



INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Justice Health and Forensic Mental Health Network (the Network), which comprise the statement of financial position as at 30 June 2014, 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 Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity as at 30 June 2014, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (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 comprehensive income, statement of financial position and statement of cash flows.

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

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 Network or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their 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.



Chris Clayton
Director, Financial Audit Services

26 September 2014
SYDNEY

**Justice Health and Forensic Mental Health Network
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 Justice Health and Forensic Mental Health Network 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 Justice Health and Forensic Mental Health Network; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Julie Babineau
Chief Executive
25 September 2014



Christopher Puplick
Chair

Justice Health and Forensic Mental Health Network
Statement of Comprehensive Income for the year ended 30 June 2014

| PARENT | | | | | | | | CONSOLIDATION | | |
|----------------|---------------------|----------------|----------------------------------------------------------|--------------|--|----------------|----------------|---------------------|---------------|--|
| Actual | Budget Unaudited | Actual | | | | Notes | Actual | Budget Unaudited | Actual | |
| 2014 \$000 | 2014 \$000 | 2013 \$000 | | | | | 2014 \$000 | 2014 \$000 | 2013 \$000 | |
| | | | Expenses excluding losses | | | | | | | |
| | | | Operating Expenses | | | | | | | |
| ---- | ---- | ---- | Employee Related | 3 | | 137,339 | 138,562 | 129,547 | | |
| 130,688 | 132,022 | 127,230 | Personnel Services | 4 | | ---- | ---- | ---- | | |
| 7,430 | 7,680 | 6,916 | Visiting Medical Officers | | | 7,430 | 7,680 | 6,916 | | |
| 31,819 | 31,056 | 28,202 | Other Operating Expenses | 5 | | 31,819 | 31,056 | 28,202 | | |
| 3,614 | 3,716 | 3,935 | Depreciation and Amortisation | 2(h), 6 | | 3,614 | 3,716 | 3,935 | | |
| 224 | 326 | 514 | Grants and Subsidies | 7 | | 224 | 326 | 514 | | |
| 5,434 | 5,425 | 5,991 | Finance Costs | 8 | | 5,434 | 5,425 | 5,991 | | |
| 179,209 | 180,225 | 172,788 | Total Expenses excluding losses | | | 185,860 | 186,765 | 175,105 | | |
| | | | Revenue | | | | | | | |
| 170,184 | 170,184 | 168,588 | NSW Ministry of Health Recurrent Allocations | 2(d) | | 170,184 | 170,184 | 168,588 | | |
| 3,785 | 3,825 | 2,959 | NSW Ministry of Health Capital Allocations | 2(d) | | 3,785 | 3,825 | 2,959 | | |
| ---- | ---- | ---- | Acceptance by the Crown Entity of Employee Benefits | 2(a)(ii), 12 | | 6,651 | 6,540 | 2,317 | | |
| 7,132 | 6,524 | 4,774 | Sale of Goods and Services | 9 | | 7,132 | 6,524 | 4,774 | | |
| 1,213 | 190 | 1,093 | Investment Revenue | 10 | | 1,213 | 190 | 1,093 | | |
| 938 | 1 | 477 | Grants and Contributions | 11 | | 938 | 1 | 477 | | |
| 749 | 118 | 477 | Other Revenue | 13 | | 749 | 118 | 477 | | |
| 184,001 | 180,842 | 178,368 | Total Revenue | | | 190,652 | 187,382 | 180,685 | | |
| (91) | ---- | (91) | Gain / (Loss) on Disposal | 14 | | (91) | ---- | (91) | | |
| (194) | ---- | (16) | Other Gains / (Losses) | 15 | | (194) | ---- | (16) | | |
| 4,507 | 617 | 5,473 | Net Result | 30 | | 4,507 | 617 | 5,473 | | |
| | | | Other Comprehensive Income | | | | | | | |
| | | | Items that will not be reclassified to net result | | | | | | | |
| | | | Net Increase/(Decrease) in Property, Plant & | | | | | | | |
| 3,356 | ---- | 2,311 | Equipment Revaluation Surplus | 20 | | 3,356 | ---- | 2,311 | | |
| 3,356 | ---- | 2,311 | Total Other Comprehensive Income | | | 3,356 | ---- | 2,311 | | |
| 7,863 | 617 | 7,784 | TOTAL COMPREHENSIVE INCOME | | | 7,863 | 617 | 7,784 | | |

The accompanying notes form part of these financial statements.

**Justice Health and Forensic Mental Health Network
Statement of Financial Position as at 30 June 2014**

| PARENT | | | CONSOLIDATION | | | |
|--------------------------------------|---------------------|----------------|---------------|----------------|---------------------|----------------|
| Actual | Budget Unaudited | Actual | Notes | Actual | Budget Unaudited | Actual |
| 2014 \$000 | 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2014 \$000 | 2013 \$000 |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| 33,389 | 29,198 | 30,392 | | 33,389 | 29,198 | 30,392 |
| 3,095 | 3,653 | 3,654 | 17 | 3,095 | 3,653 | 3,654 |
| 243 | 305 | 305 | 18 | 243 | 305 | 305 |
| 36,727 | 33,156 | 34,351 | 19 | 36,727 | 33,156 | 34,351 |
| Total Current Assets | | | | | | |
| Non-Current Assets | | | | | | |
| 103,189 | 100,555 | 102,378 | | 103,189 | 100,555 | 102,378 |
| 3,385 | 10,142 | 6,892 | 20 | 3,385 | 10,142 | 6,892 |
| 3,300 | 2,371 | 2,370 | 20 | 3,300 | 2,371 | 2,370 |
| 5,145 | ----- | ----- | 20 | 5,145 | ----- | ----- |
| 115,019 | 113,068 | 111,640 | 21 | 115,019 | 113,068 | 111,640 |
| 151,746 | 146,224 | 145,991 | | 151,746 | 146,224 | 145,991 |
| Total Non-Current Assets | | | | | | |
| Total Assets | | | | | | |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| 14,526 | 16,380 | 15,977 | | 14,526 | 16,380 | 15,977 |
| 1,324 | 1,324 | 1,197 | 23 | 1,324 | 1,324 | 1,197 |
| 18,081 | 17,807 | 17,178 | 24 | 18,081 | 17,807 | 17,178 |
| 160 | 303 | 545 | 25 | 160 | 303 | 545 |
| 34,091 | 35,814 | 34,897 | 26 | 34,091 | 35,814 | 34,897 |
| Total Current Liabilities | | | | | | |
| Non-Current Liabilities | | | | | | |
| 78,451 | 78,451 | 79,775 | | 78,451 | 78,451 | 79,775 |
| 106 | 106 | 84 | 24 | 106 | 106 | 84 |
| 78,557 | 78,557 | 79,859 | 25 | 78,557 | 78,557 | 79,859 |
| Total Non-Current Liabilities | | | | | | |
| Total Liabilities | | | | | | |
| Net Assets | | | | | | |
| EQUITY | | | | | | |
| 17,985 | 14,629 | 14,629 | | 17,985 | 14,629 | 14,629 |
| 21,113 | 17,224 | 16,606 | | 21,113 | 17,224 | 16,606 |
| 39,098 | 31,853 | 31,235 | | 39,098 | 31,853 | 31,235 |
| Total Equity | | | | | | |

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the year ended 30 June 2014

| PARENT AND CONSOLIDATION | Notes | Accumulated Funds \$000 | Asset Revaluation Surplus \$000 | Total \$000 |
|-------------------------------------------------------------|-------|-------------------------------|---------------------------------------|----------------|
| Balance at 1 July 2013 | | 16,606 | 14,629 | 31,235 |
| Total Equity at 1 July 2013 | | 16,606 | 14,629 | 31,235 |
| Net Result for the year | | 4,507 | | 4,507 |
| Other Comprehensive Income: | | | | |
| Net Increase/(Decrease) in Property, Plant & Equipment | 20 | ---- | 3,356 | 3,356 |
| Total Other Comprehensive Income | | ---- | 3,356 | 3,356 |
| Total Comprehensive Income for the year | | 4,507 | 3,356 | 7,863 |
| Transactions With Owners In Their Capacity As Owners | | | | |
| Increase/(Decrease) in Net Assets From Equity Transfers | 33 | ---- | ---- | ---- |
| Balance at 30 June 2014 | | 21,113 | 17,985 | 39,098 |
| Balance at 1 July 2012 | | 10,858 | 12,318 | 23,176 |
| Total Equity at 1 July 2012 | | 10,858 | 12,318 | 23,176 |
| Net Result for the year | | 5,473 | | 5,473 |
| Other Comprehensive Income: | | | | |
| Net Increase/(Decrease) in Property, Plant & Equipment | 20 | ---- | 2,311 | 2,311 |
| Total Other Comprehensive Income | | ---- | 2,311 | 2,311 |
| Total Comprehensive Income for the year | | 5,473 | 2,311 | 7,784 |
| Transactions With Owners In Their Capacity As Owners | | | | |
| Increase/(Decrease) in Net Assets From Equity Transfers | 33 | 275 | ---- | 275 |
| Balance at 30 June 2013 | | 16,606 | 14,629 | 31,235 |

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Cash Flows for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | | | |
|-------------------------------------------------|---------------------|-----------|---------------|-----------|---------------------|-----------|
| Actual | Budget Unaudited | Actual | | Actual | Budget Unaudited | Actual |
| 2014 | 2014 | 2013 | Notes | 2014 | 2014 | 2013 |
| \$000 | \$000 | \$000 | | \$000 | \$000 | \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Payments | | | | | | |
| --- | --- | --- | | --- | --- | --- |
| (254) | (356) | (578) | | (131,049) | (132,905) | (128,577) |
| (5,433) | (5,425) | (5,991) | | (254) | (356) | (578) |
| (177,661) | (176,696) | (165,656) | | (5,433) | (5,425) | (5,991) |
| | | | | (46,612) | (43,791) | (37,079) |
| (183,348) | (182,477) | (172,225) | | (183,348) | (182,477) | (172,225) |
| Total Payments | | | | | | |
| Receipts | | | | | | |
| 170,184 | 170,184 | 168,588 | | 170,184 | 170,184 | 168,588 |
| 3,783 | 3,825 | 2,959 | | 3,783 | 3,825 | 2,959 |
| 1,788 | 1,788 | 1,629 | | 1,788 | 1,788 | 1,629 |
| 7,147 | 6,694 | 4,883 | | 7,147 | 6,694 | 4,883 |
| 1,213 | 190 | 1,093 | | 1,213 | 190 | 1,093 |
| 1,542 | 604 | 477 | | 1,542 | 604 | 477 |
| 5,611 | 4,339 | 3,782 | | 5,611 | 4,339 | 3,782 |
| 191,268 | 187,624 | 183,411 | | 191,268 | 187,624 | 183,411 |
| 7,920 | 5,147 | 11,186 | | 7,920 | 5,147 | 11,186 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| ACTIVITIES | | | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| 669 | --- | 143 | | 669 | --- | 143 |
| (4,395) | (5,144) | (3,394) | | (4,395) | (5,144) | (3,394) |
| (3,726) | (5,144) | (3,251) | | (3,726) | (5,144) | (3,251) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| (1,197) | (1,197) | (1,082) | | (1,197) | (1,197) | (1,082) |
| (1,197) | (1,197) | (1,082) | | (1,197) | (1,197) | (1,082) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| NET INCREASE / (DECREASE) IN CASH | | | | | | |
| 2,997 | (1,194) | 6,853 | | 2,997 | (1,194) | 6,853 |
| 30,392 | 30,392 | 23,539 | | 30,392 | 30,392 | 23,539 |
| 33,389 | 29,198 | 30,392 | | 33,389 | 29,198 | 30,392 |
| CLOSING CASH AND CASH EQUIVALENTS | | | | | | |

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Service Group Statements (Continued)
for the year ended 30 June 2014

| NETWORK 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 2.2 * 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 | | | |
|--------------------------------------|----------------------------------------------------------|--------------|------------------------------------------------|------------|-----------------------------------------|---------------|-------------------------------------------------|--------------|--------------------------------------------|----------------|---------------------------------------------------------------|--------------|------------------------------------------------|------------|-------------------------------------------|------------|------------------|-------|-------|-------|-------|-------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | |
| | \$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 | 10,672 | 456 | 72 | 61 | 3,659 | 13,524 | 1,242 | 1,319 | 16,354 | 13,719 | 116 | 802 | 747 | 295 | 527 | 201 | | | | | | |
| Receivables | 121 | 55 | | 7 | 1,565 | 1,626 | | 159 | 1,366 | 1,649 | | 96 | | 35 | 43 | 24 | | | | | | |
| Inventories | 67 | 5 | | 1 | 36 | 136 | 7 | 13 | 125 | 138 | 1 | 8 | 3 | 3 | 4 | 2 | | | | | | |
| Total Current Assets | 10,860 | 516 | 72 | 69 | 5,260 | 15,286 | 1,249 | 1,491 | 17,845 | 15,506 | 117 | 906 | 750 | 333 | 574 | 227 | | | | | | |
| Non-Current Assets | | | | | | | | | | | | | | | | | | | | | | |
| Property, Plant and Equipment | | | | | | | | | | | | | | | | | | | | | | |
| - Land and Buildings | 13,622 | 717 | 322 | | 6,469 | 819 | 1,621 | 512 | 78,974 | 100,330 | 159 | | 675 | | 1,346 | | | | | | | |
| - Plant and Equipment | 447 | 489 | 11 | 103 | 212 | 5,534 | 53 | 255 | 2,591 | 124 | 5 | 269 | 22 | 76 | 44 | 41 | | | | | | |
| - Leasehold Improvements | 456 | 168 | 10 | 36 | 207 | 1,903 | 52 | 88 | 2,526 | 43 | 5 | 92 | 22 | 26 | 43 | 14 | | | | | | |
| Intangible Assets | 679 | | 16 | | 323 | | 81 | | 3,938 | | 8 | | 34 | | 67 | | | | | | | |
| Total Non-Current Assets | 15,164 | 1,374 | 359 | 139 | 7,211 | 8,256 | 1,807 | 855 | 88,029 | 100,497 | 177 | 361 | 753 | 102 | 1,500 | 55 | | | | | | |
| TOTAL ASSETS | 26,044 | 1,890 | 431 | 208 | 12,471 | 23,542 | 3,056 | 2,346 | 105,874 | 116,003 | 294 | 1,267 | 1,503 | 435 | 2,074 | 282 | | | | | | |
| LIABILITIES | | | | | | | | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | | | | | | | | |
| Payables | 4,020 | 240 | 19 | 32 | 2,135 | 7,110 | 445 | 693 | 7,475 | 7,212 | 36 | 422 | 178 | 155 | 218 | 105 | | | | | | |
| Borrowings | 423 | | 3 | | 145 | | 49 | | 649 | 1,197 | 5 | | 30 | | 21 | | | | | | | |
| Provisions | 6,062 | 258 | 44 | 34 | 1,792 | 7,644 | 736 | 746 | 8,588 | 7,754 | 67 | 453 | 468 | 167 | 304 | 113 | | | | | | |
| Other | 51 | 8 | | 1 | 18 | 243 | 6 | 24 | 78 | 246 | 1 | 14 | 4 | 5 | 3 | 4 | | | | | | |
| Total Current Liabilities | 10,576 | 506 | 66 | 67 | 4,090 | 14,997 | 1,236 | 1,463 | 16,790 | 16,409 | 109 | 889 | 680 | 327 | 546 | 222 | | | | | | |
| Non-Current Liabilities | | | | | | | | | | | | | | | | | | | | | | |
| Borrowings | 25,076 | | 169 | | 8,597 | | 2,918 | | 38,426 | 79,775 | 272 | | 1,756 | | 1,237 | | | | | | | |
| Provisions | 36 | 1 | | | 11 | 37 | 4 | 4 | 50 | 38 | | 2 | 3 | 1 | 2 | 1 | | | | | | |
| Total Non-Current Liabilities | 25,112 | 1 | 169 | | 8,608 | 37 | 2,922 | 4 | 38,476 | 79,813 | 272 | 2 | 1,759 | 1 | 1,239 | 1 | | | | | | |
| TOTAL LIABILITIES | 35,668 | 507 | 235 | 67 | 12,698 | 15,034 | 4,158 | 1,467 | 55,266 | 96,222 | 381 | 891 | 2,439 | 328 | 1,785 | 223 | | | | | | |
| NET ASSETS | (9,644) | 1,383 | 196 | 141 | (227) | 8,508 | (1,102) | 879 | 50,608 | 19,781 | (87) | 376 | (936) | 107 | 289 | 59 | | | | | | |

* The name and purpose of each service group is summarised in Note 16

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Special Purposes Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Justice Health and Forensic Mental Health Network Special Purpose Service Entity which was established as a Division of the Health Service on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

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

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

It should be noted that the Network's financial statements do not include the cost of external or community based patient care services provided by Local Health District's (LHD) due to the application of the Ministry of Health policy PD2005_527 Prisoners – Provision of Medical Services. The cost of these services remain in LHD and are not charged to the Network. The Network also has established Memoranda of Understanding with various Local Health Districts to enable the operation of the Forensic Mental Health Network and improve patient flow.

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive on 25 September 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Network's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the Network'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).

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

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

Other circumstances why the going concern is appropriate include:

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

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

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

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

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.

Statement of Compliance

The financial statements and notes 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

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.5% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were 14.9%). The Network has assessed the actuarial advice based on the Network's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the Network as shown in Note 25.

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 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) Consequential On-Costs

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

iv) Other Provisions

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

b) Insurance

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

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 Network transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

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

Patient Fees

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

High Cost Drugs

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

Investment Revenue

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

Debt Forgiveness

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

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

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 Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

f) Acquisition of Assets

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

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

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

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

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

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

| | |
|-------------------------------------------|-------|
| 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% |
| 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% |

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

i) Revaluation of Non-Current Assets

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 22 for further information regarding fair value.

The Network revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Network was completed in the 30 June 2012 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.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

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

j) Impairment of Property, Plant and Equipment

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

k) 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.

l) 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 Network does not have any property that meets the definition of Investment Property.

m) Intangible Assets

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

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

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

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

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

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

n) 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.

o) 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.

p) 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.

q) 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.

r) 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 Network determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Network 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.

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.

s) 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.

t) De-recognition of financial assets and financial liabilities

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

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

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

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

u) Payables

These amounts represent liabilities for goods and services provided to the Network 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 Network.

v) 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.

w) Fair Value Hierarchy

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

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

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

Refer Note 22 and Note 34 for further disclosures regarding fair value measurements of financial and non-financial assets.

x) Equity Transfers

The transfer of net assets between entities 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 Network recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Network does not recognise that asset.

y) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(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 Network receives monies in a trustee capacity for various trusts as set out in Note 28.

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

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) Service Group Statements Allocation Methodology

Using the statistical data for twelve months ending 30 June 2013, the data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2013-14 year.

In respect of assets and liabilities the Ministry requires the Network 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.

The Network undertook a comprehensive analysis of the service group allocation methodology in 2013-14. The allocation methodology was refined to align with sub program definitions within the NSW Health Cost Accounting Guidelines. The new 2013-14 allocation methodology resulted in variances in several service groups for the 2012-13 comparative year. The 2012-13 comparative year has not been restated as a result of the updated allocation methodology.

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

(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 22.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 3 and 25.

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 34.

(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 2010-7, regarding Financial Instruments has 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 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. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the polices adopted for whole of government reporting.

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 has application from 1 July 2014.

AASB 2014-1, Amendments to Australian Accounting Standards is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have been already assessed above. This standard has application from 1 July 2014.

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements which should have minimal impact due to exemptions not applying to General Government Sector Entities. This standard has application from 1 July 2014.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|------------------------------------------------------------|----------------|--------------------------------------------------------|----------------|----------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 3. Employee Related | | | | |
| Employee related expenses comprise the following: | | | | |
| ---- | ---- | Salaries and Wages | 84,366 | 83,908 |
| ---- | ---- | Overtime | 5,361 | 5,430 |
| ---- | ---- | Penalties | 7,959 | 8,302 |
| ---- | ---- | Superannuation - Defined Benefit Plans | 1,025 | 987 |
| ---- | ---- | Superannuation - Defined Contribution Plans | 9,924 | 8,989 |
| ---- | ---- | Long Service Leave | 6,078 | 1,334 |
| ---- | ---- | Annual Leave | 11,247 | 10,646 |
| ---- | ---- | Sick Leave and Other Leave | 8,679 | 5,392 |
| ---- | ---- | Redundancies | 32 | 634 |
| ---- | ---- | Workers' Compensation Insurance | 2,699 | 3,925 |
| ---- | ---- | Fringe Benefits Tax | (31) | ---- |
| ---- | ---- | | 137,339 | 129,547 |
| 4. Personnel Services | | | | |
| Personnel Services comprise the purchase of the following: | | | | |
| 84,366 | 83,908 | Salaries and Wages | ---- | ---- |
| 5,361 | 5,430 | Overtime | ---- | ---- |
| 7,959 | 8,302 | Penalties | ---- | ---- |
| ---- | ---- | Superannuation - Defined Benefit Plans | ---- | ---- |
| 9,924 | 8,989 | Superannuation - Defined Contribution Plans | ---- | ---- |
| 452 | 4 | Long Service Leave | ---- | ---- |
| 11,247 | 10,646 | Annual Leave | ---- | ---- |
| 8,679 | 5,392 | Sick Leave and Other Leave | ---- | ---- |
| 32 | 634 | Redundancies | ---- | ---- |
| 2,699 | 3,925 | Workers' Compensation Insurance | ---- | ---- |
| (31) | ---- | Fringe Benefits Tax | ---- | ---- |
| 130,688 | 127,230 | | ---- | ---- |
| 5. Other Operating Expenses | | | | |
| 74 | 77 | Advertising | 74 | 77 |
| 65 | 119 | Auditor's Remuneration - Audit of Financial Statements | 65 | 119 |
| ---- | 1 | Blood and Blood Products | ---- | 1 |
| 8 | ---- | Capital Project Expense | 8 | ---- |
| 127 | 117 | Consultancies | 127 | 117 |
| 89 | ---- | Contractors | 89 | ---- |
| 551 | 303 | Domestic Supplies and Services | 551 | 303 |
| 8,775 | 7,033 | Drug Supplies | 8,775 | 7,033 |
| 691 | 550 | Food Supplies | 691 | 550 |
| 65 | 38 | Fuel, Light and Power | 65 | 38 |
| 10,251 | 10,202 | Other (See (a) below) | 10,251 | 10,202 |
| ---- | 6 | Hospital Ambulance Transport Costs | ---- | 6 |
| 1,832 | 1,881 | Information Management Expenses | 1,832 | 1,881 |
| 139 | 173 | Insurance | 139 | 173 |
| 2,516 | 1,977 | Maintenance (See (b) below) | 2,516 | 1,977 |
| 470 | 616 | Medical and Surgical Supplies | 470 | 616 |
| 263 | 257 | Motor Vehicle Expenses | 263 | 257 |
| 540 | 339 | Postal and Telephone Costs | 540 | 339 |
| 755 | 736 | Printing and Stationery | 755 | 736 |
| 37 | 32 | Rates and Charges | 37 | 32 |
| 373 | 464 | Rental | 373 | 464 |
| 909 | 886 | Special Service Departments | 909 | 886 |
| 2,190 | 1,469 | Staff Related Costs | 2,190 | 1,469 |
| 1,090 | 1,027 | Travel Related Costs | 1,090 | 1,027 |
| 31,819 | 28,202 | | 31,819 | 28,202 |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| | | (a) Other Includes: | | |
| 19 | 7 | Contract for Patient Services | 19 | 7 |
| 534 | 515 | Corporate Support Services | 534 | 515 |
| 223 | 219 | Courier and Freight | 223 | 219 |
| 200 | 117 | Legal Services | 200 | 117 |
| 28 | 62 | Membership/Professional Fees | 28 | 62 |
| 8,408 | 8,144 | Public Private Partnership | 8,408 | 8,144 |
| 2 | 138 | Quality Assurance/Accreditation | 2 | 138 |
| 23 | 29 | Security Services | 23 | 29 |
| 815 | 970 | Other Miscellaneous | 815 | 970 |
| <u>10,252</u> | <u>10,201</u> | | <u>10,252</u> | <u>10,201</u> |
| | | (b) Reconciliation of Total Maintenance | | |
| 452 | 228 | Maintenance Contracts | 452 | 228 |
| 2,025 | 1,734 | New/Replacement Equipment under \$10,000 | 2,025 | 1,734 |
| 39 | 15 | Repairs Maintenance/Non Contract | 39 | 15 |
| <u>2,516</u> | <u>1,977</u> | Total Maintenance Expenses | <u>2,516</u> | <u>1,977</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|-----------------------------------------|--------------|---------------------------------------|---------------|--------------|
| 2014 | 2013 | | 2014 | 2013 |
| \$000 | \$000 | | \$000 | \$000 |
| 6. Depreciation and Amortisation | | | | |
| 2,550 | 2,475 | Depreciation - Buildings | 2,550 | 2,475 |
| 658 | 708 | Depreciation - Plant and Equipment | 658 | 708 |
| 406 | 752 | Amortisation - Leasehold Improvements | 406 | 752 |
| <u>3,614</u> | <u>3,935</u> | | <u>3,614</u> | <u>3,935</u> |
| 7. Grants and Subsidies | | | | |
| 6 | 67 | Grants to Research Organisations | 6 | 67 |
| 218 | 249 | UNSW Scholarships | 218 | 249 |
| ----- | 198 | Other Grants | ----- | 198 |
| <u>224</u> | <u>514</u> | | <u>224</u> | <u>514</u> |
| 8. Finance Costs | | | | |
| 5,433 | 5,991 | Finance Lease Interest Charges | 5,433 | 5,991 |
| <u>5,434</u> | <u>5,991</u> | | <u>5,434</u> | <u>5,991</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|--------------------------------------|---------------|---------------------------------------------------|----------------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 9. Sale of Goods and Services | | | | |
| | | Patient Fees | | |
| 2,155 | 1,928 | - Inpatient Fees | 2,155 | 1,928 |
| 94 | 91 | Cafeteria/Kiosk | 94 | 91 |
| ---- | (17) | Fees for Medical Records | ---- | (17) |
| 49 | 48 | Information Retrieval | 49 | 48 |
| 4,663 | 2,414 | High Cost Drugs | 4,663 | 2,414 |
| 41 | 52 | Private Use of Motor Vehicles | 41 | 52 |
| ---- | 154 | Services Provided to Non NSW Health Organisations | ---- | 154 |
| 130 | 104 | Other | 130 | 104 |
| <hr/> | | | <hr/> | |
| 7,132 | 4,774 | | 7,132 | 4,774 |
| 10. Investment Revenue | | | | |
| 1,213 | 1,093 | Interest | 1,213 | 1,093 |
| <hr/> | | | <hr/> | |
| 1,213 | 1,093 | | 1,213 | 1,093 |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|----------------------------------------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| | | 11. Grants and Contributions | | |
| 938 | 477 | Other Grants | 938 | 477 |
| <u>938</u> | <u>477</u> | | <u>938</u> | <u>477</u> |
| | | 12. Acceptance by the Crown Entity of employee benefits | | |
| | | The following liabilities and expenses have been assumed by the Crown Entity: | | |
| ----- | ----- | Superannuation-defined benefit | 1,025 | 987 |
| ----- | ----- | Long Service Leave | 5,626 | 1,328 |
| <u>-----</u> | <u>-----</u> | | <u>6,651</u> | <u>2,315</u> |
| | | 13. Other Revenue | | |
| | | Other Revenue comprises the following:- | | |
| 1 | 1 | Commissions | 1 | 1 |
| 272 | 343 | Conference and Training Fees | 272 | 343 |
| ----- | 33 | Treasury Managed Fund Hindsight Adjustment | ----- | 33 |
| 435 | 100 | Other | 435 | 100 |
| <u>749</u> | <u>477</u> | | <u>749</u> | <u>477</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|--------------------------------------|---------------|--------------------------------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 14. Gain / (Loss) on Disposal | | | | |
| 1,210 | 685 | Property, Plant and Equipment | 1,210 | 685 |
| 450 | 449 | Less: Accumulated Depreciation | 450 | 449 |
| <u>760</u> | <u>236</u> | Written Down Value | <u>760</u> | <u>236</u> |
| 669 | 145 | Less: Proceeds from Disposal | 669 | 145 |
| <u>(91)</u> | <u>(91)</u> | Gain/(Loss) on Disposal of Property, Plant and Equipment | <u>(91)</u> | <u>(91)</u> |
| <u>(91)</u> | <u>(91)</u> | Total Gain/(Loss) on Disposal | <u>(91)</u> | <u>(91)</u> |
| 15. Other Gains / (Losses) | | | | |
| ----- | 216 | Property, Plant and Equipment Asset Revaluation Increment/(Decrement) | ----- | 216 |
| (194) | (232) | Impairment of Receivables | (194) | (232) |
| <u>(194)</u> | <u>(16)</u> | | <u>(194)</u> | <u>(16)</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

16. Service Groups of the Network

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services 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 2.2 - 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.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 17. Cash and Cash Equivalents | | | | |
| 4,053 | 6,003 | Cash at Bank and On Hand | 4,053 | 6,003 |
| 29,336 | 24,389 | Short Term Deposits | 29,336 | 24,389 |
| 33,389 | 30,392 | | 33,389 | 30,392 |
| <p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p> | | | | |
| 33,389 | 30,392 | Cash and Cash Equivalents (per Statement of Financial Position) | 33,389 | 30,392 |
| 33,389 | 30,392 | Closing Cash and Cash Equivalents (per Statement of Cash Flows) | 33,389 | 30,392 |

Refer to Note 34 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------------|---------------------|----------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| | | 18. Receivables | | |
| | | Current | | |
| 1,122 | 1,315 | Sale of Goods and Services | 1,122 | 1,315 |
| 319 | 492 | Intra Health Receivables | 319 | 492 |
| 845 | 675 | Goods and Services Tax | 845 | 675 |
| <u>1,094</u> | <u>1,500</u> | Other Debtors | <u>1,094</u> | <u>1,500</u> |
| 3,380 | 3,982 | Sub Total | 3,380 | 3,982 |
| <u>(495)</u> | <u>(502)</u> | Less Allowance for Impairment | <u>(495)</u> | <u>(502)</u> |
| 2,885 | 3,480 | Sub Total | 2,885 | 3,480 |
| 210 | 174 | Prepayments | 210 | 174 |
| <u>3,095</u> | <u>3,654</u> | | <u>3,095</u> | <u>3,654</u> |
| | | (a) Movement in the Allowance for Impairment | | |
| | | Sale of Goods and Services | | |
| (502) | (290) | Balance at Commencement of Reporting Period | (502) | (290) |
| 201 | 19 | Amounts written off during the period | 201 | 19 |
| <u>(194)</u> | <u>(232)</u> | (Increase)/decrease in Allowance Recognised in the Income Statement | <u>(194)</u> | <u>(232)</u> |
| <u>(495)</u> | <u>(502)</u> | | <u>(495)</u> | <u>(502)</u> |
| | | The current and non-current sale of goods and services balances above include the following patient fee receivables: | | |
| | | (Current and Non-Current) include: | | |
| 591 | 792 | Patient Fees - Inpatient & Other | 591 | 792 |
| <u>591</u> | <u>792</u> | | <u>591</u> | <u>792</u> |

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 34.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT

CONSOLIDATION

2014
\$000

2013
\$000

2014
\$000

2013
\$000

19. Inventories - Current - Held for Distribution

243 305
243 **305**

Drugs

243 305
243 **305**

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|--------------------------------------------|----------------|-----------------------------------------------------------------------|----------------|----------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 20. Property, Plant and Equipment | | | | |
| Land and Buildings - Fair Value | | | | |
| 117,213 | 113,517 | Gross Carrying Amount | 117,213 | 113,517 |
| 14,024 | 11,139 | Less: Accumulated Depreciation and Impairment | 14,024 | 11,139 |
| <u>103,189</u> | <u>102,378</u> | Net Carrying Amount | <u>103,189</u> | <u>102,378</u> |
| Plant and Equipment - Fair Value | | | | |
| 6,173 | 9,469 | Gross Carrying Amount | 6,173 | 9,469 |
| 2,788 | 2,577 | Less: Accumulated Depreciation and Impairment | 2,788 | 2,577 |
| <u>3,385</u> | <u>6,892</u> | Net Carrying Amount | <u>3,385</u> | <u>6,892</u> |
| Leasehold Improvements - Fair Value | | | | |
| 5,147 | 3,812 | Gross Carrying Amount | 5,147 | 3,812 |
| 1,847 | 1,442 | Less: Accumulated Depreciation and Impairment | 1,847 | 1,442 |
| <u>3,300</u> | <u>2,370</u> | Net Carrying Amount | <u>3,300</u> | <u>2,370</u> |
| <u>109,874</u> | <u>111,640</u> | Total Property, Plant and Equipment At Net Carrying Amount | <u>109,874</u> | <u>111,640</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

| | Land | Buildings | Plant and Equipment | Leasehold Improvements | Total |
|------------------------------------------------------------------------------------|---------------|---------------|------------------------|---------------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2014 | | | | | |
| Net Carrying Amount at Start of Year | 14,500 | 87,878 | 6,891 | 2,371 | 111,640 |
| Additions | ---- | ---- | 1,268 | 550 | 1,818 |
| Reclassifications to Intangibles | ---- | ---- | (2,567) | ---- | (2,567) |
| Disposals | ---- | ---- | (759) | ---- | (759) |
| Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves | 725 | 2,631 | ---- | ---- | 3,356 |
| Depreciation Expense | ---- | (2,550) | (658) | (406) | (3,614) |
| Reclassifications | ---- | 5 | (790) | 785 | ---- |
| Net Carrying Amount at End of Year | 15,225 | 87,964 | 3,385 | 3,300 | 109,874 |

| | Land | Buildings | Plant and Equipment | Leasehold Improvements | Total |
|------------------------------------------------------------------------------------|---------------|---------------|------------------------|---------------------------|----------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2013 | | | | | |
| Net Carrying Amount at Start of Year | 14,500 | 88,992 | 4,627 | 1,769 | 109,888 |
| Additions | ---- | ---- | 3,192 | 222 | 3,414 |
| Disposals | ---- | ---- | (235) | ---- | (235) |
| Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves | ---- | 2,545 | (18) | ---- | 2,527 |
| Depreciation Expense | ---- | (2,476) | (707) | (753) | (3,936) |
| Reclassifications | ---- | (1,183) | 32 | 1,133 | (18) |
| Net Carrying Amount at End of Year | 14,500 | 87,878 | 6,891 | 2,371 | 111,640 |

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 2(f)].
- (ii) To ensure the land, buildings and infrastructure materially reflects the carrying value since the last revaluation assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (i).

The following table details the indices applied to Non Current Assets as determined by Land and Property Information :

| Year | Land | Buildings |
|---------|------|-----------|
| 2012/13 | 0% | 2% |
| 2013/14 | 5% | 3% |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|-------------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| | | 21. Intangible Assets | | |
| | | Intangibles | | |
| 5,145 | ----- | Cost (Gross Carrying Amount) | 5,145 | ----- |
| ----- | ----- | Less Accumulated Amortisation and Impairment | ----- | ----- |
| <u>5,145</u> | <u>-----</u> | Net Carrying Amount | <u>5,145</u> | <u>-----</u> |
| <u>5,145</u> | <u>-----</u> | Total Intangible Assets at Net Carrying Amount | <u>5,145</u> | <u>-----</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT & CONSOLIDATION

21. Intangibles - Reconciliation

| | Intangibles \$000 |
|--------------------------------------------------------------|------------------------------|
| 2014 | |
| Net Carrying Amount at Start of Year | ----- |
| Additions (From Internal Development or Acquired Separately) | 2,578 |
| Reclassifications from Plant & Equipment | 2,567 |
| Net Carrying Amount at End of Year | 5,145 |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014. 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 | | | | |
| Property, Plant and Equipment (Note 20) | | | | |
| - Land and Buildings | ---- | ---- | 103,189 | 103,189 |
| - Leasehold Improvements | ---- | 3,300 | ---- | 3,300 |
| | ----- | ----- | ----- | ----- |
| | <u>----</u> | <u>3,300</u> | <u>103,189</u> | <u>106,489</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 Network obtains external valuations by independent valuers every three years. The last revaluation was performed by Land and Property Information for the 2013/14 financial year. Land and Property Information is a independent entity and is not an employee of the Network.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 20 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 Network did not identified any Level 1 non-current assets. 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.

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is current replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in level 2.

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".

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

Level 3 disclosures:

Buildings and Infrastructure

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 district 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 District is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

| c) Reconciliation of Recurring Level 3 Fair Value Measurements | Land and Buildings \$000 | Total Level 3 Recurring \$000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------|
| Fair value as at 1 July 2013 | 102,378 | 102,378 |
| Additions | ---- | ---- |
| Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation | 3,356 | 3,356 |
| Depreciation | (2,550) | (2,550) |
| Fair value as at 30 June 2014 | <u><u>103,189</u></u> | <u><u>103,189</u></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.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|----------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| | | 23. Payables | | |
| | | Current | | |
| ----- | ----- | Accrued Salaries, Wages and On-Costs | 4,567 | 3,962 |
| ----- | ----- | Taxation and Payroll Deductions | 308 | 225 |
| 4,875 | 4,187 | Accrued Liability - Purchase of Personnel Services | ----- | ----- |
| 2,040 | 2,286 | Creditors | 2,040 | 2,286 |
| | | Other Creditors | | |
| 1,255 | 1,782 | - Intra Health Liability | 1,255 | 1,782 |
| 6,355 | 7,722 | - Other | 6,355 | 7,722 |
| 14,526 | 15,977 | | 14,526 | 15,977 |

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 34.

| | | | | |
|---------------|---------------|----------------------------|---------------|---------------|
| | | 24. Borrowings | | |
| | | Current | | |
| 1,324 | 1,197 | Public Private Partnership | 1,324 | 1,197 |
| 1,324 | 1,197 | | 1,324 | 1,197 |
| | | Non-Current | | |
| 78,451 | 79,775 | Public Private Partnership | 78,451 | 79,775 |
| 78,451 | 79,775 | | 78,451 | 79,775 |

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

Final Repayment is scheduled for 30 June 2034.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------------------------------------------------|---------------|------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 25. Provisions | | | | |
| Current | | | | |
| ---- | ---- | Annual Leave - Short Term Benefit | 9,170 | 10,469 |
| ---- | ---- | Annual Leave - Long Term Benefit | 6,890 | 5,117 |
| ---- | ---- | Long Service Leave Consequential On-Costs | 2,021 | 1,592 |
| 18,081 | 17,178 | Provision for Personnel Services Liability | ---- | ---- |
| <u>18,081</u> | <u>17,178</u> | Total Current Provisions | <u>18,081</u> | <u>17,178</u> |
| Non-Current | | | | |
| ---- | ---- | Long Service Leave Consequential On-Costs | 106 | 84 |
| 106 | 84 | Provision for Personnel Services Liability | ---- | ---- |
| <u>106</u> | <u>84</u> | Total Non-Current Provisions | <u>106</u> | <u>84</u> |
| Aggregate Employee Benefits and Related On-Costs | | | | |
| ---- | ---- | Provisions - Current | 18,081 | 17,178 |
| ---- | ---- | Provisions - Non-Current | 106 | 84 |
| ---- | ---- | Accrued Salaries, Wages and On-Costs (Note 23) | 4,875 | 4,187 |
| 23,062 | 21,449 | Liability - Purchase of Personnel Services | ---- | ---- |
| <u>23,062</u> | <u>21,449</u> | | <u>23,062</u> | <u>21,449</u> |
| 26. Other Liabilities | | | | |
| Current | | | | |
| 160 | 545 | Income in Advance | 160 | 545 |
| <u>160</u> | <u>545</u> | | <u>160</u> | <u>545</u> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------|---------------|------------------------------------------------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| | | 27. Commitments for Expenditure | | |
| | | a) Operating Lease Commitments | | |
| | | Future non-cancellable operating lease rentals not provided for and payable: | | |
| 418 | 385 | Not later than one year | 418 | 385 |
| 118 | 230 | Later than one year and not later than five years | 118 | 230 |
| | | | | |
| 536 | 615 | Total Operating Lease Commitments (Including GST) | 536 | 615 |
| | | | | |
| | | The operating lease commitments above are for leased properties. | | |
| | | b) Finance Lease Commitments | | |
| | | Minimum lease payment commitments in relation to finance leases are payable as follows: | | |
| 9,794 | 9,795 | Not later than one year | 9,794 | 9,795 |
| 39,177 | 39,177 | Later than one year and not later than five years | 39,177 | 39,177 |
| 145,332 | 155,125 | Later than five years | 145,332 | 155,125 |
| | | | | |
| 194,303 | 204,097 | Minimum Lease Payments | 194,303 | 204,097 |
| 114,528 | 123,125 | Less: Future Finance Charges | 114,528 | 123,125 |
| | | | | |
| 79,775 | 80,972 | Present Value of Minimum Lease Payments | 79,775 | 80,972 |
| | | The present value of finance lease commitments is as follows: | | |
| 1,324 | 1,197 | Not later than one year | 1,324 | 1,197 |
| 6,859 | 6,200 | Later than one year and not later than five years | 6,859 | 6,200 |
| 71,592 | 73,575 | Later than five years | 71,592 | 73,575 |
| | | | | |
| 79,775 | 80,972 | Present Value of Minimum Lease Payments | 79,775 | 80,972 |
| | | Classified as: | | |
| 1,324 | 1,197 | (a) Current (Note 24) | 1,324 | 1,197 |
| 78,451 | 79,775 | (b) Non-Current (Note 24) | 78,451 | 79,775 |
| | | | | |
| 79,775 | 80,972 | | 79,775 | 80,972 |
| | | | | |
| | | The finance lease commitments above are for the Forensic Hospital complex. | | |
| | | c) Contingent Asset Related to Commitments for Expenditure | | |
| | | The total of 'Commitments for Expenditure' above, i.e. \$79.8 million as at 30 June 2014 | | |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATION

28. Trust Funds

The Network holds trust fund moneys of \$718 thousand which are held 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 Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

| | Patient Trust | | Total |
|-----------------------------------------------------|---------------|---------------|---------------|
| | 2014 \$000 | 2013 \$000 | 2013 \$000 |
| Cash Balance at the beginning of the financial year | 790 | 570 | 790 |
| Receipts | 1,982 | 1,666 | 1,982 |
| Expenditure | (2,054) | (1,446) | (2,054) |
| Cash Balance at the end of the financial year | 718 | 790 | 718 |
| | | | 790 |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATED

29. 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 2007/08 fund year and an interim adjustment for the 2009/10 fund year were not calculated until 2013/14.

As a result, the 2008/09 final and 2010/11 pertaining to the hospitals and community services now forming part of the Network will be paid in 2014/15. It is not possible for the Network to reliably quantify the benefit to be received or amount payable.

b) Other

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

| PARENT | | | CONSOLIDATION | |
|---------------------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------|---------------|---------------|
| 2014 \$000 | 2013 \$000 | | 2014 \$000 | 2013 \$000 |
| 30. Reconciliation of Cash Flows from Operating Activities to Net Result | | | | |
| 7,920 | 11,186 | Net Cash Flows from Operating Activities | 7,920 | 11,186 |
| (3,614) | (3,936) | Depreciation | (3,614) | (3,936) |
| (194) | (232) | Allowance for Impairment | (194) | (232) |
| 386 | 114 | (Increase)/ Decrease Income in Advance | 386 | 114 |
| (924) | (506) | (Increase)/ Decrease in Provisions | (924) | (506) |
| (490) | 922 | Increase / (Decrease) in Prepayments and Other Assets | (490) | 922 |
| 1,514 | (2,200) | (Increase)/ Decrease in Creditors | 1,514 | (2,200) |
| ---- | 216 | Revaluation of Property, Plant & Equipment recognised in "Other gains/(losses)" | ---- | 216 |
| (91) | (91) | Net Gain/ (Loss) on Sale of Property, Plant and Equipment | (91) | (91) |
| 4,507 | 5,473 | Net Result | 4,507 | 5,473 |

31. Unclaimed Monies

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

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

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATION

32. Budget Review - Parent and Consolidated

Net Result

Actual Net Result was \$3.89 million favourable to budget, primarily due to recruitment delay which has produced a favourability against the Employee Related Expenses, offset by increased high cost drug expenditures. Revenue favourability can be attributed to the interest receipts and non-recurring grant related to the clinical training program.

Assets and Liabilities

Actual net assets for the year were higher than budgeted by \$7.25 million largely due to the net increment in non-current assets of \$2 million, improved cash balance of \$4 million and payable balances of \$1.8 million.

Cash Flows

Actual net cash flows from operating activities were higher than that budgeted mainly due to the favourable result achieved for the year.

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 2013 are as follows:

| | \$000 |
|--------------------------------------------------|--------------|
| Initial Allocation, 1 July 2013 | 168,939 |
| Subsequent supplementations - Special Projects | 3,165 |
| Subsequent supplementations - General Funding | (1,920) |
| | <hr/> |
| Balance as per Statement of Comprehensive Income | 170,184 |
| | <hr/> <hr/> |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

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

Equity transfers effected in the 2012/13 year were:

An decrease in net assets of \$0.28m relating to the Network's long service leave accrued on recreational leave taken cost has been assumed by the Crown Entity.

Equity transfers effected in the 2013/14 year were:

Nil equity transfers were effected in 2013/14.

| | 2014 | 2013 |
|--------------------------------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Equity transfers effected comprised: | | |
| Crown Entity - Transfer of Long Service Leave On-costs | - | 275 |

| | | |
|--|-------|------------|
| | ----- | 275 |
|--|-------|------------|

Assets and Liabilities transferred are as follows:

| | 2014 | 2013 |
|--------------------------------|--------------|--------------|
| | \$000 | \$000 |
| Liabilities | | |
| Recreational leave liabilities | - | 275 |

Increase/(Decrease) in Net Assets From Equity Transfers

| | | |
|--|-------|------------|
| | ----- | 275 |
|--|-------|------------|

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

34. Financial Instruments

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

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

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

(a) Financial Instrument Categories

| PARENT AND CONSOLIDATION | | Carrying Amount 2014 \$000 | Carrying Amount 2013 \$000 |
|-------------------------------------|----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Class: | Category | | |
| Financial Assets | | | |
| Cash and Cash Equivalents (note 17) | N/A | 33,389 | 30,392 |
| Receivables (note 18)* | Loans and receivables (at amortised cost) | 2,040 | 2,805 |
| Total Financial Assets | | <u>35,429</u> | <u>33,197</u> |
| Financial Liabilities | | | |
| Borrowings (note 24) | Financial liabilities | 79,775 | 80,972 |
| Payables (note 23)** | measured at | 14,218 | 15,752 |
| Other (note 26) | amortised cost | ----- | ----- |
| Total Financial Liabilities | | <u>93,993</u> | <u>96,724</u> |

Notes

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

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(b) Credit Risk

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

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

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

Cash

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

Receivables - trade debtors

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

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2014:\$447K; 2013: \$1,380K) and not more than 3 months past due (2014: \$222K; 2013:\$391K) are not considered impaired. Together these represent 54% of the total trade debtors.

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

| 2014 | Total ^{1,2} | Past due but not impaired ^{1,2} | Considered impaired ^{1,2} |
|-----------------------------|-----------------------------|-------------------------------------------------|-------------------------------------------|
| | \$000 | \$000 | \$000 |
| <3 months overdue | 222 | 181 | 41 |
| 3 months - 6 months overdue | 132 | 115 | 17 |
| > 6 months overdue | 413 | 4 | 409 |
| 2013 | | | |
| <3 months overdue | 533 | 499 | 34 |
| 3 months - 6 months overdue | 68 | 17 | 51 |
| > 6 months overdue | 417 | ----- | 417 |

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.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(c) Liquidity Risk

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

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

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

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

Maturity Analysis and interest rate exposure of financial liabilities

| | Weighted Average Effective Int. Rate | Interest Rate Exposure | | | | Maturity Dates | | |
|--------------------------------------------------------------|-----------------------------------------------|------------------------|---------------------------|------------------------------|------------------------------|----------------|---------------|----------------|
| | | Nominal Amount | Fixed Interest Rate | Variable Interest Rate | Non - Interest Bearing | < 1 Yr | 1-5 Yr | > 5Yr |
| | % | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| 2014 | | | | | | | | |
| Payables: | | | | | | | | |
| - Accrued Salaries Wages, On-Costs and Payroll Deductions | | 4,567 | | | 4,567 | 4,567 | | |
| - Creditors | | 9,651 | | | 9,651 | 9,651 | | |
| Borrowings: | | | | | | | | |
| - Loans and Deposits | 0.00% | | | | | | | |
| - Finance Leases | 0.00% | | | | | | | |
| - Public Private Partnership | 10.60% | 194,303 | 194,303 | | | 9,794 | 39,177 | 145,332 |
| - Other | 0.00% | | | | | | | |
| | | <u>208,521</u> | <u>194,303</u> | | <u>14,218</u> | <u>24,012</u> | <u>39,177</u> | <u>145,332</u> |
| 2013 | | | | | | | | |
| Payables: | | | | | | | | |
| - Accrued Salaries Wages, On-Costs and Payroll Deductions | | 3,962 | | | 3,962 | 3,962 | | |
| - Creditors | | 11,790 | | | 11,790 | 11,790 | | |
| Borrowings: | | | | | | | | |
| - Loans and Deposits | 0.00% | | | | | | | |
| - Finance Leases | 0.00% | | | | | | | |
| - Public Private Partnership | 10.60% | 204,097 | 204,097 | | | 9,795 | 39,177 | 155,125 |
| - Other | 0.00% | | | | | | | |
| | | <u>219,849</u> | <u>204,097</u> | | <u>15,752</u> | <u>25,547</u> | <u>39,177</u> | <u>155,125</u> |

Notes:

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Network operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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 Network does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

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

| | Carrying Amount \$'000 | -1% Profit | Equity | +1% Profit | Equity |
|------------------------------|---------------------------|---------------|--------|---------------|--------|
| 2014 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 33,389 | (334) | (334) | 334 | 334 |
| Receivables | 2,040 | ----- | ----- | ----- | ----- |
| Financial Liabilities | | | | | |
| Payables | 14,218 | ----- | ----- | ----- | ----- |
| Borrowings | 79,775 | 798 | 798 | (798) | (798) |
| Other | ----- | ----- | ----- | ----- | ----- |
| 2013 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 30,392 | (304) | (304) | 304 | 304 |
| Receivables | 2,805 | ----- | ----- | ----- | ----- |
| Financial Liabilities | | | | | |
| Payables | 15,752 | ----- | ----- | ----- | ----- |
| Borrowings | 80,972 | 810 | 810 | (810) | (810) |
| Other | ----- | ----- | ----- | ----- | ----- |

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

35. Events after the Reporting Period

No matters have arisen subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS