost	88,692	77,414
		<u>95,641</u>	<u>77,414</u>

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)

Sydney Local Health District
Notes to and forming part of the Financial Statements
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**35. Financial Instruments
CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	199,714	200,305
Receivables (note 18)*	Loans and receivables (at amortised cost)	71,697	49,557
		<u>271,411</u>	<u>249,862</u>
Financial Liabilities			
Borrowings (note 26)		6,949	-----
Payables (note 25)**	Financial liabilities measured at amortised cost	88,944	77,642
		<u>95,893</u>	<u>77,642</u>

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 SLHD. 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 SLHD, including cash, receivables and authority deposits. No collateral is held by SLHD. SLHD has not granted any financial guarantees.

Credit risk associated with SLHD'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. Interest is earned on daily bank balances at rates of approximately 2.35% to 2.60% in 2016/17 compared to 2.60% to 2.85% in the previous year.

The TCorpIM Cash Funds is discussed in paragraph (d) below.

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 SLHD 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.

SLHD 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 (2017: \$62.351M ; 2016: \$43.566M) and not more than 3 months past due (2017: \$4.947M ; 2016: \$6.199M) are not considered impaired.

In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of SLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

Sydney Local Health District
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35. Financial Instruments

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.

PARENT

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2017			
<3 months overdue	4,658	4,658	----
3 months - 6 months overdue	6,422	6,422	----
> 6 months overdue	8,135	4,319	3,816
2016			
<3 months overdue	6,199	6,199	----
3 months - 6 months overdue	5,479	5,479	----
> 6 months overdue	6,107	513	5,594

CONSOLIDATION

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
2017			
<3 months overdue	4,947	4,947	----
3 months - 6 months overdue	6,566	6,566	----
> 6 months overdue	8,135	4,319	3,816
2016			
<3 months overdue	6,199	6,199	----
3 months - 6 months overdue	5,479	5,479	----
> 6 months overdue	6,107	513	5,594

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.

Authority Deposits

SLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.37% (2016: 2.44%), while over the year the weighted average interest rate was 2.35% (2016: 2.44%) on a weighted average balance during the year of \$26.525M (2016: \$24.921M). None of these assets are past due or impaired.

Sydney Local Health District
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35. Financial Instruments

(c) Liquidity Risk

Liquidity risk is the risk that SLHD will be unable to meet its payment obligations when they fall due. SLHD 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.

SLHD 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.

SLHD 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 SLHD 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.

Sydney Local Health District
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35. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

PARENT	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
2017								
Payables:								
- Creditors		88,692	----	----	88,692	88,692	----	----
Borrowings:								
- Loans and Deposits	2.89%	8,031	8,031	----	----	837	4,182	3,012
		<u>96,723</u>	<u>8,031</u>	<u>----</u>	<u>88,692</u>	<u>89,529</u>	<u>4,182</u>	<u>3,012</u>
2016								
Payables:								
- Creditors		77,414	----	----	77,414	77,414	----	----
Borrowings:								
- Loans and Deposits	0.00%	----	----	----	----	----	----	----
		<u>77,414</u>	<u>----</u>	<u>----</u>	<u>77,414</u>	<u>77,414</u>	<u>----</u>	<u>----</u>

Sydney Local Health District
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35. Financial Instruments

CONSOLIDATION	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
2017								
Payables:								
- Creditors		88,944	-----	-----	88,944	88,944	-----	-----
Borrowings:								
- Loans and Deposits	2.89%	8,031	8,031	-----	-----	837	4,182	3,012
		<u>96,975</u>	<u>8,031</u>	<u>-----</u>	<u>88,944</u>	<u>89,781</u>	<u>4,182</u>	<u>3,012</u>
2016								
Payables:								
- Creditors		77,642	-----	-----	77,642	77,642	-----	-----
Borrowings:								
- Loans and Deposits	0.00%	-----	-----	-----	-----	-----	-----	-----
		<u>77,642</u>	<u>-----</u>	<u>-----</u>	<u>77,642</u>	<u>77,642</u>	<u>-----</u>	<u>-----</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 SLHD 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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35. 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. SLHD's exposures to market risk are primarily through interest rate risk on SLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. SLHD has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result 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 SLHD 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 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, SLHD 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. SLHD 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 net result 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.

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

PARENT	Carrying Amount \$000	-1% Net Result \$000	Equity \$000	+1% Net Result \$000	Equity \$000
2017					
Financial Assets					
Cash and Cash Equivalents	176,664	(1,767)	(1,767)	1,767	1,767
Receivables	71,098	----	----	----	----
Financial Liabilities					
Payables	88,692	----	----	----	----
Borrowings	6,949	69	69	(69)	(69)
2016					
Financial Assets					
Cash and Cash Equivalents	179,800	(1,798)	(1,798)	1,798	1,798
Receivables	47,890	----	----	----	----
Financial Liabilities					
Payables	77,414	----	----	----	----
Borrowings	----	----	----	----	----

Sydney Local Health District
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35. Financial Instruments

CONSOLIDATION	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
2017					
Financial Assets					
Cash and Cash Equivalents	199,714	(1,997)	(1,997)	1,997	1,997
Receivables	71,697	----	----	----	----
Financial Liabilities					
Payables	88,944	----	----	----	----
Borrowings	6,949	69	69	(69)	(69)
2016					
Financial Assets					
Cash and Cash Equivalents	200,305	(2,003)	(2,003)	2,003	2,003
Receivables	49,557	----	----	----	----
Financial Liabilities					
Payables	77,642	----	----	----	----
Borrowings	----	----	----	----	----

Sydney Local Health District
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36. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$000
Short-term employee benefits	711
Post-employment benefits	53
	<u>764</u>

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$502K as advised by the Ministry for these services.

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members during the financial year.

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

37. Events after the Reporting Period

There has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS