



INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Northern Sydney Local Health District (the District), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements 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.

Opinion

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 2013, and of the financial performance and the 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of financial position, the statement of comprehensive income and the statement of cash flows.

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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 other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

S Bond

Sally Bond
Director, Financial Audit Services

20 September 2013
SYDNEY

**Northern Sydney Local Health District
Certification of the Parent/Consolidated Financial Statements
for the year ended 30 June 2013**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Northern Sydney Local Health District for the year ended 30 June 2013 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Northern Sydney Local Health District; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.


Adj. Assoc. Professor Vicki Taylor
Chief Executive

18.09.2013


Jacqueline Ferguson
Acting Director Finance
18.09.13

Northern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2013

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2013	2013	2012		2013	2013	2012	
\$000	\$000	\$000		\$000	\$000	\$000	
Expenses excluding losses							
Operating Expenses							
----	----	----	Employee Related	3	812,146	790,917	743,611
786,672	770,687	685,849	Personnel Services	4	----	----	----
46,040	44,322	42,230	Visiting Medical Officers		46,040	44,322	42,230
314,855	303,338	343,554	Other Operating Expenses	5	314,855	303,338	343,554
50,427	50,579	44,200	Depreciation and Amortisation	2(i), 6	50,427	50,579	44,200
18,555	15,388	12,278	Grants and Subsidies	7	18,555	15,388	12,278
5,110	6,008	5,046	Finance Costs	8	5,110	6,008	5,046
47,752	45,240	43,983	Payments to Affiliated Health Organisations	9	47,752	45,240	43,983
1,269,411	1,235,562	1,177,140	Total Expenses excluding losses		1,294,885	1,255,792	1,234,902
Revenue							
989,604	951,976	934,924	NSW Ministry of Health Recurrent Allocations	2(d)	989,604	951,976	934,924
114,710	119,374	82,660	NSW Ministry of Health Capital Allocations	2(d)	114,710	119,374	82,660
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	25,474	20,230	57,762
193,235	179,117	172,266	Sale of Goods and Services	10	193,235	179,117	172,266
2,701	4,224	5,008	Investment Revenue	11	2,701	4,224	5,008
38,639	39,135	32,011	Grants and Contributions	12	38,639	39,135	32,011
4,925	6,982	6,221	Other Revenue	14	4,925	6,982	6,221
1,343,814	1,300,808	1,233,090	Total Revenue		1,369,288	1,321,038	1,290,852
(57,728)	(57,984)	(6,740)	Gain / (Loss) on Disposal	15	(57,728)	(57,984)	(6,740)
(5,010)	(1,442)	(4,037)	Other Gains / (Losses)	16	(5,010)	(1,442)	(4,037)
11,665	5,820	45,173	Net Result	33	11,665	5,820	45,173
Other Comprehensive Income							
Items that will not be reclassified to net result							
Net Increase/(Decrease) in Property, Plant &							
----	----	40,955	Equipment Asset Revaluation Surplus		----	----	40,955
----	----	40,955	Total Other Comprehensive Income for the year		----	----	40,955
11,665	5,820	86,128	TOTAL COMPREHENSIVE INCOME		11,665	5,820	86,128

The accompanying notes form part of these financial statements.

**Northern Sydney Local Health District
Statement of Financial Position as at 30 June 2013**

PARENT							CONSOLIDATION		
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual		
2013	2013	2012			2013	2013	2012		
\$000	\$000	\$000			\$000	\$000	\$000		
ASSETS									
Current Assets									
84,071	93,216	89,667	Cash and Cash Equivalents	19	84,071	93,216	89,667		
70,437	67,949	55,590	Receivables	20	70,437	67,949	55,590		
10,282	7,619	7,620	Inventories	21	10,282	7,619	7,620		
<u>164,790</u>	<u>168,784</u>	<u>152,877</u>			<u>164,790</u>	<u>168,784</u>	<u>152,877</u>		
----	1,861	8,101	Non-Current Assets Held for Sale	24	----	1,861	8,101		
164,790	170,645	160,978	Total Current Assets		164,790	170,645	160,978		
Non-Current Assets									
1,296	1,296	1,296	Receivables	20	1,296	1,296	1,296		
Property, Plant and Equipment									
1,502,209	1,552,040	935,572	- Land and Buildings	22	1,502,209	1,552,040	935,572		
93,209	79,537	71,747	- Plant and Equipment	22	93,209	79,537	71,747		
66,166	35,502	35,502	- Infrastructure Systems	22	66,166	35,502	35,502		
<u>1,661,584</u>	<u>1,667,079</u>	<u>1,042,821</u>	Total Property, Plant and Equipment		<u>1,661,584</u>	<u>1,667,079</u>	<u>1,042,821</u>		
6,331	5,951	5,951	Other	23	6,331	5,951	5,951		
1,669,211	1,674,326	1,050,068	Total Non-Current Assets		1,669,211	1,674,326	1,050,068		
1,834,001	1,844,971	1,211,046	Total Assets		1,834,001	1,844,971	1,211,046		
LIABILITIES									
Current Liabilities									
77,263	90,503	87,550	Payables	26	77,263	90,503	87,550		
125,144	118,677	116,433	Provisions	28	125,144	118,677	116,433		
4,000	6,140	6,008	Other	29	4,000	6,140	6,008		
<u>206,407</u>	<u>215,320</u>	<u>209,991</u>	Total Current Liabilities		<u>206,407</u>	<u>215,320</u>	<u>209,991</u>		
Non-Current Liabilities									
669,842	671,072	50,268	Borrowings	27	669,842	671,072	50,268		
656	850	643	Provisions	28	656	850	643		
29,007	30,162	30,162	Other	29	29,007	30,162	30,162		
<u>699,505</u>	<u>702,084</u>	<u>81,073</u>	Total Non-Current Liabilities		<u>699,505</u>	<u>702,084</u>	<u>81,073</u>		
905,912	917,404	291,064	Total Liabilities		905,912	917,404	291,064		
928,089	927,567	919,982	Net Assets		928,089	927,567	919,982		
EQUITY									
35,387	40,955	40,955	Reserves		35,387	40,955	40,955		
892,702	886,612	879,027	Accumulated Funds		892,702	886,612	879,027		
<u>928,089</u>	<u>927,567</u>	<u>919,982</u>	Total Equity		<u>928,089</u>	<u>927,567</u>	<u>919,982</u>		

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2013

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2012		879,027	40,955	919,982
Total Equity at 1 July 2012		879,027	40,955	919,982
Net Result for the year		11,665		11,665
Other Comprehensive Income:				
-Transfers on Disposal		5,568	(5,568)	-----
Total Other Comprehensive Income		5,568	(5,568)	-----
Total Comprehensive Income for the year		17,233	(5,568)	11,665
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	(3,558)	-----	(3,558)
Balance at 30 June 2013		892,702	35,387	928,089
Balance at 1 July 2011		826,747	-----	826,747
Total Equity at 1 July 2011		826,747	-----	826,747
Net Result for the year		45,173		45,173
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment		-----	40,955	40,955
Total Other Comprehensive Income		-----	40,955	40,955
Total Comprehensive Income for the year		45,173	40,955	86,128
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	7,107	-----	7,107
Balance at 30 June 2012		879,027	40,955	919,982

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2013

PARENT			CONSOLIDATION			
Actual	Budget	Actual		Actual	Budget	Actual
2013	2013	2012	Notes	2013	2013	2012
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----				
(74,422)	(68,743)	(62,824)		(785,699)	(784,929)	(675,892)
(5,106)	(5,666)	(5,025)		(74,422)	(68,743)	(62,824)
(1,218,232)	(1,193,154)	(1,090,929)		(5,106)	(5,666)	(5,025)
				(432,533)	(408,225)	(415,037)
(1,297,760)	(1,267,563)	(1,158,778)		(1,297,760)	(1,267,563)	(1,158,778)
Receipts						
989,604	951,976	934,924		989,604	951,976	934,924
114,710	119,374	82,660		114,710	119,374	82,660
13,015	20,230	10,060		13,015	20,230	10,060
180,499	180,863	159,679		180,499	180,863	159,679
2,449	4,057	4,544		2,449	4,057	4,544
42,983	40,529	19,196		42,983	40,529	19,196
48,646	51,947	42,672		48,646	51,947	42,672
1,391,906	1,368,976	1,253,735		1,391,906	1,368,976	1,253,735
94,146	101,413	94,957		94,146	101,413	94,957
NET CASH FLOWS FROM OPERATING ACTIVITIES						
CASH FLOWS FROM INVESTING ACTIVITIES						
7,507	7,516	155		7,507	7,516	155
(726,819)	(726,697)	(77,701)		(726,819)	(726,697)	(77,701)
(719,312)	(719,181)	(77,546)		(719,312)	(719,181)	(77,546)
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
619,570	620,461	(1,257)		619,570	620,461	(1,257)
619,570	620,461	(1,257)		619,570	620,461	(1,257)
NET CASH FLOWS FROM FINANCING ACTIVITIES						
(5,596)	2,693	16,154		(5,596)	2,693	16,154
89,667	89,667	73,069		89,667	89,667	73,069
----	856	444		----	856	444
84,071	93,216	89,667		84,071	93,216	89,667
CLOSING CASH AND CASH EQUIVALENTS						

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District
Service Group Statements
for the year ended 30 June 2013

DISTRICT EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total					
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
Expenses excluding losses																										
Operating Expenses																										
Employee Related	39,274	35,960	193	177	84,671	77,526	69,271	63,425	350,754	321,154	112,687	103,177	75,459	69,091	11,116	10,178	68,721	62,923								
Visiting Medical Officers	217	199			6,356	5,830	3,357	3,079	29,424	26,989	891	817	403	369	1,168	1,071	4,224	3,876								
Other Operating Expenses	10,443	11,395	46	50	61,666	67,287	22,988	25,084	161,936	176,697	15,419	16,824	19,913	21,728	4,110	4,484	18,334	20,005								
Depreciation and Amortisation	1,246	1,092	7	6	9,965	8,734	4,006	3,511	23,909	20,956	4,450	3,901	2,103	1,844	467	410	4,274	3,746								
Grants and Subsidies	9,422	6,235	1		23	15	1	1	9	6	1,179	780	7,412	4,904	156	103	352	234								
Finance Costs	132	130			1,090	1,076	283	279	2,916	2,879	16	16	175	173			498	493								
Payments to Affiliated Health Organisations	478	440							24	22	5,466	5,034	40,830	37,607			954	880								
Total Expenses excluding losses	61,212	55,451	247	233	163,771	160,468	99,906	95,379	568,972	548,703	140,108	130,549	146,295	135,716	17,017	16,246	97,357	92,157								
Revenue																										
NSW Ministry of Health Recurrent Allocations **																										
NSW Ministry of Health Capital Allocations **																										
Acceptance by the Crown Entity																										
of Employee Benefits and Other Liabilities	1,253	2,842	3	6	2,924	6,631	2,074	4,702	11,687	26,501	3,401	7,711	2,170	4,921	267	607	1,695	3,841								
Sale of Goods and Services	1,548	1,380			1,421	1,267	5,456	4,864	136,028	121,267	9,297	8,288	38,197	34,052	71	63	1,217	1,085								
Investment Revenue	6	11			227	420	59	109	1,699	3,149	102	189	596	1,105	8	14	4	11								
Grants and Contributions	899	744			6,035	5,000	54	45	2,782	2,305	516	427	14,836	12,291	6,633	5,495	6,884	5,704								
Other Revenue	30	38			1,095	1,383	140	177	2,739	3,460	183	232	497	627	99	125	142	179								
Total Revenue	3,736	5,015	3	6	11,702	14,701	7,783	9,897	154,935	156,682	13,499	16,847	56,296	52,996	7,078	6,304	9,942	10,820								
Gain / (Loss) on Disposal	(1,637)	(191)	(2)		(7,288)	(851)	(4,282)	(500)	(28,686)	(3,349)	(6,398)	(7,477)	(4,846)	(566)	(306)	(36)	(4,283)	(500)								
Other Gains / (Losses)	(160)	(129)			(543)	(437)	(346)	(279)	(2,364)	(1,905)	(753)	(606)	(437)	(352)	(22)	(18)	(385)	(311)								
Net Result	(59,273)	(50,756)	(246)	(227)	(159,900)	(147,055)	(96,751)	(86,261)	(445,087)	(397,275)	(133,760)	(115,055)	(95,282)	(83,638)	(10,267)	(9,996)	(92,083)	(82,148)								
Other Comprehensive Income																										
Increase/(Decrease) in Revaluation Surplus		1,012		5		8,093		3,253		19,418		3,614		1,708		380		3,472								
Total Other Comprehensive Income		1,012		5		8,093		3,253		19,418		3,614		1,708		380		3,472								
Total Comprehensive Income	(59,273)	(49,744)	(246)	(222)	(159,900)	(138,962)	(96,751)	(83,008)	(445,087)	(377,857)	(133,760)	(111,441)	(95,282)	(81,930)	(10,267)	(9,616)	(92,083)	(78,676)								

Service Group Statements focus on the key measures of service delivery performance, refer note 2ac).

* The name and purpose of each service group is summarised in Note 18

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

Northern Sydney Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2013

DISTRICT ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total		
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																							
Current Assets																							
Cash and Cash Equivalents	3,974	4,026	16	17	10,633	11,652	6,486	6,926	36,941	39,842	9,097	9,479	9,498	9,854	1,105	1,180	6,321	6,691			84,071	89,667	
Receivables	564	445			518	409	1,989	1,570	49,584	39,133	3,389	2,674	13,923	10,989	26	20	444	350			70,437	55,590	
Inventories	341	253	1	1	2,014	1,492	751	556	5,288	3,919	504	373	650	482	134	99	599	445			10,282	7,620	
Non-Current Assets Held for Sale		200				1,601		644		3,841		715		338		75		686				8,101	
Total Current Assets	4,879	4,924	17	19	13,165	15,154	9,226	9,696	91,813	86,735	12,990	13,241	24,071	21,663	1,265	1,374	7,364	8,172			164,790	160,978	
Non-Current Assets																							
Receivables	10	10			10	10	37	37	912	912	62	62	256	256			9	9			1,296	1,296	
Property, Plant and Equipment																							
- Land and Buildings	37,122	23,120	195	122	296,841	184,872	119,336	74,322	712,234	443,578	132,572	82,566	62,658	39,023	13,921	8,670	127,330	79,299			1,502,209	935,572	
- Plant and Equipment	2,303	1,773	12	9	18,418	14,177	7,405	5,700	44,193	34,017	8,226	6,332	3,888	2,993	864	665	7,900	6,081			83,209	71,747	
- Infrastructure Systems	1,635	877	9	5	13,075	7,015	5,256	2,820	31,371	16,832	5,839	3,133	2,760	1,481	613	329	5,608	3,010			66,166	35,502	
Other	299	267	1	1	801	773	488	460	2,782	2,644	685	629	715	654	83	78	477	445			6,331	5,951	
Total Non-Current Assets	41,369	26,047	217	137	329,145	206,847	132,522	83,339	791,492	497,983	147,384	92,722	70,277	44,407	15,481	9,742	141,324	88,844			1,669,211	1,050,068	
TOTAL ASSETS	46,248	30,971	234	156	342,310	222,001	141,748	93,035	883,305	584,718	160,374	105,963	94,348	66,070	16,746	11,116	148,688	97,016			1,834,001	1,211,046	
LIABILITIES																							
Current Liabilities																							
Payables	2,563	2,904	11	16	15,132	17,147	5,641	6,392	39,738	45,029	3,784	4,287	4,887	5,537	1,009	1,143	4,498	5,095			77,263	87,550	
Provisions	6,052	5,631	30	28	13,047	12,139	10,674	9,931	54,048	50,286	17,364	16,155	11,628	10,818	1,713	1,594	10,588	9,851			125,144	116,433	
Other	189	270	1	1	506	781	309	464	1,758	2,670	433	635	452	584	53	156	299	447			4,000	6,008	
Total Current Liabilities	8,804	8,805	42	45	28,685	30,067	16,624	16,787	95,544	97,985	21,581	21,077	16,967	16,939	2,775	2,893	15,385	15,393			206,407	209,991	
Non-Current Liabilities																							
Borrowings	31,665	2,257	128	9	84,718	6,532	51,681	3,883	294,328	22,336	72,478	5,314	75,678	5,524	8,803	661	50,363	3,752			669,842	50,268	
Provisions	32	31			68	67	56	55	283	278	91	89	61	60	9	9	56	54			656	643	
Other	1,371	1,354	6	6	3,669	3,919	2,238	2,330	12,746	13,402	3,139	3,189	3,277	2,932	381	784	2,180	2,246			29,007	30,162	
Total Non-Current Liabilities	33,068	3,642	134	15	88,455	10,518	53,975	6,268	307,357	36,016	75,708	8,592	79,016	8,516	9,193	1,454	52,599	6,052			699,505	81,073	
TOTAL LIABILITIES	41,872	12,447	176	60	117,140	40,585	70,599	23,055	402,901	134,001	97,289	29,669	95,983	25,455	11,968	4,347	67,984	21,445			905,912	291,064	
NET ASSETS	4,376	18,524	58	96	225,170	181,416	71,149	69,980	480,404	450,717	63,085	76,294	(1,635)	40,615	4,778	6,769	80,704	75,571			928,089	919,982	

* The name and purpose of each service group is summarised in Note 18

Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ac), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

1. The Reporting Entity

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

The District 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 Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the District.
- * The District controls the Northern Sydney Local Health District Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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

These consolidated financial statements for the year ended 30 June 2013 have been authorised for issue by the Chief Executive on 18 September 2013.

2. Summary of Significant Accounting Policies

Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared 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 its regulations, and the Treasurers' Directions. Apart from the basis for the District's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(aa).

Notwithstanding the consolidated entity has a working capital deficiency of \$41.6m (2012 deficiency of \$49m) and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the District have been prepared on a going concern basis.

The Director General of Health, the Chair of Northern Sydney Local Health District Board and the Chief Executive, 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 the District's control and the source of these funds. By agreement, the service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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 mitigating circumstances why the going concern is appropriate include:

- * Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The District has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District 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, investment property, 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.

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

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

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. The comparative period is a twelve month period.

Statement of Compliance

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

Significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

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

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term".

On-costs of 17.8% are applied to the value of leave payable at 30 June 2013, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2012 were 17%).

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.

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

ii) Long Service Leave and Superannuation

The District's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity.

The District 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 and other liabilities'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 28.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

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 12/06) 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 District's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 26, 'Payables'.

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

iii) Other Provisions

Other provisions exist when the District 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.

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the agency 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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

High Cost Drugs

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

Motor Accident Authority Third Party

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 accidents. The District, 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 the District 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.

Rental revenue from operating leases is recognised in accordance with AASB 117, Leases on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB 118, Revenue when the District's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB 118, on an accrual basis in accordance with the substance of the relevant agreement.

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 the Ministry based on a percentage of receipts generated
- * the residue of the Private Practice Trust Fund at the end of each financial year, such sum being credited for District use in the advancement of the District or individuals within it.

Use of Outside Facilities

The District 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.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

Grants and Contributions

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

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the District 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.

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

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

- * the amount of GST incurred by the District as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Interstate Patient Flows

From 1 July 2012, interstate patient flows are funded through the state pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

In the previous year, the District recognised the value of inflows for acute inpatient treatment provided to residents from other states and territories as revenue in note 10.

g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the District.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(x)).

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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 at an asset-specific rate.

Land and buildings which are owned by the Health Administration Corporation or the State and administered by the District are deemed to be controlled by the District and are reflected as such in the financial statements.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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h) Capitalisation Thresholds

Individual items of property, plant & equipment and intangibles are capitalised where their cost is \$10,000 or above.

i) Depreciation of Property, Plant and Equipment

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

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

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

"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.

j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Ministry of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB 116, Property, Plant and Equipment and AASB 140, Investment Property.

Investment property is separately discussed at Note 2(n).

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the depreciated replacement cost.

The District revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the District was completed in the 30 June 2012 financial year and was based on an independent assessment.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

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 a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, 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.

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 asset revaluation reserve in respect of that asset is transferred to accumulated funds.

k) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the District is effectively exempt from AASB 136, Impairment of Assets.

This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

l) 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.

m) Non-Current Assets (or disposal groups) Held for Sale

The District has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

n) 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.

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

o) 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.

p) Leased Assets

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

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 charged to the Statement of Comprehensive Income in the periods in which they are incurred.

q) 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.

r) 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, usually based on the transaction cost or face 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.

s) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The District determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* Fair value through profit or loss - The District subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

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.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated 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 the District's key management personnel.

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

The movement in the fair value of the Hour-Glass Investment facilities 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 the District 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 residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value 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 the District 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.

t) 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.

u) De-recognition of financial assets and financial liabilities

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

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

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

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

v) Payables

These amounts represent liabilities for goods and services provided to the District and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

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

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

w) 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.

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

x) Equity Transfers

The transfer of net assets between entity as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian 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, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

y) Equity and Reserves

(i) Revaluation Surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

(ii) Accumulated Funds

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

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

z) Trust Funds

The District receives monies in a trustee capacity for various trusts as set out in Note 31.

As the District performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the District's own objectives, they are not brought to account in the financial statements.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

aa) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

ab) Emerging Asset

The District's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the District to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 26 years using the annuity method and the Government Bond rate of 6.0% at commencement of the concession period.

ac) Service Group Statements Allocation Methodology

The Ministry of Health, in conjunction with all health entities, undertook an analysis of service group statements to ensure that the National Health Funding reforms definitions are consistently applied to 2011/12 and 2012/13 financial statements. Using the statistical data for twelve months ending 30 June 2012, new percentages were derived which resulted in variances in several service groups for the 2011/12 comparative year, which have been restated.

The data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2012/13 year. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the Ministry requires the District take action to identify those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

ad) New Australian Accounting Standards Issued but not 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 have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 10, Consolidated Financial Statements has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127. Changes to the reporting of consolidated entities is not expected as a result of this amendment.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the District.

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have a material impact.

Northern Sydney Local Health District
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AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. Future impact is assessed as minimal.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2013/14 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact on the District.

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the District.

AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 1055, Budgetary Reporting, has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted by NSW Treasury for whole of government reporting.

AASB 2010-10 regarding removal of fixed dates for first time adopters, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the District.

AASB 2011-2, Trans-Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration of Key Management Personnel, recognising that this is more a governance issue.

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013. The exemption is not expected to have a material impact.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not-for-profits, the changes have application from 1 July 2014 but are assessed as having no material effect.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119, applicable from 1 July 2013 assessed as having no material impact.

AASB 2011-11, Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements, applicable from 1 July 2013 assessed as having no material impact.

The following changes will depend on the policies determined by NSW Treasury.

AASB 2012-1, Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements. Sets out reduced disclosure requirements as a consequence of the issuance of AASB 13, having application from 1 July 2013.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

Northern Sydney Local Health District
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AASB 2012-4, Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards'). Applicable to reporting periods on or after 1 January 2013.

AASB 2012-5 regarding annual improvements 2009 to 2011 cycle applicable to reporting periods on or after 1 January 2013.

AASB 2012-7, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Applicable to reporting periods on or after 1 July 2013.

AASB 2012-9, Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-10, Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-11, Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments, having application from 1 July 2013.

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, having application from 1 July 2014.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
3. Employee Related				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	522,086	460,040
----	----	Overtime	29,317	27,330
----	----	Penalties	53,766	51,664
----	----	Superannuation - Defined Benefit Plans	10,049	10,296
----	----	Superannuation - Defined Contribution Plans	57,003	48,015
----	----	Long Service Leave	15,579	54,665
----	----	Annual Leave	71,485	61,216
----	----	Sick Leave and Other Leave	39,193	21,041
----	----	Redundancies	2,921	1,244
----	----	Workers' Compensation Insurance	10,699	8,100
----	----	Payroll Tax and Fringe Benefits Tax	48	----
-----	-----		812,146	743,611
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
522,086	460,040	Salaries and Wages	----	----
29,317	27,330	Overtime	----	----
53,766	51,664	Penalties	----	----
-----	608	Superannuation - Defined Benefit Plans	----	----
57,003	48,015	Superannuation - Defined Contribution Plans	----	----
154	6,591	Long Service Leave	----	----
71,485	61,216	Annual Leave	----	----
39,193	21,041	Sick Leave and Other Leave	----	----
2,921	1,244	Redundancies	----	----
10,699	8,100	Workers' Compensation Insurance	----	----
48	----	Payroll Tax and Fringe Benefits Tax	----	----
-----	-----		-----	-----
786,672	685,849		-----	-----
5. Other Operating Expenses				
6,841	7,407	Blood and Blood Products	6,841	7,407
72	----	Capital Project Expense	72	----
12,027	11,066	Domestic Supplies and Services	12,027	11,066
40,507	40,415	Drug Supplies	40,507	40,415
13,260	13,139	Food Supplies	13,260	13,139
13,342	9,536	Fuel, Light and Power	13,342	9,536
58,627	89,225	General Expenses (See (b) below)	58,627	89,225
3,531	3,737	Hospital Ambulance Transport Costs	3,531	3,737
11,595	6,238	Information Management Expenses	11,595	6,238
1,397	1,324	Insurance	1,397	1,324
		Maintenance (See (c) below)		
8,269	9,051	Maintenance Contracts	8,269	9,051
12,367	9,957	New/Replacement Equipment under \$10,000	12,367	9,957
5,830	6,704	Repairs Maintenance/Non Contract	5,830	6,704
(781)	(762)	Other	(781)	(762)
65,271	64,601	Medical and Surgical Supplies	65,271	64,601
1,708	1,709	Motor Vehicle Expenses	1,708	1,709
2,036	2,388	Postal and Telephone Costs	2,036	2,388
2,178	1,902	Printing and Stationery	2,178	1,902
1,857	1,517	Rates and Charges	1,857	1,517
1,410	1,222	Rental	1,410	1,222
41,053	53,743	Special Service Departments	41,053	53,743
7,600	5,679	Staff Related Costs	7,600	5,679
42	16	Sundry Operating Expenses (See (a) below)	42	16
4,816	3,740	Travel Related Costs	4,816	3,740
-----	-----		-----	-----
314,855	343,554		314,855	343,554

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		(a) Sundry Operating Expenses comprise :		
27	(1)	Contract for Patient Services	27	(1)
15	17	Isolated Patient Travel and Accommodation Assistance Scheme	15	17
<u>42</u>	<u>16</u>		<u>42</u>	<u>16</u>
		(b) General Expenses include :-		
247	243	Advertising	247	243
156	186	Auditor's Remuneration - External Audit	156	186
-----	-----	Auditor's Remuneration - Internal Audit	-----	-----
381	325	Books, Magazines and Journals	381	325
		Consultancies		
355	95	- Operating Activities	355	95
5,161	2,861	Corporate Support Services	5,161	2,861
811	871	Courier and Freight	811	871
903	945	Data Recording and Storage	903	945
418	81	Legal Services	418	81
464	399	Membership/Professional Fees	464	399
1,613	2,135	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,613	2,135
41,688	31,467	Public Private Partnership	41,688	31,467
472	446	Other Operating Lease Expense - Minimum Lease Payments	472	446
45	44	Payroll Services	45	44
118	225	Quality Assurance/Accreditation	118	225
330	176	Security Services	330	176
555	39,237	Services Purchased from Health Reform Transition Organisations	555	39,237
1,739	1,425	Translator Services	1,739	1,425
3,171	8,064	Other	3,171	8,064
<u>58,627</u>	<u>89,225</u>		<u>58,627</u>	<u>89,225</u>
		(c) Reconciliation of Total Maintenance		
25,685	24,950	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	25,685	24,950
4,010	(12,555)	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	4,010	(12,555)
<u>29,695</u>	<u>12,395</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>29,695</u>	<u>12,395</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
6. Depreciation and Amortisation				
34,139	30,180	Depreciation - Buildings	34,139	30,180
101	100	Amortisation - Leased Buildings	101	100
14,388	12,079	Depreciation - Plant and Equipment	14,388	12,079
1,799	1,841	Depreciation - Infrastructure Systems	1,799	1,841
50,427	44,200		50,427	44,200
7. Grants and Subsidies				
7,972	4,766	Non-Government Organisations	7,972	4,766
2,186	2,161	Community Aged Care Packages	2,186	2,161
592	188	Grants to Research Orgs	592	188
7,805	5,163	Other Grants	7,805	5,163
18,555	12,278		18,555	12,278
8. Finance Costs				
5,105	5,024	Finance Lease Interest Charges	5,105	5,024
4	21	Interest on Loans	4	21
1	1	Other Interest Charges	1	1
5,110	5,046	Total Finance Costs	5,110	5,046
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
23,875	21,497	Greenwich & Neringah Hospitals (Hope Healthcare)	23,875	21,497
23,877	22,486	Royal Rehabilitation Centre Sydney	23,877	22,486
47,752	43,983		47,752	43,983

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
7,558	7,114	Sale of Prosthesis	7,558	7,114
2,684	7,329	Other	2,684	7,329
605	764	Pharmacy Sales	605	764
(b) Rendering of Services comprise the following:-				
		Patient Fees [see note 2(d)]		
77,922	62,417	- Inpatient Fees	77,922	62,417
66	60	- Nursing Home Fees	66	60
2,122	2,007	- Non Inpatient Fees	2,122	2,007
33,445	36,045	Department of Veterans' Affairs	33,445	36,045
47	254	Staff-Meals and Accommodation	47	254
15,219	12,014	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	15,219	12,014
5,439	5,810	- Annual Charge	5,439	5,810
69	191	Car Parking	69	191
2,721	1,889	Child Care Fees	2,721	1,889
232	516	Clinical Services (excluding Clinical Drug Trials)	232	516
2,499	(87)	Commercial Activities	2,499	(87)
126	126	Fees for Medical Records	126	126
5	-----	Information Retrieval	5	-----
11,855	13,259	High Cost Drugs	11,855	13,259
-----	115	Meals on Wheels	-----	115
10,995	11,807	Motor Accident Authority Third Party	10,995	11,807
-----	2,999	Patient Inflows from Interstate*	-----	2,999
171	109	Private Use of Motor Vehicles	171	109
404	226	Salary Packaging Fee	404	226
10,107	-----	Hosted services provided to Other LHDs	10,107	-----
2,836	2,298	Services Provided to Non NSW Health Organisations	2,836	2,298
76	-----	Shared Corporate Services	76	-----
6,032	5,004	Other	6,032	5,004
193,235	172,266		193,235	172,266
<p>*From 1 July 2012, interstate patient flows are paid through the state pool account. As a result, these funds are now recognised through recurrent allocation. Refer note 2(f).</p>				
11. Investment Revenue				
		Interest		
2,449	4,545	- Other	2,449	4,545
252	258	Royalties	252	258
-----	205	Other	-----	205
2,701	5,008		2,701	5,008

Northern Sydney Local Health District
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for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
12. Grants and Contributions				
1,825	1,666	Clinical Drug Trials	1,825	1,666
10,552	2,678	Commonwealth Government Grants	10,552	2,678
8,505	6,114	Industry Contributions/Donations	8,505	6,114
5,784	4,246	Cancer Institute Grants	5,784	4,246
2,908	11,722	NSW Government Grants	2,908	11,722
923	2,158	Research Grants	923	2,158
8,142	3,427	Other Grants	8,142	3,427
<u>38,639</u>	<u>32,011</u>		<u>38,639</u>	<u>32,011</u>
13. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	10,049	9,688
-----	-----	Long Service Leave	15,425	48,074
<u>-----</u>	<u>-----</u>		<u>25,474</u>	<u>57,762</u>
14. Other Revenue				
Other Revenue comprises the following:-				
28	11	Bad Debts Recovered	28	11
137	151	Commissions	137	151
135	77	Conference and Training Fees	135	77
37	-----	Insurance Refunds	37	-----
2,980	2,313	Lease and Rental Income	2,980	2,313
96	183	Sale of Merchandise, Old Wares and Books	96	183
399	111	Sponsorship Income	399	111
918	3,139	Treasury Managed Fund Hindsight Adjustment	918	3,139
195	236	Other	195	236
<u>4,925</u>	<u>6,221</u>		<u>4,925</u>	<u>6,221</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
15. Gain / (Loss) on Disposal				
416,957	29,455	Property, Plant and Equipment	416,957	29,455
351,137	22,204	Less: Accumulated Depreciation	351,137	22,204
65,820	7,251	Written Down Value	65,820	7,251
196	155	Less: Proceeds from Disposal	196	155
(65,624)	(7,096)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(65,624)	(7,096)
----	----	Financial Assets at Fair Value	----	----
380	356	Less: Proceeds from Disposal	380	356
380	356	Gain/(Loss) on Disposal of Financial Assets at Fair Value	380	356
----	----	Assets Held for Sale	----	----
7,516	----	Less: Proceeds from Disposal	7,516	----
7,516	----	Gain/(Loss) on Disposal of Assets Held for Sale	7,516	----
(57,728)	(6,740)	Total Gain/(Loss) on Disposal	(57,728)	(6,740)
16. Other Gains / (Losses)				
(5,010)	(4,037)	Impairment of Receivables	(5,010)	(4,037)
(5,010)	(4,037)		(5,010)	(4,037)

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

17. 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 balance date	202	18,576	289	19,067
Contributions recognised in previous years which were not expended in the current reporting period	1,251	57,897	472	59,620
Total amount of unexpended contributions as at balance date	<u>1,453</u>	<u>76,473</u>	<u>761</u>	<u>78,687</u>

Comment on restricted assets appears in Note 25

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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18. Service Groups of the District

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of patients in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

Service Group 2.2 - Inpatient Hospital Services

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

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		19. Cash and Cash Equivalents		
26,544	33,417	Cash at Bank and On Hand	26,544	33,417
<u>57,527</u>	<u>56,250</u>	Short Term Deposits	<u>57,527</u>	<u>56,250</u>
<u>84,071</u>	<u>89,667</u>		<u>84,071</u>	<u>89,667</u>
		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:		
<u>84,071</u>	<u>89,667</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>84,071</u>	<u>89,667</u>
<u>84,071</u>	<u>89,667</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>84,071</u>	<u>89,667</u>

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		20. Receivables		
		Current		
45,224	23,897	Sale of Goods and Services	45,224	23,897
12,168	17,713	Intra Health Receivables	12,168	17,713
3,370	1,842	Goods and Services Tax	3,370	1,842
9,860	11,620	Other Debtors	9,860	11,620
<u>70,622</u>	<u>55,072</u>	Sub Total	<u>70,622</u>	<u>55,072</u>
(4,755)	(3,015)	Less Allowance for Impairment	(4,755)	(3,015)
65,867	52,057	Sub Total	65,867	52,057
4,570	3,533	Prepayments	4,570	3,533
<u>70,437</u>	<u>55,590</u>		<u>70,437</u>	<u>55,590</u>
		(a) Movement in the Allowance for Impairment		
-----	-----	Sale of Goods and Services		
(1,646)	2,041	Balance at Commencement of Reporting Period	(1,646)	2,041
3,140	(3,687)	Amounts written off during the year	3,140	(3,687)
(4,565)	-----	(Increase)/decrease in Allowance Recognised in	(4,565)	-----
(3,071)	(1,646)	Result for the Year	(3,071)	(1,646)
		Balance at 30 June		
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(1,370)	(68)	Balance at Commencement of Reporting Period	(1,370)	(68)
130	(952)	Amounts written off during the year	130	(952)
(445)	(350)	(Increase)/decrease in Allowance Recognised in	(445)	(350)
(1,684)	(1,370)	Result for the Year	(1,684)	(1,370)
<u>(4,755)</u>	<u>(3,016)</u>	Balance at 30 June	<u>(4,755)</u>	<u>(3,016)</u>
		Non-Current		
1,296	1,296	Prepayments	1,296	1,296
<u>1,296</u>	<u>1,296</u>		<u>1,296</u>	<u>1,296</u>
		(c) Patient Fee Receivables		
1,372	1,185	Patient Fees - Compensable	1,372	1,185
4,414	1,391	Patient Fees - Ineligible	4,414	1,391
16,309	11,770	Patient Fees - Other	16,309	11,770
<u>22,095</u>	<u>14,346</u>		<u>22,095</u>	<u>14,346</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT

CONSOLIDATION

2013
\$000

2012
\$000

2013
\$000

2012
\$000

21. Inventories - Current - Held for Distribution

2,551	2,652	Drugs	2,551	2,652
5,817	4,734	Medical and Surgical Supplies	5,817	4,734
85	64	Engineering Supplies	85	64
1,829	170	Other Including Goods in Transit	1,829	170
<u>10,282</u>	<u>7,620</u>		<u>10,282</u>	<u>7,620</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,945,879	1,665,126	Gross Carrying Amount	1,945,879	1,665,126
443,670	729,554	Less: Accumulated Depreciation and Impairment	443,670	729,554
1,502,209	935,572	Net Carrying Amount	1,502,209	935,572
Plant and Equipment - Fair Value				
154,450	149,662	Gross Carrying Amount	154,450	149,662
61,241	77,915	Less: Accumulated Depreciation and Impairment	61,241	77,915
93,209	71,747	Net Carrying Amount	93,209	71,747
Infrastructure Systems - Fair Value				
106,398	73,936	Gross Carrying Amount	106,398	73,936
40,232	38,434	Less: Accumulated Depreciation and Impairment	40,232	38,434
66,166	35,502	Net Carrying Amount	66,166	35,502
1,661,584	1,042,821	Total Property, Plant and Equipment At Net Carrying Amount	1,661,584	1,042,821

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT & CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013							
Net Carrying Amount at Start of Year	321,583	472,272	141,097	620	71,747	35,502	1,042,821
Additions	----	614,577	92,162	----	25,257	----	731,996
Recognition of Assets Held for Sale	2,520	1,021	----	----	----	----	3,541
Disposals	----	(58,414)	----	----	(7,406)	----	(65,820)
Administrative Restructures - Transfers In/(Out)	----	----	----	----	(114)	----	(114)
Depreciation Expense	----	(34,139)	----	(101)	(14,388)	(1,799)	(50,427)
Reclassifications	----	10,776	(61,747)	(18)	18,113	32,463	(413)
Net Carrying Amount at End of Year	324,103	1,006,093	171,512	501	93,209	66,166	1,661,584

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012							
Net Carrying Amount at Start of Year	308,066	484,088	80,452	623	49,994	33,532	956,755
Additions	----	----	65,193	----	12,512	----	77,705
Disposals	----	(6,617)	----	----	(634)	----	(7,251)
Administrative Restructures - Transfers In/(Out)	----	171	4,428	----	19,228	625	24,452
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	13,517	24,210	----	----	----	3,228	40,955
Depreciation Expense	----	(30,180)	----	(100)	(12,079)	(1,841)	(44,200)
Reclassifications	----	600	(8,976)	97	2,726	(42)	(5,595)
Net Carrying Amount at End of Year	321,583	472,272	141,097	620	71,747	35,502	1,042,821

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 2(g)].
- (ii) Land and Buildings were valued in the 2011/12 financial year by Corporeal Pty Ltd (Registered Valuer No.2673) in accordance with note 2(j). Corporeal Pty Ltd (Registered Valuer No.2673) is not an employee of the District.
- (iii) Indices provided by Corporeal Pty Ltd were not applied as immaterial.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
		23. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 2(ab))		
<u>6,331</u>	<u>5,951</u>		<u>6,331</u>	<u>5,951</u>
<u>6,331</u>	<u>5,951</u>		<u>6,331</u>	<u>5,951</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		24. Non-Current Assets (or Disposal Groups) Held for Sale		
		Assets Held for Sale		
-----	8,101	Land and Buildings	-----	8,101
-----	8,101		-----	8,101
<u>-----</u>	<u>8,101</u>		<u>-----</u>	<u>8,101</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT

CONSOLIDATION

**2013
\$000**

**2012
\$000**

**2013
\$000**

**2012
\$000**

25. Restricted Assets

The District'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

33,172	33,247	Specific Purposes	33,172	33,247
21,137	20,776	Research Grants	21,137	20,776
24,378	21,662	Private Practice Funds	24,378	21,662
<hr/> 78,687 <hr/>	<hr/> 75,685 <hr/>		<hr/> 78,687 <hr/>	<hr/> 75,685 <hr/>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013	2012		2013	2012
\$000	\$000		\$000	\$000
		26. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	17,482	13,169
-----	-----	Taxation and Payroll Deductions	5,370	3,880
22,852	17,049	Accrued Liability - Purchase of Personnel Services	-----	-----
28,039	36,075	Creditors	28,039	36,075
		Other Creditors		
6,951	17,761	- Intra Health Liability	6,951	17,761
19,421	16,665	- Other	19,421	16,665
<u>77,263</u>	<u>87,550</u>		<u>77,263</u>	<u>87,550</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

		27. Borrowings		
		Non-Current		
669,842	49,565	Public Private Partnership	669,842	49,565
-----	703	Other	-----	703
<u>669,842</u>	<u>50,268</u>		<u>669,842</u>	<u>50,268</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
28. Provisions				
-----	-----	Annual Leave - Short Term Benefit	70,000	71,445
-----	-----	Annual Leave - Long Term Benefit	42,673	32,765
-----	-----	Long Service Leave On-Costs	12,471	12,223
125,144	116,433	Provision for Personnel Services Liability	-----	-----
125,144	116,433	Total Current Provisions	125,144	116,433
Non-Current Employee Benefits and Related On-Costs				
-----	-----	Long Service Leave On-Costs	656	643
656	643	Provision for Personnel Services Liability	-----	-----
656	643	Total Non-Current Provisions	656	643
Aggregate Employee Benefits and Related On-Costs				
-----	-----	Provisions - Current	125,144	116,433
-----	-----	Provisions - Non-Current	656	643
-----	-----	Accrued Salaries, Wages and On-Costs (Note 26)	22,852	17,049
148,652	134,125	Liability - Purchase of Personnel Services	-----	-----
148,652	134,125		148,652	134,125

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
29. Other Liabilities				
Current				
4,000	6,008	Income in Advance	4,000	6,008
<u>4,000</u>	<u>6,008</u>		<u>4,000</u>	<u>6,008</u>
Non-Current				
29,007	30,162	Income in Advance	29,007	30,162
<u>29,007</u>	<u>30,162</u>		<u>29,007</u>	<u>30,162</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		30. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
		Not later than one year	112,609	29,430
112,609	29,430	Later than one year and not later than five years	380,998	270,814
380,998	270,814	Later than five years	1,305,387	2,077,783
1,305,387	2,077,783		<u>1,798,994</u>	<u>2,378,027</u>
<u>1,798,994</u>	<u>2,378,027</u>	Total Capital Expenditure Commitments (Including GST)	<u>1,798,994</u>	<u>2,378,027</u>
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	2,755	1,995
2,755	1,995	Later than one year and not later than five years	2,947	1,816
2,947	1,816	Later than five years	7	-----
7	-----		<u>5,709</u>	<u>3,811</u>
<u>5,709</u>	<u>3,811</u>	Total Operating Lease Commitments (Including GST)	<u>5,709</u>	<u>3,811</u>
		The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		(c) Finance Lease Commitments		
		Minimum lease payment commitments in relation to finance leases are payable as follows:		
		Later than five years	736,826	54,521
736,826	54,521		<u>736,826</u>	<u>54,521</u>
<u>736,826</u>	<u>54,521</u>	Minimum Lease Payments	<u>736,826</u>	<u>54,521</u>
<u>736,826</u>	<u>54,521</u>	Present Value of Minimum Lease Payments	<u>736,826</u>	<u>54,521</u>
		(d) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$2,542 million as at 30 June 2013 includes input tax credits of \$231 million that are expected to be recoverable from the Australian Taxation Office (2012 \$221 million).		

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

(e) Royal North Shore Hospital PPP

In October 2008, a private sector company, InfraShore Pty Limited, was engaged to finance, design and construct the new Royal North Shore Hospital, the new Community Health Facility and a new car park. InfraShore is required to provide facilities management services and delivery of ancillary non-clinical support services for these hospital facilities, the new Research and Education Centre (the Kolling Building) and some existing facilities under a Project Deed. Provision of facilities maintenance commenced in October 2009 and other support services commenced in April 2010. The new development will be completed in stages and full service commissioning is anticipated in 2014/15.

Upon construction of each stage, the Northern Sydney Local Health The District (the District) will operate and recognise the new Community Health Facility, the new Royal North Shore Hospital, and the new car park facility as an asset of \$722M. In addition, The District will recognise the liability to InfraShore, payable over the period to 2036 for these facilities.

In March 2011, Stage 1 of the new Community Health Building was completed on target. The District recognised the Community Health Building as an asset of \$49.565M. The basis for the accounting treatment is that services will be delivered by The District for the duration of the term until 2036. The District recognised the PPP liability, payable from 2011/12 to 2036 for the construction of the Community Health Building.

In December 2012, the new Acute Services Building (Stage 2) was completed. The District recognised the Acute Services Building as an asset of \$620M in 2012/13. The basis for the accounting treatment is that hospital services will be delivered by The District for the duration of the term until 2036. The District recognised the PPP liability, payable from 2013/14 to 2036 for the construction of the Acute Services Building.

The car park facilities across the Hospital campus are managed under a separate licence agreement with InfraShore Parking Pty Ltd over 28 years to match the Project Deed term. The new car park was treated as a capital purchase with deferred settlement. Under the securitisation structure for the Car Park Licence Agreement, on 28 April 2010, The District received an upfront payment that represented the net present value of the annual base licence fee for the term from the InfraShore Asset Management Trust.

An estimate of the commitments is as follows (Note the following amounts have been included in the above):

(i) Repayment of PPP Liability (Borrowings) - New Community Health Building & Acute Services Building

NOMINAL	2013	2012
	\$000	\$000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	736,826	54,521

(ii) Capital Commitments - PPP interest in relation to the new Community Health Building and new Acute Services Building

NOMINAL	2013	2012
	\$000	\$000
Not later than one year	16,881	5,824
Later than one year and not later than five years	311,111	23,527
Later than five years	1,170,155	94,234

(iii) Other Capital Commitments – Refurbishment of the Douglas Building and car park

NOMINAL	2013 \$000	2012 \$000
Not later than one year	525	-
Later than one year and not later than five years	21,398	240,448
Later than five years	135,232	1,983,549

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$217.5m are expected to be recoverable from the Australian Taxation Office (2012 \$218.3m).

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT AND CONSOLIDATION

31. Trust Funds

The District holds trust fund moneys of \$5.8 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These monies are excluded from the financial statements as the District 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	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Cash Balance at the beginning of the financial year	530	385	42	91	2,347	1,842	2,919	2,318
Receipts	1,761	1,587	302	180	39,006	35,852	41,069	37,619
Expenditure	(1,572)	(1,442)	(187)	(229)	(36,414)	(35,347)	(38,173)	(37,018)
Cash Balance at the end of the financial year	719	530	157	42	4,939	2,347	5,815	2,919

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT AND CONSOLIDATED

32. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2006/07 fund year and an interim adjustment for the 2008/09 fund year were not calculated until 2012/13.

As a result, the 2007/08 final and 2009/10 pertaining to the hospitals and community services now forming part of the District will be paid in 2013/14. It is not possible for the District to reliably quantify the benefit/liability to be received or paid.

b) Affiliated Health Organisations

Based on the definition of control in Australian Accounting Standard AASB127, Consolidated and Separate Financial Statements, Affiliated Health Organisations listed in Schedule 3 of the Health Services Act, 1997 are only recognised in the District's consolidated financial statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship which may exist or be formulated between the administering bodies of the organisation and the District and the Ministry.

c) Royal North Shore Hospital Redevelopment Public Private Partnership (PPP)

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with CPI index over the project term. The District receives funding from NSW Treasury via the Ministry of Health to meet the PPP Capital financing payments associated with the campus redevelopment. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
94,146	94,957	Net Cash Flows from Operating Activities	94,146	94,957
(50,427)	(44,200)	Depreciation	(50,427)	(44,200)
(5,010)	4,037	Allowance for Impairment	(5,010)	4,037
3,163	3,200	(Increase)/ Decrease Income in Advance	3,163	3,200
(7,970)	(15,072)	(Increase)/ Decrease in Provisions	(7,970)	(15,072)
24,913	(15,026)	Increase / (Decrease) in Prepayments and Other Assets	24,913	(15,026)
10,578	24,016	(Increase)/ Decrease in Creditors	10,578	24,016
(57,728)	(6,739)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(57,728)	(6,739)
11,665	45,173	Net Result	11,665	45,173

34. 2012/13 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the District. Services provided include:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> . Chaplaincies and Pastoral Care - . Pink Ladies/Hospital Auxiliaries - . Patient Support Groups - . Community Organisations - | <ul style="list-style-type: none"> Patient & Family Support Patient Services, Fund Raising Practical Support to Patients and Relative Counselling, Health Education, Transport, Home Help & Patient Activities |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

PARENT AND CONSOLIDATED

35. Unclaimed Moneys

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 District 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 District.

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.

36. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than budget by \$6 million, primarily due to losses relating to impairment of receivables of \$3m, which offsets net expenditures and revenue of \$9m.

Assets and Liabilities

Total assets are unfavourable to budget by \$11 million. This unfavourability is primarily driven by the disposal of the Brown Building at RNS. Total liabilities are favourable by \$11m primarily due to the reduction in payables.

Cash Flows

Operating cash flow reflect a variance of \$7.3 million unfavourable to budget. This is primarily driven by the increase in employee-related expenses.

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 2012 are as follows:

	\$000
Initial Allocation, 1 July 2012	914,297
Award	486
Capital adjustment	119,371
Cash adjustment	1
PPP	9,867
Special Projects	33,201
Redundancy	1,933
Transfer from Holding Entity/ Transition Office	(7,806)
Balance as per Statement of Comprehensive Income	<u>1,071,350</u>

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

37. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2011/12 year were:

\$7.1 million increase in net assets related to the Districts' assumption of responsibilities upon dissolution of Health Reform Transition Organisation on 31st May 2012.

Equity transfers effected in the 2012/13 year were:

A decrease in net assets of \$3.6 million relating to outstanding assets and liabilities relating to equity transfers.

	2013	2012
	\$000	\$000
Equity transfers effected comprised:		
Health Reform Transition Organisation Northern	-----	21,334
Central Coast Local Health District	(4,683)	(14,227)
HealthShare NSW	(638)	-----
Crown Entity - Transfer of Long Service Leave On-costs	1,870	-----
Crown Entity - Year End Consequential Liability Adjustment	(107)	-----
	(3,558)	7,107

Assets and Liabilities transferred are as follows:

	2013	2012
	\$000	\$000
Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	-----	444
Receivables	(2,209)	2,722
Inventories	-----	177
Total Current Assets	(2,209)	3,343
<u>Non-Current Assets</u>		
Property, Plant and Equipment		
- Land and Buildings	-----	4,599
- Plant and Equipment	(114)	19,228
- Infrastructure Systems		625
Total Property, Plant and Equipment	(114)	24,452
Total Non-Current Assets	(114)	24,452
Total Assets	(2,323)	27,795
Liabilities		
<u>Current Liabilities</u>		
Payables	(1,041)	(9,198)
Borrowings	-----	(1,235)
Provisions	(754)	(9,552)
Other	560	-----
Total Current Liabilities	(1,235)	(19,985)
Non-Current Liabilities		
Borrowings	-----	(703)
Total Non-Current Liabilities	-----	(703)
Total Liabilities	(1,235)	(20,689)
Increase/(Decrease) in Net Assets From Equity Transfers	(3,558)	7,107

Northern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2013

38. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2013 \$000	Carrying Amount 2012 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 19)	N/A	84,071	89,667
Receivables (note 20)*	Loans and receivables (at amortised cost)	62,497	50,215
Total Financial Assets		146,568	139,882
Financial Liabilities			
Borrowings (note 27)	Financial liabilities	669,842	50,268
Payables (note 26)**	(at amortised cost)	71,893	83,670
Total Financial Liabilities		741,735	133,938

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 of the District's debtors defaulting on their contractual obligations, resulting in a financial loss to the District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

Credit risk associated with the District'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

Northern Sydney Local Health District
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banking system. Interest is earned on daily bank balances at rates of approximately 3.6% in 2012/13 compared to 3.42% in the previous year.

The TCorp Hour-Glass cash facility 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 the District will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The District 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 (2013:\$12.8m; 2012: \$11.7m) and not more than 3 months past due (2013: \$5.9m; 2012:\$2.9m) are not considered impaired and together these represent 78% of the total trade debtors. 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 the District's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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.

2013	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	5,939	5,939	----
3 months - 6 months overdue	2,072	2,072	----
> 6 months overdue	3,051	----	3,051
2012			
<3 months overdue	2,893	2,893	----
3 months - 6 months overdue	952	952	----
> 6 months overdue	2,270	----	2,270

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

The District 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 2.58% (2012 - 4.08 %), while over the year the weighted average interest rate was 3.68% (2012 - 4.87%) on a weighted average balance during the year of \$56.4m (2012 - \$54.5m). None of these assets are past due or impaired.

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(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The District has exposure to liquidity risk.

However, the risk is minimised by the service agreement, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District 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 2).

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.

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Int. Rate	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
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		17,482	----	----	17,482	17,482	----	----
- Creditors		54,411	----	----	54,411	54,411	----	----
Borrowings:								
- Loans and Deposits								
- Finance Leases								
- Public Private Partnership		669,842	----	----	669,842	----	----	669,842
- Other								
		<u>741,735</u>	----	----	<u>741,735</u>	<u>71,893</u>	----	<u>669,842</u>
2012								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		13,169	----	----	13,169	13,169	----	----
- Creditors		70,501	----	----	70,501	70,501	----	----
Borrowings:								
- Loans and Deposits								
- Finance Leases								
- Public Private Partnership		50,268	----	----	50,268	----	----	50,268
- Other								
		<u>133,938</u>	----	----	<u>133,938</u>	<u>83,670</u>	----	<u>50,268</u>

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District 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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d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District 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 2012. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

Both Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The District does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The District's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit	Equity	Profit	+1% Equity
2013					
Financial Assets					
Cash and Cash Equivalents	84,071	(841)	(841)	841	841
Receivables	62,497	-----	-----	-----	-----
Financial Liabilities					
Payables	71,893	-----	-----	-----	-----
Borrowings	669,842	(6,698)	(6,698)	6,698	6,698
2012					
Financial Assets					
Cash and Cash Equivalents	89,667	(897)	(897)	897	897
Receivables	50,215	-----	-----	-----	-----
Financial Liabilities					
Payables	83,670	-----	-----	-----	-----
Borrowings	50,268	(503)	(503)	503	503

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Other price risk - TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The District has no direct equity investments. The District holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2013	2012
			\$'000	\$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	57,527	56,250

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the District's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

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	Change in unit price	Impact on profit/loss	
		2013	2012
		\$'000	\$'000
Hour-Glass Investment - Cash facility	+/- 1%	575	563

(e) Fair Value compared to Carrying Amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the District's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of the financial instruments. Therefore the fair value of the financial instruments do not differ from the carrying amount.

(f) Fair Value recognised in the Statement of Financial Position

The District uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - derived from quoted prices in active markets for identical assets/liabilities.

Level 2- derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 Total \$'000
TCorp Hour-Glass Invnt.Facility		57,527		57,527

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2013.

Note 39 Events after the Reporting Period

There are no events after the reporting period that require amendment to the financial statements.

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END OF AUDITED FINANCIAL STATEMENTS