



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the South Eastern Sydney Local Health District (the District), 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 District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity, as at 30 June 2014, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of 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 District'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 District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

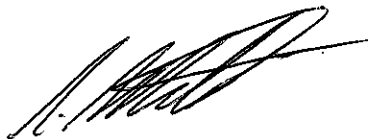
My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

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

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



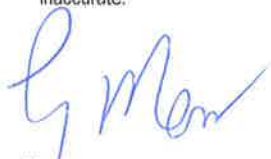
Steven Martin
Assistant Auditor General

19 September 2014
SYDNEY

**South Eastern Sydney Local Health District
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 South Eastern Sydney Local Health District 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 South Eastern Sydney Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Gerry Marr

Chief Executive

18 September 2014

South Eastern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2014

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual
2014	2014	2013			2014	2014	2013
\$000	\$000	\$000			\$000	\$000	\$000
			Expenses excluding losses				
			Operating Expenses				
-----	-----	-----	Employee Related	3	989,026	981,657	928,425
945,903	937,978	902,384	Personnel Services	4	-----	-----	-----
41,631	36,164	40,642	Visiting Medical Officers		41,631	36,164	40,642
390,264	384,883	372,269	Other Operating Expenses	5	390,264	384,883	372,269
51,173	51,200	49,791	Depreciation and Amortisation	2(i), 6	51,173	51,200	49,791
17,697	17,266	16,878	Grants and Subsidies	7	17,697	17,266	16,878
21	15	52	Finance Costs	8	21	15	52
41,630	38,275	34,332	Payments to Affiliated Health Organisations	9	41,630	38,275	34,332
1,488,319	1,465,781	1,416,348	Total Expenses excluding losses		1,531,442	1,509,460	1,442,389
			Revenue				
1,142,032	1,116,731	1,105,486	NSW Ministry of Health Recurrent Allocations	2(d)	1,142,032	1,116,731	1,105,486
56,647	58,997	43,194	NSW Ministry of Health Capital Allocations	2(d)	56,647	58,997	43,194
-----	-----	-----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	43,123	43,679	26,041
227,473	243,307	235,636	Sale of Goods and Services	10	227,473	243,307	235,636
2,923	5,650	3,562	Investment Revenue	11	2,923	5,650	3,562
33,638	24,629	29,731	Grants and Contributions	12	33,638	24,629	29,731
13,696	12,427	17,948	Other Revenue	14	13,696	12,427	17,948
1,476,409	1,461,741	1,435,557	Total Revenue		1,519,532	1,505,420	1,461,598
153	-----	(478)	Gain / (Loss) on Disposal	15	153	-----	(478)
(5,189)	(3,658)	(3,123)	Other Gains / (Losses)	16	(5,189)	(3,658)	(3,123)
(16,946)	(7,698)	15,608	Net Result	35	(16,946)	(7,698)	15,608
			Other Comprehensive Income				
			Items that will not be reclassified to net result				
			Net Increase/(Decrease) in Property, Plant &				
16,958	14,869	14,729	Equipment and Emerging Assets Revaluation Surplus	22, 24	16,958	14,869	14,729
16,958	14,869	14,729	Total Other Comprehensive Income		16,958	14,869	14,729
12	7,171	30,337	TOTAL COMPREHENSIVE INCOME		12	7,171	30,337

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
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						
96,360	89,913	93,484		96,360	89,913	93,484
55,899	45,852	63,150	19	55,899	45,852	63,150
14,706	14,699	13,479	20	14,706	14,699	13,479
<u>166,965</u>	<u>150,464</u>	<u>170,113</u>	21	<u>166,965</u>	<u>150,464</u>	<u>170,113</u>
332	-----	-----		332	-----	-----
<u>167,297</u>	<u>150,464</u>	<u>170,113</u>	25	<u>167,297</u>	<u>150,464</u>	<u>170,113</u>
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
883,771	874,840	852,335		883,771	874,840	852,335
69,648	72,851	67,161	22	69,648	72,851	67,161
80,847	79,323	83,564	22	80,847	79,323	83,564
<u>1,034,266</u>	<u>1,027,014</u>	<u>1,003,060</u>	22	<u>1,034,266</u>	<u>1,027,014</u>	<u>1,003,060</u>
133	364	364		133	364	364
33,446	33,005	31,085	23	33,446	33,005	31,085
<u>1,067,845</u>	<u>1,060,383</u>	<u>1,034,509</u>	24	<u>1,067,845</u>	<u>1,060,383</u>	<u>1,034,509</u>
<u>1,235,142</u>	<u>1,210,847</u>	<u>1,204,622</u>		<u>1,235,142</u>	<u>1,210,847</u>	<u>1,204,622</u>
Total Non-Current Assets						
Total Assets						
LIABILITIES						
Current Liabilities						
119,800	99,225	93,132		119,800	99,225	93,132
-----	-----	425	28	-----	-----	425
161,004	164,986	155,559	29	161,004	164,986	155,559
1,900	1,640	1,737	30	1,900	1,640	1,737
<u>282,704</u>	<u>265,851</u>	<u>250,853</u>	31	<u>282,704</u>	<u>265,851</u>	<u>250,853</u>
Total Current Liabilities						
Non-Current Liabilities						
925	925	800		925	925	800
10,609	10,671	11,871	30	10,609	10,671	11,871
<u>11,534</u>	<u>11,596</u>	<u>12,671</u>	31	<u>11,534</u>	<u>11,596</u>	<u>12,671</u>
<u>294,238</u>	<u>277,447</u>	<u>263,524</u>		<u>294,238</u>	<u>277,447</u>	<u>263,524</u>
<u>940,904</u>	<u>933,400</u>	<u>941,098</u>		<u>940,904</u>	<u>933,400</u>	<u>941,098</u>
Total Non-Current Liabilities						
Total Liabilities						
Net Assets						
EQUITY						
49,533	17,746	32,615		49,533	17,746	32,615
891,331	915,654	908,483		891,331	915,654	908,483
40	-----	-----		40	-----	-----
<u>940,904</u>	<u>933,400</u>	<u>941,098</u>	25	<u>940,904</u>	<u>933,400</u>	<u>941,098</u>
Total Equity						

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2014

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
Balance at 1 July 2013		908,483	32,615	-----	941,098
Total Equity at 1 July 2013		908,483	32,615	-----	941,098
Net Result for the year		(16,946)			(16,946)
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment Available for Sale Financial Assets:	22	-----	16,958	-----	16,958
-Transfers on Reclassification		-----	(40)	40	-----
Total Other Comprehensive Income		-----	16,918	40	16,958
Total Comprehensive Income for the year		(16,946)	16,918	40	12
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	40	(206)	-----	-----	(206)
Balance at 30 June 2014		891,331	49,533	40	940,904
Balance at 1 July 2012		893,371	17,746	140	911,257
Total Equity at 1 July 2012		893,371	17,746	140	911,257
Net Result for the year		15,608			15,608
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment Available for Sale Financial Assets:	22	-----	14,729	-----	14,729
-Transfers on Reclassification		-----	140	(140)	-----
Total Other Comprehensive Income		-----	14,869	(140)	14,729
Total Comprehensive Income for the year		15,608	14,869	(140)	30,337
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	40	(496)	-----	-----	(496)
Balance at 30 June 2013		908,483	32,615	-----	941,098

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Cash Flows 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
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
-----	-----	-----		(952,374)	(942,169)	(910,296)
(67,345)	(63,560)	(59,564)		(67,345)	(63,560)	(59,564)
(5)	-----	(8)		(5)	-----	(8)
(1,419,108)	(1,416,328)	(1,408,189)		(466,734)	(474,159)	(497,893)
(1,486,458)	(1,479,888)	(1,467,761)		(1,486,458)	(1,479,888)	(1,467,761)
Receipts						
1,142,031	1,116,731	1,105,486		1,142,031	1,116,731	1,105,486
56,647	58,997	43,194		56,647	58,997	43,194
15,201	15,201	14,327		15,201	15,201	14,327
259,594	284,736	270,109		259,594	284,736	270,109
2,501	125	3,562		2,501	125	3,562
54,801	45,793	50,930		54,801	45,793	50,930
26,936	32,248	29,930		26,936	32,248	29,930
1,557,711	1,553,831	1,517,538		1,557,711	1,553,831	1,517,538
71,253	73,943	49,777	35	71,253	73,943	49,777
CASH FLOWS FROM INVESTING ACTIVITIES						
689	2,358	2,358		689	2,358	2,358
(68,625)	(79,432)	(54,425)		(68,625)	(79,432)	(54,425)
-----	-----	15,739		-----	-----	15,739
(67,936)	(77,074)	(36,328)		(67,936)	(77,074)	(36,328)
CASH FLOWS FROM FINANCING ACTIVITIES						
(441)	(440)	(1,102)		(441)	(440)	(1,102)
(441)	(440)	(1,102)		(441)	(440)	(1,102)
NET INCREASE / (DECREASE) IN CASH						
2,876	(3,571)	12,347		2,876	(3,571)	12,347
93,484	93,484	80,940		93,484	93,484	80,940
-----	-----	197	40	-----	-----	197
96,360	89,913	93,484	19	96,360	89,913	93,484

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Service Group Statements
for the year ended 30 June 2014

SES LHD EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total					
	2014	2013	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	\$000	\$000		
Expenses excluding losses																										
Operating Expenses	33,132	30,731	5,539	2,785	145,090	133,786	101,474	91,821	500,645	471,362	73,781	75,110	78,430	80,587	22,352	20,611	28,583	21,632								
Employee Related	225	199			6,066	5,873	2,127	2,044	30,033	29,413	1,511	1,634	458	382	795	772	412	325								
Visiting Medical Officers	9,561	8,190	1,210	447	94,132	81,974	30,909	30,340	201,337	206,013	13,230	14,705	22,050	20,251	8,703	5,919	9,132	4,430								
Other Operating Expenses	1,438	1,250	118	45	15,403	9,973	2,825	3,610	18,919	26,323	7,876	2,246	2,681	4,113	686	682	1,228	1,549								
Depreciation and Amortisation	4,893	3,367	14		6,743	7,001	81	10	416	77	2,175	2,186	46	1,698	2,734	2,532	595	7								
Grants and Subsidies		3			7		1		9	31	1	6	1	8		2		2								
Finance Costs	3,401	1,411			5,608				42	213			32,388	32,709			191									
Payments to Affiliated Health Organisations	52,650	45,151	6,881	3,277	273,049	238,607	137,417	127,825	751,401	733,432	98,574	95,887	136,054	139,748	35,270	30,518	40,141	27,945								
Total Expenses excluding losses																										
Revenue																										
NSW Ministry of Health Recurrent Allocations **																										
NSW Ministry of Health Capital Allocations **																										
Acceptance by the Crown Entity																										
of Employee Benefits and Other Liabilities	1,264	862	176	78	6,287	3,753	4,295	2,575	21,772	13,221	3,448	2,107	3,732	2,260	1,018	578	1,132	607								
Sale of Goods and Services	154	495	43	118	75,693	56,081	1,223	4,854	116,111	116,239	3,391	3,063	30,697	54,385	56	212	105	189								
Investment Revenue	10	6	2		910	864	44	58	1,479	1,718	62	15	399	894	7	2	9	4								
Grants and Contributions	869	98	3		3,718	2,557	85	86	3,104	2,700	121	21	11,487	10,608	9,121	5,869	5,129	7,792								
Other Revenue	74	1,025	21	57	4,071	2,217	356	1,298	6,904	8,380	358	1,509	1,812	2,418	38	409	61	635								
Total Revenue	2,371	2,486	245	253	90,679	65,472	6,003	8,871	149,370	142,256	7,380	6,715	48,127	70,565	10,240	7,070	6,436	9,227								
Gain / (Loss) on Disposal	4	(12)			46	(96)	8	(35)	57	(253)	24	(22)	8	(39)	2	(7)	4	(15)								
Other Gains / (Losses)	(4)	(7)	(1)	(2)	(1,727)	(743)	(28)	(64)	(2,649)	(1,541)	(77)	(41)	(700)	(721)	(1)	(3)	(2)	(2)								
Net Result	(50,279)	(42,684)	(6,637)	(3,026)	(184,051)	(173,974)	(131,434)	(119,053)	(604,623)	(592,968)	(91,247)	(89,235)	(88,619)	(69,943)	(25,029)	(23,458)	(33,703)	(18,735)	(1,198,679)	(1,148,680)	(1,148,680)	(1,198,679)	(1,148,680)	(12)	15,608	
Other Comprehensive Income																										
Increase/(Decrease) in Revaluation Surplus	477	370	39	13	5,104	2,950	936	1,068	6,269	7,787	2,610	664	889	1,215	227	202	405	458								
Total Other Comprehensive Income	477	370	39	13	5,104	2,950	936	1,068	6,269	7,787	2,610	664	889	1,215	227	202	405	458								
Total Comprehensive Income	(49,802)	(42,314)	(6,598)	(3,013)	(178,947)	(171,024)	(130,498)	(117,985)	(598,354)	(585,181)	(88,637)	(88,571)	(87,730)	(87,730)	(24,802)	(23,256)	(33,298)	(18,277)	(1,198,679)	(1,148,680)	(1,148,680)	(1,198,679)	(1,148,680)	12	30,337	

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

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

The SESLHD 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 South Eastern Sydney Local Health District Special Purpose Service Entity which was established as a Division of the Health Service on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD 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 SESLHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive on 18 September 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The SESLHD'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 SESLHD'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(ad).

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

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 SESLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The SESLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the SESLHD 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 SESLHD has assessed the actuarial advice based on the SESLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

South Eastern Sydney Local Health District
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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 SESLHD'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 SESLHD 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 SESLHD as shown in Note 30.

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 SESLHD 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 SESLHD'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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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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 SESLHD 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.

Motor Accident Authority Third Party

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

Department of Veterans' Affairs

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

Investment Revenue

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

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

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

Grants and Contributions

Grants and contributions are recognised as revenues when the SESLHD 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 SESLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

General operating expenses/revenues of \$36.0M (Affiliated Health Organisations, refer to note 9) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The SESLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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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 SESLHD 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) Interstate Patient Flows

Interstate patient flows are funded through the State Pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

g) 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(aa)).

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 SESLHD are deemed to be controlled by the SESLHD and are reflected as such in the financial statements.

h) Capitalisation Thresholds

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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i) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the SESLHD. 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%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

Depreciation rates are unchanged from previous years

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

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

j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the '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(o).

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 22 and Note 26 for further information regarding fair value.

South Eastern Sydney Local Health District
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The SESLHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the SESLHD was completed in the 2011/12 financial year and was based on an independent assessment.

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

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.

k) 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.

l) Assets Not Able to be Reliably Measured

The SESLHD does hold certain assets that are not recognised in the Statement of Financial Position because the SESLHD is unable to measure reliably the value of the assets and those assets are likely to be material.

The asset is a unique Pathology Collection, which normally resides at Sydney Hospital. Parts of the collection are currently on loan to a range of associated educational and health institutions.

m) 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.

South Eastern Sydney Local Health District
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n) Non-Current Assets (or disposal groups) Held for Sale

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

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

o) 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 SESLHD does not have any property that meets the definition of Investment Property.

p) Intangible Assets

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

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

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.

South Eastern Sydney Local Health District
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q) Maintenance

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

r) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and 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.

s) Inventories

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

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

t) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, 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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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u) 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 SESLHD determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the SESLHD's key management personnel.

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

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

The movement in the fair value of the Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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

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

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

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

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

South Eastern Sydney Local Health District
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v) 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.

w) 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 SESLHD transfers the financial asset:

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

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

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

x) Payables

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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y) 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.

z) Fair Value Hierarchy

A number of the SESLHD'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 SESLHD 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 SESLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 26 and Note 41 for further disclosures regarding fair value measurements of financial and non-financial assets.

aa) 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 SESLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the SESLHD does not recognise that asset.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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ab) 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 SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

(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.

ac) Trust Funds

The SESLHD receives monies in a trustee capacity for various trusts as set out in Note 33.

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

ad) 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".

ae) Emerging Asset

The SESLHD's emerging interest in the St George, Sydney and Prince of Wales Hospitals Car Parks has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the SESLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of STG 6.61%, SYD 9.47% & POW 7.23% at commencement of the concession period.

af) 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 SESLHD 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.

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ag) 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 26.

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 30.

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 41.

(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 SESLHD 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 policies 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.

South Eastern Sydney Local Health District
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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.

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Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
3. Employee Related				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	631,253	609,226
----	----	Overtime	28,484	32,139
----	----	Penalties	59,014	58,554
----	----	Superannuation - Defined Benefit Plans	10,573	11,482
----	----	Superannuation - Defined Contribution Plans	71,057	65,429
----	----	Long Service Leave	35,032	14,468
----	----	Annual Leave	84,047	78,861
----	----	Sick Leave and Other Leave	50,114	46,001
----	----	Redundancies	4,887	1,450
----	----	Workers' Compensation Insurance	14,875	11,208
----	----	Fringe Benefits Tax	(310)	(393)
-----	-----		989,026	928,425
-----	-----		-----	-----
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
631,253	609,226	Salaries and Wages	----	----
28,484	32,139	Overtime	----	----
59,014	58,554	Penalties	----	----
----	(54)	Superannuation - Defined Benefit Plans	----	----
71,057	65,429	Superannuation - Defined Contribution Plans	----	----
2,482	(37)	Long Service Leave	----	----
84,047	78,861	Annual Leave	----	----
50,114	46,001	Sick Leave and Other Leave	----	----
4,887	1,450	Redundancies	----	----
14,875	11,208	Workers' Compensation Insurance	----	----
(310)	(393)	Fringe Benefits Tax	----	----
-----	-----		-----	-----
945,903	902,384		-----	-----
-----	-----		-----	-----
5. Other Operating Expenses				
407	642	Advertising	407	642
135	113	Auditor's Remuneration - Audit of Financial Statements	135	113
9,393	8,283	Blood and Blood Products	9,393	8,283
203	52	Capital Project Expense	203	52
921	689	Consultancies	921	689
23	----	Contractors	23	----
18,876	17,766	Domestic Supplies and Services	18,876	17,766
83,481	80,923	Drug Supplies	83,481	80,923
22,881	22,480	Food Supplies	22,881	22,480
13,570	13,101	Fuel, Light and Power	13,570	13,101
26,676	22,295	Other (See (a) below)	26,676	22,295
3,592	4,483	Hospital Ambulance Transport Costs	3,592	4,483
18,458	16,063	Information Management Expenses	18,458	16,063
1,740	1,945	Insurance	1,740	1,945
28,595	27,993	Maintenance (See (b) below)	28,595	27,993
75,078	70,489	Medical and Surgical Supplies	75,078	70,489
1,202	1,287	Motor Vehicle Expenses	1,202	1,287
3,151	2,750	Postal and Telephone Costs	3,151	2,750
3,686	3,680	Printing and Stationery	3,686	3,680
2,076	1,536	Rates and Charges	2,076	1,536
3,319	3,216	Rental	3,319	3,216
58,666	59,007	Special Service Departments	58,666	59,007
7,921	7,207	Staff Related Costs	7,921	7,207
6,214	6,269	Travel Related Costs	6,214	6,269
-----	-----		-----	-----
390,264	372,269		390,264	372,269
-----	-----		-----	-----

South Eastern Sydney Local Health District
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
		(a) Other Includes:		
-----	7	Aircraft Expenses (Ambulance)	-----	7
6,590	5,932	Contract for Patient Services	6,590	5,932
5,870	5,523	Corporate Support Services	5,870	5,523
752	701	Courier and Freight	752	701
139	129	Isolated Patient Travel and Accommodation Assistance Scheme	139	129
588	641	Legal Services	588	641
580	760	Membership/Professional Fees	580	760
1,416	1,255	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,416	1,255
2,678	2,300	Other Operating Lease Expense - Minimum Lease Payments	2,678	2,300
62	89	Quality Assurance/Accreditation	62	89
354	297	Security Services	354	297
<u>7,647</u>	<u>4,661</u>	Other Miscellaneous	<u>7,647</u>	<u>4,661</u>
<u>26,676</u>	<u>22,295</u>		<u>26,676</u>	<u>22,295</u>
		(b) Reconciliation of Total Maintenance		
11,605	10,678	Maintenance Contracts	11,605	10,678
7,570	7,190	New/Replacement Equipment under \$10,000	7,570	7,190
9,950	10,661	Repairs Maintenance/Non Contract	9,950	10,661
<u>(530)</u>	<u>(536)</u>	Other	<u>(530)</u>	<u>(536)</u>
28,595	27,993	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	28,595	27,993
4,592	4,574	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	4,592	4,574
<u>33,187</u>	<u>32,567</u>	Total Maintenance Expenses	<u>33,187</u>	<u>32,567</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
6. Depreciation and Amortisation				
33,126	32,309	Depreciation - Buildings	33,126	32,309
13,575	13,330	Depreciation - Plant and Equipment	13,575	13,330
4,241	4,152	Depreciation - Infrastructure Systems	4,241	4,152
231	-----	Amortisation - Intangible Assets	231	-----
51,173	49,791		51,173	49,791
7. Grants and Subsidies				
14,337	13,042	Non-Government Organisations	14,337	13,042
1,782	1,786	Community Aged Care Packages	1,782	1,786
550	565	Grants to Research Organisations	550	565
1,028	1,485	Other Grants	1,028	1,485
17,697	16,878		17,697	16,878
8. Finance Costs				
5	44	Interest on Loans	5	44
16	8	Other Interest Charges	16	8
21	52		21	52
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
22,093	21,230	Calvary Hospital	22,093	21,230
12,621	11,840	War Memorial Hospital Waverley	12,621	11,840
1,286	1,262	Eastern Sydney SCARBA Centre	1,286	1,262
36,000	34,332		36,000	34,332
(b) Capital Sourced				
5,630	-----	Health Infrastructure	5,630	-----
5,630	-----		5,630	-----
41,630	34,332		41,630	34,332

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
744	1,126	Pharmacy Sales	744	1,126
7,531	6,972	Sale of Prosthesis	7,531	6,972
201	205	Other	201	205
(b) Rendering of Services comprise the following:-				
		Patient Fees		
80,092	84,387	- Inpatient Fees	80,092	84,387
53	123	- Nursing Home Fees	53	123
1,837	2,138	- Non Inpatient Fees	1,837	2,138
20,593	27,085	Department of Veterans' Affairs	20,593	27,085
397	506	Staff-Meals and Accommodation	397	506
20,974	20,878	Infrastructure Fees - Monthly Facility Charge	20,974	20,878
8,355	9,760	- Annual Charge	8,355	9,760
3	15	Cafeteria/Kiosk	3	15
1,649	1,418	Car Parking	1,649	1,418
803	737	Child Care Fees	803	737
213	220	Clinical Services (excluding Clinical Drug Trials)	213	220
15,007	13,904	Commercial Activities	15,007	13,904
16	14	Enteral Nutrition Income	16	14
275	230	Fees for Medical Records	275	230
8	3	Information Retrieval	8	3
49,294	49,667	High Cost Drugs	49,294	49,667
15,530	12,111	Motor Accident Authority Third Party	15,530	12,111
-----	1	Patient Transport Fees	-----	1
203	146	Private Use of Motor Vehicles	203	146
1,417	1,562	Hosted services provided to Other LHDs	1,417	1,562
2,226	2,358	Services Provided to Non NSW Health Organisations	2,226	2,358
52	70	Other	52	70
227,473	235,636		227,473	235,636
11. Investment Revenue				
461	1,652	Interest	461	1,652
2,039	1,910	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	2,039	1,910
423	-----	Other	423	-----
2,923	3,562		2,923	3,562

South Eastern Sydney Local Health District
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
12. Grants and Contributions				
4,074	2,441	Clinical Drug Trials	4,074	2,441
7,554	6,297	Commonwealth Government Grants	7,554	6,297
562	230	Commonwealth Teaching Hospital Grants	562	230
6,325	4,664	Industry Contributions/Donations	6,325	4,664
7,972	7,987	Cancer Institute Grants	7,972	7,987
3,029	2,855	NSW Government Grants	3,029	2,855
890	722	Research Grants	890	722
3,232	4,535	Other Grants	3,232	4,535
33,638	29,731		33,638	29,731
13. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	10,573	11,536
-----	-----	Long Service Leave	32,550	14,505
-----	-----		43,123	26,041
14. Other Revenue				
Other Revenue comprises the following:-				
345	338	Commissions	345	338
342	259	Conference and Training Fees	342	259
158	31	Discounts	158	31
-----	117	Insurance Refunds	-----	117
6,270	6,474	Lease and Rental Income	6,270	6,474
-----	1,000	Property not Previously Recognised	-----	1,000
41	151	Sale of Merchandise, Old Wares and Books	41	151
248	89	Sponsorship Income	248	89
821	804	Treasury Managed Fund Hindsight Adjustment	821	804
1	4	Unclaimed Deposits	1	4
5,470	8,681	Other	5,470	8,681
13,696	17,948		13,696	17,948

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
15. Gain / (Loss) on Disposal				
4,874	11,592	Property, Plant and Equipment	4,874	11,592
4,338	11,028	Less: Accumulated Depreciation	4,338	11,028
<u>536</u>	<u>564</u>	Written Down Value	<u>536</u>	<u>564</u>
410	235	Less: Proceeds from Disposal	410	235
<u>(126)</u>	<u>(329)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(126)</u>	<u>(329)</u>
-----	2,272	Assets Held for Sale	-----	2,272
279	2,123	Less: Proceeds from Disposal	279	2,123
<u>279</u>	<u>(149)</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>279</u>	<u>(149)</u>
<u>153</u>	<u>(478)</u>	Total Gain/(Loss) on Disposal	<u>153</u>	<u>(478)</u>
16. Other Gains / (Losses)				
(5,189)	(3,123)	Impairment of Receivables	(5,189)	(3,123)
<u>(5,189)</u>	<u>(3,123)</u>		<u>(5,189)</u>	<u>(3,123)</u>

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

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	895	-----	895
Contributions recognised in previous years which were not expended in the current reporting period	2,392	81,643	84,035
Total amount of unexpended contributions as at balance date	3,287	81,643	84,930

Comment on restricted assets appears in Note 27

18. Service Groups of the SESLHD

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

South Eastern Sydney Local Health District
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Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		19. Cash and Cash Equivalents		
14,307	13,874	Cash at Bank and On Hand	14,307	13,874
82,053	79,610	Short Term Deposits	82,053	79,610
<u>96,360</u>	<u>93,484</u>		<u>96,360</u>	<u>93,484</u>
		For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.		
		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:		
96,360	93,484	Cash and Cash Equivalents (per Statement of Financial Position)	96,360	93,484
<u>96,360</u>	<u>93,484</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>96,360</u>	<u>93,484</u>

Refer to Note 41 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
20. Receivables				
Current				
29,021	30,078	Sale of Goods and Services	29,021	30,078
16,431	26,111	Intra Health Receivables	16,431	26,111
4,226	2,056	Goods and Services Tax	4,226	2,056
8,027	7,056	Other Debtors	8,027	7,056
57,705	65,301	Sub Total	57,705	65,301
(5,664)	(5,679)	Less Allowance for Impairment	(5,664)	(5,679)
52,041	59,622	Sub Total	52,041	59,622
3,858	3,528	Prepayments	3,858	3,528
55,899	63,150		55,899	63,150
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(5,203)	(4,018)	Balance at Commencement of Reporting Period	(5,203)	(4,018)
5,246	1,667	Amounts written off during the period	5,246	1,667
(51)	----	Amounts recovered during the period	(51)	----
(5,430)	(2,852)	(Increase)/decrease in Allowance Recognised in the Income Statement	(5,430)	(2,852)
(5,438)	(5,203)	Balance at 30 June	(5,438)	(5,203)
(b) Movement in the Allowance for Impairment				
Other Debtors				
(476)	(222)	Balance at Commencement of Reporting Period	(476)	(222)
475	17	Amounts written off during the period	475	17
(465)	----	Amounts recovered during the period	(465)	----
241	(271)	(Increase)/decrease in Allowance Recognised in the Income Statement	241	(271)
(226)	(476)	Balance at 30 June	(226)	(476)
(5,664)	(5,679)		(5,664)	(5,679)
The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
535	(1,395)	Patient Fees - Compensable	535	(1,395)
7,616	7,256	Patient Fees - Ineligible	7,616	7,256
13,173	13,852	Patient Fees - Inpatient & Other	13,173	13,852
21,324	19,713		21,324	19,713

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 41.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
21. Inventories - Current - Held for Distribution				
6,765	6,031	Drugs	6,765	6,031
7,934	7,434	Medical and Surgical Supplies	7,934	7,434
7	14	Food and Hotel Supplies	7	14
<u>14,706</u>	<u>13,479</u>		<u>14,706</u>	<u>13,479</u>

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,616,864	1,538,528	Gross Carrying Amount	1,616,864	1,538,528
733,093	686,193	Less: Accumulated Depreciation and Impairment	733,093	686,193
<u>883,771</u>	<u>852,335</u>	Net Carrying Amount	<u>883,771</u>	<u>852,335</u>
Plant and Equipment - Fair Value				
166,963	155,246	Gross Carrying Amount	166,963	155,246
97,315	88,085	Less: Accumulated Depreciation and Impairment	97,315	88,085
<u>69,648</u>	<u>67,161</u>	Net Carrying Amount	<u>69,648</u>	<u>67,161</u>
Infrastructure Systems - Fair Value				
171,567	168,333	Gross Carrying Amount	171,567	168,333
90,720	84,769	Less: Accumulated Depreciation and Impairment	90,720	84,769
<u>80,847</u>	<u>83,564</u>	Net Carrying Amount	<u>80,847</u>	<u>83,564</u>
<u>1,034,266</u>	<u>1,003,060</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,034,266</u>	<u>1,003,060</u>

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

22. 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	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2014					
Net Carrying Amount at Start of Year	165,573	686,762	67,161	83,564	1,003,060
Additions	----	49,026	16,359	(65)	65,320
Recognition of Assets Held for Sale	----	(332)	----	----	(332)
Disposals	----	----	(536)	----	(536)
Administrative Restructures - Transfers In/(Out)	----	----	(206)	----	(206)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	4,303	12,010	----	1,589	17,902
Depreciation Expense	----	(33,126)	(13,575)	(4,241)	(50,942)
Reclassifications	----	(445)	445	----	----
Net Carrying Amount at End of Year	169,876	713,895	69,648	80,847	1,034,266

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2013					
Net Carrying Amount at Start of Year	163,162	666,031	71,496	86,055	986,744
Additions	1,000	42,096	8,555	(4)	51,647
Disposals	----	----	(564)	----	(564)
Administrative Restructures - Transfers In/(Out)	----	----	13	----	13
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	1,411	12,327	----	1,665	15,403
Depreciation Expense	----	(32,309)	(13,330)	(4,152)	(49,791)
Reclassifications	----	(1,383)	991	----	(392)
Net Carrying Amount at End of Year	165,573	686,762	67,161	83,564	1,003,060

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the SESLHD [see note 2(g)].
- (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 (j).

The following table details the indices applied to Non Current Assets as determined by CB Richard Ellis :

Year	Land	Buildings	Infrastructure
2012/13	1%	2%	2%
2013/14	3%	2%	2%

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		23. Intangible Assets		
		Intangibles		
2,773	2,773	Cost (Gross Carrying Amount)	2,773	2,773
2,640	2,409	Less Accumulated Amortisation and Impairment	2,640	2,409
<u>133</u>	<u>364</u>	Net Carrying Amount	<u>133</u>	<u>364</u>
<u>133</u>	<u>364</u>	Total Intangible Assets at Net Carrying Amount	<u>133</u>	<u>364</u>

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PARENT & CONSOLIDATION

23. Intangibles - Reconciliation

	Intangibles \$000
2014	
Net Carrying Amount at Start of Year	364
Amortisation (Recognised in Depreciation and Amortisation)	(231)
Net Carrying Amount at End of Year	133

	Intangibles \$000
2013	
Net Carrying Amount at Start of Year	364
Net Carrying Amount at End of Year	364

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		24. Other Assets		
		Non-Current		
33,446	31,085	Emerging Rights to Assets (refer Note 2(ae))	33,446	31,085
33,446	31,085		33,446	31,085
		Movement in Emerging Assets:		
		Recognised in Note 14 (Other Revenue) \$3.306M		
		Recognised in Statement of Changes in Equity -\$0.945M		
		25. Non-Current Assets (or Disposal Groups) Held for Sale		
		Assets Held for Sale		
332	-----	Land and Buildings	332	-----
332	-----		332	-----

The non-current assets held for sale constitute assets that are surplus to requirements and is actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

The SESLHD has received approval from the Ministry of Health to sell Lot 1, 158 Orchard St, Guildford. The property is currently listed for sale.

PARENT & CONSOLIDATION

26. 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 22)*				
- Land and Buildings	----	156,829	726,942	883,771
- Infrastructure Systems	----	----	80,847	80,847
Non-Current Assets (or Disposal Groups) Held for Sale (Note 25)	----	332	----	332
	----	157,161	807,789	964,950

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 SESLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by CB Richard Ellis for the 2011/12 financial year. CB Richard Ellis is an independent entity and is not a related party of the SESLHD.

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 22 reconciliation.

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

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

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

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.

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PARENT & CONSOLIDATION

26. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements	Land and Buildings \$000	Infrastructure \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	732,785	83,564	816,349
Additions	-----	(65)	(65)
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation	15,326	1,589	16,915
Transfers from Level 2	11,431	-----	11,431
Depreciation	<u>(32,600)</u>	<u>(4,241)</u>	<u>(36,841)</u>
Fair value as at 30 June 2014	<u>726,942</u>	<u>80,847</u>	<u>807,789</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.

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
27. Restricted Assets				
<p>The SESLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
Category				
44,310	41,321	Specific Purposes	44,310	41,321
15,770	18,484	Research Grants	15,770	18,484
<u>24,850</u>	<u>27,443</u>	Private Practice Funds	<u>24,850</u>	<u>27,443</u>
<u>84,930</u>	<u>87,248</u>		<u>84,930</u>	<u>87,248</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		28. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	23,432	20,349
-----	-----	Taxation and Payroll Deductions	9,182	6,899
32,614	27,248	Accrued Liability - Purchase of Personnel Services	-----	-----
46,880	46,247	Creditors	46,880	46,247
		Other Creditors		
		- Intra Health Liability	24,923	10,562
24,923	10,562	- Other	15,383	9,075
15,383	9,075		-----	-----
<u>119,800</u>	<u>93,132</u>		<u>119,800</u>	<u>93,132</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

		29. Borrowings		
		Current		
-----	425	Other Loans and Deposits	-----	425
-----	425		-----	425
<u>-----</u>	<u>425</u>		<u>-----</u>	<u>425</u>

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
30. Provisions				
Current				
-----	-----	Annual Leave - Short Term Benefit	79,000	85,300
-----	-----	Annual Leave - Long Term Benefit	64,437	55,050
-----	-----	Long Service Leave Consequential On-Costs	17,567	15,209
161,004	155,559	Provision for Personnel Services Liability	-----	-----
161,004	155,559	Total Current Provisions	161,004	155,559
Non-Current				
-----	-----	Long Service Leave Consequential On-Costs	925	800
925	800	Provision for Personnel Services Liability	-----	-----
925	800	Total Non-Current Provisions	925	800
Aggregate Employee Benefits and Related On-Costs				
-----	-----	Provisions - Current	161,004	155,559
-----	-----	Provisions - Non-Current	925	800
-----	-----	Accrued Salaries, Wages and On-Costs (Note 28)	32,614	27,248
194,543	183,607	Liability - Purchase of Personnel Services	-----	-----
194,543	183,607		194,543	183,607
31. Other Liabilities				
Current				
1,900	1,737	Income in Advance	1,900	1,737
1,900	1,737		1,900	1,737
Non-Current				
10,609	11,871	Income in Advance	10,609	11,871
10,609	11,871		10,609	11,871

In May 1995 \$5.5 million was received as income in advance from International Parking (Sydney) Pty Ltd and AIDC under the terms of contract to provide and operate a car park facility at the Sydney & Sydney Eye Hospitals campus for the 25 years ending May 2020.

In June 1997 \$18.5 million was received as income in advance from International Parking (Randwick) Pty Ltd under the terms of contract to provide and operate a car park facility at the Prince of Wales Hospital campus for the 25 years ending June 2022.

In June 1999 \$4.5 million was received as income in advance from International Parking Pty Ltd under the terms of contract to provide and operate a car park facility at the ST George Hospital campus for the 25.5 years ending December 2024.

In October 1996 \$5 million was received as income in advance from HCoA Operations (Australia) Pty Ltd under the terms of contract to provide and operate a private hospital facility at the Prince of Wales Hospital campus for the 40 years ending October 2036.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		32. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
		Not later than one year	42,554	20,134
42,554	20,134	Later than one year and not later than five years	34,478	130,629
34,478	130,629		77,032	150,763
		Total Capital Expenditure Commitments (Including GST)	77,032	150,763
77,032	150,763		77,032	150,763
		Of the commitments reported at 30 June 2014 it is expected that \$9.9M will be met from locally generated moneys.		
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	3,524	3,674
3,524	3,674	Later than one year and not later than five years	5,547	5,896
5,547	5,896		9,071	9,570
		Total Operating Lease Commitments (Including GST)	9,071	9,570
9,071	9,570		9,071	9,570
		The operating lease commitments above are for motor vehicles, information technology, medical equipment and other equipment.		
		(c) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$86.1M million as at 30 June 2014 includes input tax credits of \$7.8M that are expected to be recoverable from the Australian Taxation Office (2013 \$14.9M).		

South Eastern Sydney Local Health District
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PARENT AND CONSOLIDATION

33. Trust Funds

The SESLHD holds trust fund moneys of \$1.2 million 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 SESLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	464	436	303	239	400	378	1,167	1,053
Receipts	1,176	1,192	66	78	10,752	37,181	11,994	38,451
Expenditure	(1,211)	(1,164)	6	(14)	(10,780)	(37,159)	(11,985)	(38,337)
Cash Balance at the end of the financial year	429	464	375	303	372	400	1,176	1,167

South Eastern Sydney Local Health District
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PARENT AND CONSOLIDATED

34. Contingent Liabilities and Assets

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 SESLHD will be paid in 2014/15. It is not possible for the SESLHD to reliably quantify the benefit to be received or amount payable.

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
35. Reconciliation of Cash Flows from Operating Activities to Net Result				
71,253	49,777	Net Cash Flows from Operating Activities	71,253	49,777
(51,173)	(49,791)	Depreciation	(51,173)	(49,791)
(5,189)	(3,123)	Allowance for Impairment	(5,189)	(3,123)
1,099	1,267	(Increase)/ Decrease Income in Advance	1,099	1,267
(5,570)	(3,876)	(Increase)/ Decrease in Provisions	(5,570)	(3,876)
(1,213)	3,354	Increase / (Decrease) in Prepayments and Other Assets	(1,213)	3,354
(26,305)	18,479	(Increase)/ Decrease in Creditors	(26,305)	18,479
152	(478)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	152	(478)
(16,946)	15,609	Net Result	(16,946)	15,609
36. Non-Cash Financing and Investing Activities				
241	-----	Assets Received by Donation	241	-----
241	-----		241	-----
37. 2013/14 Voluntary Services				
It is considered impracticable to quantify the monetary value of voluntary services provided to the SESLHD. Services provided include:				
<ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies/Hospital Auxiliaries - Patient Support Groups - Community Organisations - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relative - Counselling, Health Education, Transport, Home Help & Patient Activities 				
38. Unclaimed Monies				
Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the <i>Industrial Relations Act, 1996</i> .				
All money and personal effects of patients which are left in the custody of SESLHD 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 SESLHD.				
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.				

PARENT AND CONSOLIDATION

39. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was unfavourable to budget by \$9 million:

Matters impacting the District's result included cash assistance (\$25M), corrections and impact of prior year transactions (-\$11.3M), issues pertaining to the District's capital subsidy budget (-\$2.4M) and the under accrual of DVA revenue (-\$1.2M) for 2013/14.

The main areas of variance included:

The District's Employee Related expenses were \$7.4M more than budget, Visiting Medical Officer expenditure was \$5.5M more than budget and Medical and Surgical Supplies were \$6M more than budget.

Assets and Liabilities

Cash and Cash Equivalents:

The cash balance at 30 Jun 2014 is \$6M higher when compared to budget. This is on account of a higher return of around 3% being received in the TCorp Hour Glass Facilities (Cash & Strategic Cash) than the return factored into the budget. This increased return accounted for \$2.5M when compared to budget. Additionally the Special Purpose bank had an increase of funds of around \$1M. The bank balance is a reflection of the impact of receivables and payables movements during the year, which have been significant, and as the cash at bank budget is built at the start of the financial year - there has been a level of under-estimation of the closing balance as a result of this.

Receivables:

The receivables balance at 30 Jun 2014 is \$9M higher when compared to budget. In 2013/14 the District wrote-off around \$7M of prior year impaired receivables. Despite these write-offs the District's receivables increased by around \$9M mainly on account of accruals (\$2.6M), property sales (\$2.8M), insurance claims (\$1.2M) and reclassification of the Patient Clearing debtors (\$1.7M) from receivables to payables.

Property Plant & Equipment:

The Non-Current Asset Property Plant & Equipment balance at 30 Jun 2014 is \$9M higher when compared to budget. This is mainly on account of Work In Progress reclassifications of \$8.2M from completed projects being capitalised during 2013/14

Payables:

The Payables balance at 30 Jun 2014 is \$20M higher when compared to budget. This is on account of \$9M being received in June from the Ministry of Health as an advance for Intra-Health debtors for June-14(\$4.9M), Goods & Services Tax refund for Jun-14 BAS (\$3.1M) and \$1M advance for Workers Compensation adjustments for 2014/15. In Jun-14 the District recognise a liability of \$6.1M to Health Infrastructure in respect to Special Purpose & Trust contributions towards the purchase of Linear Accelerators for the Prince of Wales Hospital Nelune Centre. There is an increase of around \$4M in year-end accruals (plus GST) and creditor invoices processed when compared to budget.

Cash Flows

Operating Activities:

Cash outflows for expenses in 2013/14 were \$7M more than the budget, mainly due to Employee Related outflows being \$10M more than budget. Inflows from receipts were \$4M more than budget, mainly due to an increase in Grants and Contributions received. Inflows from the Sale of Goods and Services were \$25M less than budget, which was offset by \$25M of cash assistance received from the Ministry of Health

Investing Activities:

The District's outflows for capital purchases was \$10M less than budget, mainly due to delays with projects.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 17 Sep 2013 are as follows:

	\$000
Initial Allocation, 17 Sep 2013	1,076,020
Award Increases	22,652
Special Projects:	0
Voluntary Redundancy Reimbursement	4,887
Treat More Public Dental Patients, National Partnership Agreement	2,572
Nurse Midwife Strategy Reserve	1,991
ST George Hospital Peritonectomy Cases	1,906
National Elective Surgery Targets	1,500
Ted Noffs Non-Government Organisation Budget from Western Sydney Local Health District (Transfer in)	1,130
AIDS Program Cost Escalations	537
Treasury Managed Fund Adjustment 2013/14	326
Improving Workplace Culture	288
Other:	3,223
Cash Assistance	25,000
Balance as per Statement of Comprehensive Income	1,142,032

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

Equity transfers effected in the 2012/13 year were:

An increase in net assets of \$0.496M relating to the SESLHD's review of transitioned balance sheet accounts from 2011/12 and the transition of Long Service Leave On-Costs to the Crown.

Equity transfers effected in the 2013/14 year were:

An increase in net assets of \$0.206M relating to assets transferred incorrectly to Illawarra Shoalhaven Local Health District and New South Wales Health Pathology, when the Transitional Organisation was devolved.

	2014	2013
	\$000	\$000
Equity transfers effected comprised:		
New South Wales Health Pathology	(18)	(3,187)
Illawarra Shoalhaven Local Health District	(188)	214
Murrumbidgee Local Health District	-----	(1)
Sydney Childrens' Hospital Network	-----	0
Crown Entity - Transfer of Long Service Leave On-costs	-----	2,479
	(206)	(496)
Assets and Liabilities transferred are as follows:		
	2014	2013
	\$000	\$000
Assets		
Cash & Cash Equivalents	-----	197
Property Plant & Equipment	(206)	17
Inventory	-----	362
Receivables	-----	40
Liabilities		
Payables	-----	(3,591)
Provisions	-----	2,479
Increase/(Decrease) in Net Assets From Equity Transfers	(206)	(496)

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41. Financial Instruments

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

The SESLHD's main risks arising from financial instruments are outlined below, together with the SESLHD'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 SESLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed regularly by the Audit & Risk Management Committee, the Performance and Finance Committee and the internal auditors on a continuous and planned 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 19)	N/A	96,360	93,484
Receivables (note 20)*	Loans and receivables (at amortised cost)	47,815	57,566
Total Financial Assets		<u>144,175</u>	<u>151,050</u>
Financial Liabilities			
Borrowings (note 29)	Financial liabilities	----	425
Payables (note 28)**	measured at	110,618	86,233
Total Financial Liabilities		<u>110,618</u>	<u>86,658</u>

Notes

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

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

(b) Credit Risk

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

Credit risk associated with the SESLHD'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.

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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 3.4% in 2013/14 compared to 3.6% in the previous year.

The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the SESLHD may 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 SESLHD 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:\$25.9M; 2013: \$28.5M) and not more than 3 months past due (2014: \$5.1M; 2013:\$4.3M) are not considered impaired. Together these represent 94% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the SESLHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2014	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	5,209	5,134	84
3 months - 6 months overdue	1,668	749	1,025
> 6 months overdue	6,053	1,969	4,555
2013			
<3 months overdue	4,303	4,241	62
3 months - 6 months overdue	2,030	911	1,119
> 6 months overdue	6,926	2,253	4,673

Key

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.

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Authority Deposits

The SESLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's rating agency. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 3.0% (2013 - 2.6%), while over the year the weighted average interest rate was 1.7% (2013 - 2.6%) on a weighted average balance during the year of \$80.9M (2013 - \$57.9M). None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the SESLHD will be unable to meet its payment obligations when they fall due. The SESLHD continuously manages this 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 SESLHD 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 SESLHD 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 SESLHD 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 Key 2 above).

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 SESLHD's financial liabilities together with the interest rate exposure.

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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure					Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		23,432	-----	-----	23,432	23,432	-----	-----
- Creditors		87,186	-----	-----	87,186	87,186	-----	-----
		<u>110,618</u>	-----	-----	<u>110,618</u>	<u>110,618</u>	-----	-----
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		20,349	-----	-----	20,349	20,349	-----	-----
- Creditors		65,884	-----	-----	65,884	65,884	-----	-----
Borrowings:								
- Loans and Deposits	4.04%	425	425	-----	-----	425	-----	-----
		<u>86,658</u>	<u>425</u>	-----	<u>86,233</u>	<u>86,658</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 SESLHD can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The SESLHD's exposures to market risk are primarily through interest rate risk on the SESLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The SESLHD 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 SESLHD 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 SESLHD's interest bearing liabilities.

However, the SESLHD 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 SESLHD 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.

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The SESLHD'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	96,360	(964)	(964)	964	964
Receivables	47,815	-----	-----	-----	-----
Financial Liabilities					
Payables	110,618	-----	-----	-----	-----
2013					
Financial Assets					
Cash and Cash Equivalents	93,484	(935)	(935)	935	935
Receivables	57,566	-----	-----	-----	-----
Financial Liabilities					
Payables	86,233	-----	-----	-----	-----
Borrowings	425	4	4	(4)	(4)

Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2014 \$'000	2013 \$'000
Cash facility	Cash and money market instruments	Up to 1.5 years	82,053	79,610

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

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

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

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

	Change in unit price	Impact on profit/loss	
		2014 \$'000	2013 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	821	426

42. 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