



INDEPENDENT AUDITOR'S REPORT

Graythwaite Charitable Trust

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Graythwaite Charitable Trust (the Trust), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Trust.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 30 June 2014, and of its financial performance and its 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 should be read in conjunction with the rest of this report.

Secretary's Responsibility for the Financial Statements

The Secretary of the Ministry of Health 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 Secretary determines is necessary to enable the preparation of the 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 the 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 Trust'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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, 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 Trust
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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.



Steven Martin
Assistant Auditor-General

19 September 2014
SYDNEY

**Graythwaite Charitable Trust
Certification of the Financial Statements
for the year ended 30 June 2014**

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

- 1) The financial statements of the Graythwaite Charitable Trust for the year ended 30 June 2014 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 Graythwaite Charitable Trust; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Dr Mary Foley
Secretary, NSW Health
18 September 2014



John Roach, PSM
Chief Financial Officer

Graythwaite Charitable Trust
Statement of Comprehensive Income for the year ended 30 June 2014

| | Notes | Actual | Actual |
|--|---------|----------------|------------|
| | | 2014 | 2013 |
| | | \$000 | \$000 |
| Expenses excluding losses | | | |
| Operating Expenses | | | |
| Other Operating Expenses | 3 | --- | 8 |
| Depreciation and Amortisation | 2(c), 4 | 1,701 | --- |
| Total Expenses excluding losses | | <u>1,701</u> | <u>8</u> |
| Revenue | | | |
| Investment Revenue | 5 | 292 | 847 |
| Other Revenue | 6 | 7 | --- |
| Total Revenue | | <u>299</u> | <u>847</u> |
| Net Result | 13 | <u>(1,402)</u> | <u>839</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>(1,402)</u> | <u>839</u> |

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Statement of Financial Position as at 30 June 2014

| | Notes | Actual 2014 \$000 | Actual 2013 \$000 |
|--|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 7 | 7,631 | 10,252 |
| Receivables | 8 | 56 | 731 |
| Total Current Assets | | <u>7,687</u> | <u>10,983</u> |
| Land and Buildings | 9 | 32,381 | 33,730 |
| Plant and Equipment | 9 | 118 | --- |
| Total Property, Plant and Equipment | | <u>32,499</u> | <u>33,730</u> |
| Total Non-Current Assets | | <u>32,499</u> | <u>33,730</u> |
| Total Assets | | <u>40,186</u> | <u>44,713</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 11 | --- | 3,125 |
| Total Current Liabilities | | --- | <u>3,125</u> |
| Total Liabilities | | --- | <u>3,125</u> |
| Net Assets | | <u>40,186</u> | <u>41,588</u> |
| EQUITY | | | |
| Reserves | | 1,573 | 1,573 |
| Accumulated Funds | | 38,613 | 40,015 |
| Total Equity | | <u>40,186</u> | <u>41,588</u> |

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Statement of Changes in Equity for the year ended 30 June 2014

| | Accumulated Funds | Asset Revaluation Surplus | Total |
|---|----------------------|------------------------------|---------------|
| Notes | \$000 | \$000 | \$000 |
| Balance at 1 July 2013 | 40,015 | 1,573 | 41,588 |
| Total Equity at 1 July 2013 | 40,015 | 1,573 | 41,588 |
| Net Result for the year | (1,402) | | (1,402) |
| Total Other Comprehensive Income for the year | ---- | ---- | ---- |
| Balance at 30 June 2014 | 38,613 | 1,573 | 40,186 |
| Balance at 1 July 2012 | 39,176 | 1,573 | 40,749 |
| Total Equity at 1 July 2012 | 39,176 | 1,573 | 40,749 |
| Net Result for the year | 839 | | 839 |
| Total Other Comprehensive Income for the year | ---- | ---- | ---- |
| Balance at 30 June 2013 | 40,015 | 1,573 | 41,588 |

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Statement of Cash Flows for the year ended 30 June 2014

| | Notes | Actual 2014 \$000 | Actual 2013 \$000 |
|--|-------|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Other | | <u>(2,451)</u> | <u>(3,148)</u> |
| Total Payments | | <u>(2,451)</u> | <u>(3,148)</u> |
| Receipts | | | |
| Interest Received | | 293 | 847 |
| Other | | <u>7</u> | <u>2,426</u> |
| Total Receipts | | <u>300</u> | <u>3,273</u> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 13 | <u><u>(2,151)</u></u> | <u><u>125</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of Land and Buildings, Plant and Equipment | | (470) | (24,748) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u><u>(470)</u></u> | <u><u>(24,748)</u></u> |
| NET INCREASE / (DECREASE) IN CASH | | | |
| Opening Cash and Cash Equivalents | | 10,252 | 34,875 |
| CLOSING CASH AND CASH EQUIVALENTS | 7 | <u><u>7,631</u></u> | <u><u>10,252</u></u> |

The accompanying notes form part of these financial statements.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

The Graythwaite Trust was incorporated on 1 July 2009 by Trust Deed. The Trustee of the Graythwaite estate is Her Majesty Queen Elizabeth II, who acts through the NSW Minister for Health.

The Trust encompasses property, plant and equipment of the Graythwaite Rehabilitation Facility which was officially opened on 19 September 2013 together with the residue from the sale of the former Graythwaite Nursing Home.

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 Trust is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Secretary, NSW Health and the Chief Financial Officer on 18 September 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Trust's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions.

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

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

As the Trust employs no staff, a liability for employee benefits and other provisions does not exist.

b) 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 Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and

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

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

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

c) 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 Trust. Land is not a depreciable asset. The Graythwaite Rehabilitation Centre building was opened in September 2013 and depreciated from October 2013. The Building and Plant and Equipment are depreciated at the rates of 2.5% and 15% respectively.

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

d) Revaluation of Non-Current Assets

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 9 and Note 10 for further information regarding fair value.

The Trust revalues its Land and Buildings at minimum every three years by independent valuation. The last revaluation for assets assumed by the Trust was completed in the 2011/12 financial year and was based on an independent assessment.

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.

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

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

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.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

e) Payables

These amounts represent liabilities for goods and services provided to the Trust 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 Trust

f) Fair Value Hierarchy

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

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

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

Refer Note 10 and Note 15 for further disclosures regarding fair value measurements of financial and non-financial assets.

g) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

h) Service Group Statements Allocation Methodology

The Trust has not prepared Service Group Statements as it only operates under one program, namely 4.1 Rehabilitation and Extended Care Services.

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. Its objective is to contribute to the 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.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

i) New Australian Accounting Standards Issued but not Effective

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 January 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. No impact to prior year values, increased note disclosures, refer note 10.

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. Minor Adjustment has been made to note 15.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards 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 2017 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 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 profit entities, the changes have application from 1 July 2014 but are assessed as having no material effect.

AASB 9, Financial Instruments, has application from 1 Jan 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 1031, Materiality, is applicable to annual reporting periods beginning on or after 1 January 2014. This Standard provides references to other Standards and the Framework that contain guidance on materiality.

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.

AASB 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| | 2014 | 2013 |
|--|--------------|--------------|
| | \$000 | \$000 |
| 3. Other Operating Expenses | | |
| Auditor's Remuneration - Audit of Financial Statements | ----- | 8 |
| | ----- | 8 |
| | ----- | 8 |
| 4. Depreciation and Amortisation | | |
| Depreciation - Buildings | 1,692 | ----- |
| Depreciation - Plant and Equipment | 9 | ----- |
| | 1,701 | ----- |
| 5. Investment Revenue | | |
| Bank Interest | 292 | 847 |
| | 292 | 847 |

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| | 2014 \$000 | 2013 \$000 |
|-------------------------|-----------------|--------------------|
| 6. Other Revenue | | |
| Other | <u>7</u> | <u>----</u> |
| | <u>7</u> | <u>----</u> |

7. Cash and Cash Equivalents

| | | |
|--------------------------|---------------------|----------------------|
| Cash at Bank and On Hand | <u>7,631</u> | <u>10,252</u> |
| | <u>7,631</u> | <u>10,252</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:

| | | |
|--|---------------------|----------------------|
| Cash and Cash Equivalents (per Statement of Financial Position) | <u>7,631</u> | <u>10,252</u> |
| Closing Cash and Cash Equivalents (per Statement of Cash Flows) | <u>7,631</u> | <u>10,252</u> |

Refer to Note 15 for details regarding credit risk, liquidity risk and market risk arising from the financial instruments.

8. Receivables

| | | |
|------------------------|------------------|-------------------|
| Current | | |
| Goods and Services Tax | <u>56</u> | <u>731</u> |
| Sub Total | <u>56</u> | <u>731</u> |

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 15.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| | 2014 | 2013 |
|---|---------------|---------------|
| | \$000 | \$000 |
| 9. Property, Plant and Equipment | | |
| Land and Buildings - Fair Value | | |
| Gross Carrying Amount | 34,073 | 33,730 |
| Less: Accumulated Depreciation and Impairment | 1,692 | ----- |
| Net Carrying Amount | 32,381 | 33,730 |
| Plant and Equipment - Fair Value | | |
| Gross Carrying Amount | 127 | ----- |
| Less: Accumulated Depreciation and Impairment | 9 | ----- |
| Net Carrying Amount | 118 | ----- |
| Total Property, Plant and Equipment At Net Carrying Amount | 32,499 | 33,730 |

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

9. Property, Plant and Equipment - Reconciliation

| | Land | Buildings | Plant and Equipment | Total |
|---|--------------|---------------|------------------------|---------------|
| | \$000 | \$000 | \$000 | \$000 |
| 2014 | | | | |
| Net Carrying Amount at Start of Year | 2,800 | 30,930 | --- | 33,730 |
| Additions | --- | 470 | --- | 470 |
| Depreciation Expense | --- | (1,692) | (9) | (1,701) |
| Reclassifications | --- | (127) | 127 | --- |
| Net Carrying Amount at End of Year | 2,800 | 29,581 | 118 | 32,499 |

| | Land | Buildings | Plant and Equipment | Total |
|---|--------------|---------------|------------------------|---------------|
| | \$000 | \$000 | \$000 | \$000 |
| 2013 | | | | |
| Net Carrying Amount at Start of Year | 2,800 | 5,909 | --- | 8,709 |
| Additions | --- | 25,021 | --- | 25,021 |
| Net Carrying Amount at End of Year | 2,800 | 30,930 | 0 | 33,730 |

Fair value measurement was assessed in 2013/14 through an external desktop assesment of valuations based on market factors. No adjustment was effected as the market movements were immaterial.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

10. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the balance sheet are categorised into the following levels. Comparative information for the following has not been provided as permitted by the transitional provisions of the new standard.

| a) Fair Value Hierarchy | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | Total \$000 |
|-------------------------|------------------|------------------|------------------|----------------|
| 2014 | | | | |
| Land and Buildings | ---- | 29,581 | 2,800 | 32,381 |
| | <u>----</u> | <u>29,581</u> | <u>2,800</u> | <u>32,381</u> |

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

*For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values for Plant and Equipment are not required to be reported under the fair value hierarchy.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure the Trust obtains external valuations by independent valuers every three years. The last revaluation was performed by Department of Finance and Services for the 2011/12 financial year. Department of Finance and Services is an independent entity and is not an employee of the Trust.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 9 reconciliation.

In accordance with AASB 13 Fair Value Measurement no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

The following non-current assets categorised in a) above have been measured as either level 2 or level 3 based on the following valuation techniques and inputs:

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

Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations.

All commercial and non-restricted land is included in Level 2 as these land valuations have a high level of observable inputs although these lands are not identical.

Work in Progress and Newly Completed Buildings is categorised as level 2, as the initial measurement is recognised at cost and is represented accordingly until subject to revaluation. This is considered appropriate as, once assets are brought into use, there is no longer a identical correlation with the "shelf product".

Level 3 disclosures:

Buildings

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual building and infrastructure assets is assessed by referencing to building costs in external publications such as the Rawlinson's Australian Construction Handbook and with allowances made for the regional locations. The useful economic life of the assets is initially assessed at 40 years. The remaining economic life is assessed based upon physical depreciation and obsolescence. The Trust provides details to the valuer of any known structural faults and future planning which may involve the demolition or removal of an asset. Any new assets constructed over the past four years have been included and where refurbishment has been undertaken the capital expenditure is reflected in the remaining life of the asset.

Construction costs used to establish gross replacement cost are not expected to have significant variations, unless new construction is impacted by building/construction variations. The trustee is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

10. Fair Value Measurement of Non-Financial Assets

| c) Reconciliation of Recurring Level 3 Fair Value Measurements | Land and Buildings \$000 | Level 3 Recurring Total \$000 |
|---|-------------------------------------|--|
| Fair value as at 1 July 2013 | 2,800 | 2,800 |
| Additions | --- | --- |
| Transfers to Level 2 | --- | --- |
| Depreciation | --- | --- |
| Fair value as at 30 June 2014 | <u>2,800</u> | <u>2,800</u> |

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

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| | 2014 \$000 | 2013 \$000 |
|---------------------|---------------|---------------|
| 11. Payables | | |
| Current | | |
| Creditors | ---- | 8 |
| WIP Accruals | ---- | 3,117 |
| | ----- | ----- |
| | ----- | 3,125 |

12. Commitments for Expenditure

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

| | | |
|--|-------|------------|
| | ---- | 187 |
| | ----- | ----- |
| Total Capital Expenditure Commitments (Including GST) | ----- | 187 |

13. Reconciliation of Cash Flows from Operating Activities to Net Result

| | | |
|---|----------------|------------|
| Net Cash Flows from Operating Activities | (2,151) | 125 |
| Depreciation | (1,701) | ---- |
| Increase / (Decrease) in Prepayments and Other Assets | (675) | 705 |
| (Increase)/ Decrease in Creditors | 3,125 | 9 |
| | ----- | ----- |
| Net Result | (1,402) | 839 |

14. Services Received Free of Charge

The Trust receives administrative support services from the Ministry of Health. These costs are insignificant and have not been quantified or recognised in these financial statements.

Graythwaite Charitable Trust
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

15. Financial Instruments

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

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

The Trustee 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 Trust, to set risk limits and controls and monitor risks.

(a) Financial Instrument Categories

| Class | Category | Carrying Amount 2014 | Carrying Amount 2013 |
|------------------------------------|--|-------------------------------------|-------------------------------------|
| Financial Assets | | \$000 | \$000 |
| Cash and Cash Equivalents (note 7) | N/A | 7,631 | 10,252 |
| Total Financial Assets | | <u>7,631</u> | <u>10,252</u> |
| Financial Liabilities | | | |
| | Financial liabilities measured at amortised cost | | |
| Payables (note 11)* | | --- | 3,125 |
| Total Financial Liabilities | | <u>---</u> | <u>3,125</u> |

Notes

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

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(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Trust. 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 Trust, including cash, receivables and authority deposits. No collateral is held by the Trust. The Trust has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.35% in 2013/14 compared to 2.65% to 3.40% in the previous year.

Receivables - trade debtors

The Trust had no trade debtors recognised as financial instruments at balance date.

(c) Liquidity Risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust 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 Trust has negotiated no loan outside of arrangements with the NSW Ministry of Health.

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. 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.

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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. Based on a movement of +1/-1% of the likely exposure of interest rate risk would be \$0.076M (2013 \$0.103M) based on cash of \$7.631M (2013 \$10.252M).

The Trust has no exposure to foreign currency risk and does not enter into commodity contracts.

16. Events after the Reporting Period

The Trustee is not aware of any events after the reporting period which will affect the financial statements.

END OF AUDITED FINANCIAL STATEMENTS