



## INDEPENDENT AUDITOR'S REPORT

### Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Illawarra Shoalhaven Local Health District (the District), which comprise the statement of financial position as at 30 June 2015, 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 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

### Emphasis of Matter

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 2(ac). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

### Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing 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 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 an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## **Independence**

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

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



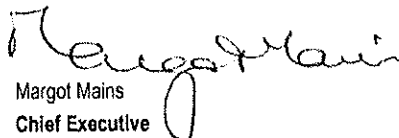
Chris Clayton  
Director, Financial Audit Services

9 September 2015  
SYDNEY

**Illawarra Shoalhaven Local Health District  
Certification of the Financial Statements  
for the year ended 30 June 2015**

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

- 1) The financial statements of the Illawarra Shoalhaven Local Health District for the year ended 30 June 2015 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 2015* 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 Illawarra Shoalhaven Local Health District; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

  
Margot Mains  
Chief Executive  
8 September 2015

**Illawarra Shoalhaven Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2015**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2015 \$000	2015 \$000	2014 \$000		2015 \$000	2015 \$000	2014 \$000
			<b>Expenses excluding losses</b>			
			Operating Expenses			
----	----	----				
506,871	506,899	484,246	3	534,924	534,975	508,006
34,689	34,620	33,841	4	----	----	----
206,349	209,096	203,448	5	34,689	34,620	33,841
24,468	25,517	20,534	6	206,349	209,096	203,448
4,707	4,950	5,598	7	24,468	25,517	20,534
1	4	5	8	4,707	4,950	5,598
<u>777,085</u>	<u>781,086</u>	<u>747,672</u>		1	4	5
			<b>Total Expenses excluding losses</b>	<u>805,138</u>	<u>809,162</u>	<u>771,432</u>
			<b>Revenue</b>			
647,368	648,006	623,728	2(d)	647,368	648,006	623,728
71,153	71,914	59,002	2(d)	71,153	71,914	59,002
----	----	----	2(a)(ii),12	28,053	28,076	23,760
94,283	94,114	88,493	9	94,283	94,114	88,493
3,639	4,122	3,316	10	3,639	4,122	3,316
12,250	12,191	15,470	11	12,250	12,191	15,470
2,422	1,370	1,986	13	2,422	1,370	1,986
<u>831,115</u>	<u>831,717</u>	<u>791,995</u>		<u>859,168</u>	<u>859,793</u>	<u>815,755</u>
(1,297)	(910)	(622)	14	(1,297)	(910)	(622)
(858)	(263)	(432)	15	(858)	(263)	(432)
<u>51,875</u>	<u>49,458</u>	<u>43,269</u>	33	<u>51,875</u>	<u>49,458</u>	<u>43,269</u>
			<b>Net Result</b>			
			<b>Other Comprehensive Income</b>			
			<b>Items that will not be reclassified to net result</b>			
			Net Increase/(Decrease) in Property, Plant &			
33,377	----	7,726	22	33,377	----	7,726
<u>33,377</u>	<u>----</u>	<u>7,726</u>		<u>33,377</u>	<u>----</u>	<u>7,726</u>
<u>85,252</u>	<u>49,458</u>	<u>50,995</u>	<b>TOTAL COMPREHENSIVE INCOME</b>			
				<u>85,252</u>	<u>49,458</u>	<u>50,995</u>

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District  
Statement of Financial Position as at 30 June 2015

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual	
2015	2015	2014	Notes	2015	2015	2014	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>ASSETS</b>							
<b>Current Assets</b>							
24,166	37,243	42,287	Cash and Cash Equivalents	18	24,166	37,243	42,287
16,643	13,179	14,213	Receivables	19	16,643	13,179	14,213
7,717	6,651	6,642	Inventories	20	7,717	6,651	6,642
32,330	23,951	23,951	Financial Assets at Fair Value	21	32,330	23,951	23,951
<u>80,856</u>	<u>81,024</u>	<u>87,093</u>			<u>80,856</u>	<u>81,024</u>	<u>87,093</u>
4,822	-----	-----	Assets Held for Sale	24	4,822	-----	-----
<b>85,678</b>	<b>81,024</b>	<b>87,093</b>	<b>Total Current Assets</b>		<b>85,678</b>	<b>81,024</b>	<b>87,093</b>
<b>Non-Current Assets</b>							
525,459	524,697	462,973	- Land and Buildings	22	525,459	524,697	462,973
34,650	28,313	28,714	- Plant and Equipment	22	34,650	28,313	28,714
40,091	23,290	29,817	- Infrastructure Systems	22	40,091	23,290	29,817
<u>600,200</u>	<u>576,300</u>	<u>521,504</u>	Total Property, Plant & Equipment		<u>600,200</u>	<u>576,300</u>	<u>521,504</u>
309	90	245	Intangible Assets	23	309	90	245
-----	-----	-----	Other		-----	-----	-----
<b>600,509</b>	<b>576,390</b>	<b>521,749</b>	<b>Total Non-Current Assets</b>		<b>600,509</b>	<b>576,390</b>	<b>521,749</b>
<b>686,187</b>	<b>657,414</b>	<b>608,842</b>	<b>Total Assets</b>		<b>686,187</b>	<b>657,414</b>	<b>608,842</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
43,840	52,591	54,959	Payables	27	43,840	52,591	54,959
69,066	66,606	65,574	Provisions	28	69,066	66,606	65,574
52	784	716	Other	29	52	784	716
<u>112,958</u>	<u>119,981</u>	<u>121,249</u>	<b>Total Current Liabilities</b>		<u>112,958</u>	<u>119,981</u>	<u>121,249</u>
<b>Non-Current Liabilities</b>							
835	835	451	Provisions	28	835	835	451
<u>835</u>	<u>835</u>	<u>451</u>	<b>Total Non-Current Liabilities</b>		<u>835</u>	<u>835</u>	<u>451</u>
<b>113,793</b>	<b>120,816</b>	<b>121,700</b>	<b>Total Liabilities</b>		<b>113,793</b>	<b>120,816</b>	<b>121,700</b>
<b>572,394</b>	<b>536,598</b>	<b>487,142</b>	<b>Net Assets</b>		<b>572,394</b>	<b>536,598</b>	<b>487,142</b>
<b>EQUITY</b>							
74,334	42,912	42,912	Reserves		74,334	42,912	42,912
498,060	493,686	444,230	Accumulated Funds		498,060	493,686	444,230
<u><b>572,394</b></u>	<u><b>536,598</b></u>	<u><b>487,142</b></u>	<b>Total Equity</b>		<u><b>572,394</b></u>	<u><b>536,598</b></u>	<u><b>487,142</b></u>

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District  
Statement of Changes in Equity for the year ended 30 June 2015

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
Balance at 1 July 2014		444,230	42,912	-----	487,142
<b>Total Equity at 1 July 2014</b>		<b>444,230</b>	<b>42,912</b>	-----	<b>487,142</b>
Net Result for the year		51,875			51,875
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	33,377	-----	33,377
-Transfers on Disposal		1,955	(1,955)	-----	-----
<b>Total Other Comprehensive Income</b>		<b>1,955</b>	<b>31,422</b>	-----	<b>33,377</b>
<b>Total Comprehensive Income for the year</b>		<b>53,830</b>	<b>31,422</b>	-----	<b>85,252</b>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	38	-----	-----	-----	-----
<b>Balance at 30 June 2015</b>		<b>498,060</b>	<b>74,334</b>	-----	<b>572,394</b>
Balance at 1 July 2013		400,773	35,186	-----	435,959
<b>Total Equity at 1 July 2013</b>		<b>400,773</b>	<b>35,186</b>	-----	<b>435,959</b>
Net Result for the year		43,269			43,269
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	7,726	-----	7,726
<b>Total Other Comprehensive Income</b>		-----	<b>7,726</b>	-----	<b>7,726</b>
<b>Total Comprehensive Income for the year</b>		<b>43,269</b>	<b>7,726</b>	-----	<b>50,995</b>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	38	188	-----	-----	188
<b>Balance at 30 June 2014</b>		<b>444,230</b>	<b>42,912</b>	-----	<b>487,142</b>

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District  
Statement of Cash Flows for the year ended 30 June 2015

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual
2015	2015	2014	Notes	2015	2015	2014
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
----	----	----	Employee Related	(514,296)	(518,413)	(485,544)
(5,213)	(5,457)	(6,178)	Grants and Subsidies	(5,213)	(5,457)	(6,178)
----	(4)	(4)	Finance Costs	----	(4)	(4)
<u>(788,740)</u>	<u>(785,489)</u>	<u>(736,505)</u>	Other	<u>(274,444)</u>	<u>(267,076)</u>	<u>(250,961)</u>
<u>(793,953)</u>	<u>(790,950)</u>	<u>(742,687)</u>	<b>Total Payments</b>	<u>(793,953)</u>	<u>(790,950)</u>	<u>(742,687)</u>
<b>Receipts</b>						
647,368	648,006	623,728	NSW Ministry of Health Recurrent Allocations	647,368	648,006	623,728
71,153	71,914	59,002	NSW Ministry of Health Capital Allocations	71,153	71,914	59,002
8,618	8,618	6,445	Reimbursements from the Crown Entity	8,618	8,618	6,445
95,734	97,033	90,201	Sale of Goods and Services	95,734	97,033	90,201
3,639	2,128	3,316	Interest Received	3,639	2,128	3,316
13,272	12,997	16,570	Grants and Contributions	13,272	12,997	16,570
<u>20,248</u>	<u>25,912</u>	<u>23,699</u>	Other	<u>20,248</u>	<u>25,912</u>	<u>23,699</u>
<u>860,032</u>	<u>866,608</u>	<u>822,961</u>	<b>Total Receipts</b>	<u>860,032</u>	<u>866,608</u>	<u>822,961</u>
<u>66,079</u>	<u>75,658</u>	<u>80,274</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>66,079</u>	<u>75,658</u>	<u>80,274</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
266	----	340	Proceeds from Sale of Property, Plant & Equipment and Intangibles	266	----	340
(76,087)	(80,702)	(63,722)	Purchases of Property, Plant & Equipment and Intangibles	(76,087)	(80,702)	(63,722)
(8,379)	----	(9,554)	Purchases of Investments	(8,379)	----	(9,554)
<u>(84,200)</u>	<u>(80,702)</u>	<u>(72,936)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(84,200)</u>	<u>(80,702)</u>	<u>(72,936)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
----	----	(284)	Repayment of Borrowings and Advances	----	----	(284)
<u>----</u>	<u>----</u>	<u>(284)</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>----</u>	<u>----</u>	<u>(284)</u>
(18,121)	(5,044)	7,054	<b>NET INCREASE / (DECREASE) IN CASH</b>	(18,121)	(5,044)	7,054
42,287	42,287	35,233	Opening Cash and Cash Equivalents	42,287	42,287	35,233
<u>24,166</u>	<u>37,243</u>	<u>42,287</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>24,166</u>	<u>37,243</u>	<u>42,287</u>

The accompanying notes form part of these financial statements.



Illawarra Shoalhaven Local Health District  
Service Group Statements  
for the year ended 30 June 2015

	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		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Expenses excluding losses</b>																							
Operating Expenses																							
Employee Related	18,187	17,120	4,279	4,064	67,768	58,307	54,407	228,959	240,182	57,772	54,153	74,354	68,987	5,884	5,182	8,024	7,366						
Visiting Medical Officers	104	102	2,210	2,210	3,868	24,438	24,054	2,335	2,435	763	866	30	451	30	376	34,689	33,841						
Other Operating Expenses	8,254	6,978	825	753	35,492	35,807	29,714	98,772	99,874	10,111	9,766	19,397	19,673	1,444	1,160	1,238	1,282						
Depreciation and Amortisation	391	308	49	55	3,939	3,803	2,227	1,860	12,577	1,199	828	3,670	2,906	49	37	367	398						
Grants and Subsidies	2,466	2,893	80	93	665	61	91	415	683	184	169	80	114	38	43	475	1,115						
Finance Costs																							
<b>Total Expenses excluding losses</b>	<b>29,402</b>	<b>27,401</b>	<b>5,233</b>	<b>4,965</b>	<b>110,365</b>	<b>94,413</b>	<b>89,544</b>	<b>377,755</b>	<b>362,461</b>	<b>71,701</b>	<b>67,251</b>	<b>98,264</b>	<b>92,547</b>	<b>7,450</b>	<b>6,452</b>	<b>10,555</b>	<b>10,537</b>						
Revenue																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	1,234	1,224	252	166	3,619	3,114	2,723	12,091	10,662	2,861	2,614	4,096	3,398	365	290	421	328						
Sale of Goods and Services	94	336		664	19,045	14,769	1,414	3,327	53,365	49,778	2,828	16,877	16,769	471	168	189	425						
Investment Revenue	25	7	2	469	428	69	340	1,854	2,460	91	125	357	281	15		146	279						
Grants and Contributions	368	984	429	758	4,582	1,576	515	45	4,653	87	49	441	5,227	61	1,269	1,152	5,481						
Other Revenue	29	113	218	25	114	236	63	217	1,626	816	82	237	311	7	16	45	34						
<b>Total Revenue</b>	<b>1,750</b>	<b>2,664</b>	<b>906</b>	<b>1,615</b>	<b>27,829</b>	<b>19,364</b>	<b>5,175</b>	<b>6,652</b>	<b>74,195</b>	<b>63,197</b>	<b>5,911</b>	<b>22,008</b>	<b>25,386</b>	<b>919</b>	<b>1,743</b>	<b>1,954</b>	<b>6,547</b>						
Gain / (Loss) on Disposal	(60)	(29)	(5)	(2)	(175)	(84)	(174)	(659)	(315)	(76)	(37)	(128)	(61)	(12)	(6)	(8)	(4)						
Other Gains / (Losses)	(3)	(2)	(6)	(3)	(143)	(72)	(32)	(483)	(243)	(22)	(11)	(163)	(82)	(2)	(1)	(4)	(2)						
<b>Net Result</b>	<b>(27,715)</b>	<b>(24,769)</b>	<b>(4,338)</b>	<b>(3,355)</b>	<b>(82,854)</b>	<b>(69,444)</b>	<b>(82,992)</b>	<b>(304,702)</b>	<b>(299,842)</b>	<b>(65,888)</b>	<b>(62,042)</b>	<b>(76,547)</b>	<b>(66,704)</b>	<b>(6,545)</b>	<b>(4,716)</b>	<b>(8,513)</b>	<b>(3,996)</b>						
Other Comprehensive Income																							
Increase/(Decrease) in Revaluation Surplus	881	204	60	14	4,753	1,100	3,084	714	16,201	2,627	608	5,167	1,196	160	37	444	103						
<b>Total Other Comprehensive Income</b>	<b>881</b>	<b>204</b>	<b>60</b>	<b>14</b>	<b>4,753</b>	<b>1,100</b>	<b>3,084</b>	<b>714</b>	<b>16,201</b>	<b>2,627</b>	<b>608</b>	<b>5,167</b>	<b>1,196</b>	<b>160</b>	<b>37</b>	<b>444</b>	<b>103</b>						
<b>Total Comprehensive Income</b>	<b>(26,834)</b>	<b>(24,564)</b>	<b>(4,278)</b>	<b>(3,341)</b>	<b>(78,101)</b>	<b>(68,360)</b>	<b>(82,278)</b>	<b>(288,501)</b>	<b>(296,092)</b>	<b>(63,261)</b>	<b>(61,434)</b>	<b>(71,380)</b>	<b>(65,508)</b>	<b>(6,385)</b>	<b>(4,679)</b>	<b>(8,169)</b>	<b>(3,893)</b>						

\* The name and purpose of each service group is summarised in Note 17

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



**Illawarra Shoalhaven Local Health District**  
**Service Group Statements (Continued)**  
for the year ended 30 June 2015

	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			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>																								
<b>Current Assets</b>																								
Cash and Cash Equivalents	882	1,502		272	3,313	6,044	2,834	4,908	11,338	19,870	2,152	3,686	2,949	5,073	224	354	317	578					24,166	42,287
Receivables	17	54		107	3,362	2,372	250	534	9,420	7,996	499	362	2,979	2,693	83	27	33	68					16,643	14,213
Inventories	309	228	31	25	1,327	1,169	1,111	957	3,736	3,222	378	319	725	642	54	38	46	42					7,717	6,642
Financial Assets at Fair Value	1,881	851	210	154	4,432	3,423	3,781	2,780	15,168	11,255	2,879	2,088	3,946	2,873	299	200	424	327					32,330	23,951
Non-Current Assets Held for Sale	77		10		776		439		2,479		236		723		10		72						4,822	
<b>Total Current Assets</b>	<b>2,466</b>	<b>2,635</b>	<b>408</b>	<b>558</b>	<b>13,210</b>	<b>13,008</b>	<b>8,435</b>	<b>9,179</b>	<b>42,141</b>	<b>42,343</b>	<b>6,144</b>	<b>6,455</b>	<b>11,322</b>	<b>11,281</b>	<b>670</b>	<b>619</b>	<b>892</b>	<b>1,015</b>					<b>85,678</b>	<b>87,993</b>
<b>Non-Current Assets</b>																								
Property, Plant and Equipment																								
- Land and Buildings	8,407	6,945	1,051	1,250	84,599	65,743	47,817	41,945	270,096	233,106	25,747	18,658	78,819	65,511	1,051	833	7,882	8,982					525,459	462,973
- Plant and Equipment	554	431	69	78	5,579	5,318	3,153	2,601	17,810	14,457	1,698	1,157	5,198	4,063	69	52	520	557					34,650	28,714
- Infrastructure Systems	641	447	80	81	6,455	5,522	3,648	2,701	20,608	15,013	1,964	1,202	6,014	4,219	80	54	601	578					40,091	29,817
Intangible Assets	5	4	1	1	50	45	28	22	158	123	15	10	46	35	1		5	5					309	245
<b>Total Non-Current Assets</b>	<b>9,607</b>	<b>7,827</b>	<b>1,201</b>	<b>1,410</b>	<b>96,683</b>	<b>96,628</b>	<b>54,646</b>	<b>47,269</b>	<b>308,662</b>	<b>262,699</b>	<b>29,424</b>	<b>21,027</b>	<b>90,077</b>	<b>73,828</b>	<b>1,201</b>	<b>939</b>	<b>9,008</b>	<b>10,122</b>					<b>600,509</b>	<b>521,749</b>
<b>TOTAL ASSETS</b>	<b>12,073</b>	<b>10,462</b>	<b>1,609</b>	<b>1,968</b>	<b>109,893</b>	<b>109,636</b>	<b>63,071</b>	<b>56,448</b>	<b>350,803</b>	<b>305,042</b>	<b>35,668</b>	<b>27,482</b>	<b>101,399</b>	<b>85,109</b>	<b>1,871</b>	<b>1,558</b>	<b>9,900</b>	<b>11,137</b>					<b>686,187</b>	<b>608,842</b>
<b>LIABILITIES</b>																								
<b>Current Liabilities</b>																								
Payables	1,754	1,885	175	203	7,540	9,673	6,313	7,920	21,219	26,666	2,148	2,638	4,121	5,315	307	313	263	346					43,840	54,959
Provisions	2,348	2,210	553	525	8,771	8,748	7,528	7,023	31,011	29,553	7,459	6,990	9,600	8,905	760	669	1,036	951					68,066	65,574
Other	2	25		5	7	102	6	83	25	337	5	62	6	86		6	1	10					52	716
<b>Total Current Liabilities</b>	<b>4,104</b>	<b>4,120</b>	<b>728</b>	<b>733</b>	<b>16,318</b>	<b>18,523</b>	<b>13,847</b>	<b>15,026</b>	<b>52,255</b>	<b>56,556</b>	<b>9,612</b>	<b>9,690</b>	<b>13,727</b>	<b>14,306</b>	<b>1,067</b>	<b>988</b>	<b>1,300</b>	<b>1,307</b>					<b>112,958</b>	<b>121,249</b>
<b>Non-Current Liabilities</b>																								
Provisions	28	15	7	4	106	60	91	48	375	203	90	48	116	61	9	5	13	7					835	451
<b>Total Non-Current Liabilities</b>	<b>28</b>	<b>15</b>	<b>7</b>	<b>4</b>	<b>106</b>	<b>60</b>	<b>91</b>	<b>48</b>	<b>375</b>	<b>203</b>	<b>90</b>	<b>48</b>	<b>116</b>	<b>61</b>	<b>9</b>	<b>5</b>	<b>13</b>	<b>7</b>					<b>835</b>	<b>451</b>
<b>TOTAL LIABILITIES</b>	<b>4,132</b>	<b>4,135</b>	<b>735</b>	<b>737</b>	<b>16,424</b>	<b>18,583</b>	<b>13,938</b>	<b>15,074</b>	<b>52,630</b>	<b>56,759</b>	<b>9,702</b>	<b>9,738</b>	<b>13,843</b>	<b>14,367</b>	<b>1,076</b>	<b>993</b>	<b>1,313</b>	<b>1,314</b>					<b>113,793</b>	<b>121,700</b>
<b>NET ASSETS</b>	<b>7,941</b>	<b>6,327</b>	<b>874</b>	<b>1,231</b>	<b>93,469</b>	<b>91,053</b>	<b>49,133</b>	<b>41,374</b>	<b>298,173</b>	<b>248,283</b>	<b>25,866</b>	<b>17,744</b>	<b>87,556</b>	<b>70,742</b>	<b>795</b>	<b>565</b>	<b>8,587</b>	<b>9,823</b>					<b>572,394</b>	<b>487,142</b>

\* The name and purpose of each service group is summarised in Note 17

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**1. The Reporting Entity**

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

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

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 26), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Illawarra Shoalhaven Local Health District Special Purpose Service Entity which was established as a Division of the ISLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the ISLHD 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, and like transactions and other events are accounted for using uniform accounting policies.

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

These consolidated financial statements for the year ended 30 June 2015 have been authorised for issue by the Chief Executive on 8 September 2015.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The ISLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. 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(ac).

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

The Secretary of Health, the Chair of Illawarra Shoalhaven 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 ISLHD'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 ISLHD 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.

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Other circumstances why the going concern is appropriate include:

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

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

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

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

#### **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 16.7% are applied to the value of leave payable at 30 June 2015 (comparable on-costs for 30 June 2014 were 16.5%). The ISLHD has assessed the actuarial advice based on the ISLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

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**ii) Long Service Leave and Superannuation**

The ISLHD'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 ISLHD 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 ISLHD as shown in Note 28.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the 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 ISLHD 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 ISLHD's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

**c) Finance Costs**

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

**d) Income Recognition**

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

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*Sale of Goods*

Revenue from the sale of goods is recognised as revenue when the ISLHD 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 ISLHD 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 ISLHD 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 ISLHD's right to receive payment is established.

*Debt Forgiveness*

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

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*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 ISLHD 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 ISLHD use in the advancement of the ISLHD or individuals within it.

*Use of Outside Facilities*

The ISLHD 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 ISLHD 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 ISLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

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

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

- \* amount of GST incurred by the ISLHD 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.

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**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(z)).

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

Land and buildings which are owned by the Health Administration Corporation or the State and operated/occupied by the ISLHD are deemed to be controlled by the ISLHD 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.

**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 ISLHD. 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:

	<b>2015</b>	<b>2014</b>
Buildings	2.5%	2.5%
Electro Medical Equipment		
- Costing less than \$200,000	10.0%	10.0%
- Costing more than or equal to \$200,000	12.5%	12.5%
Computer Equipment	20.0%	20.0%
Infrastructure Systems	2.5%	2.5%
Motor Vehicle Sedans	12.5%	12.5%
Motor Vehicles, Trucks & Vans	20.0%	20.0%
Office Equipment	10.0%	10.0%
Plant and Machinery	10.0%	10.0%
Linen	25.0%	25.0%
Furniture, Fittings and Furnishings	5.0%	5.0%

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

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



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**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(n).

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 25 for further information regarding fair value.

The ISLHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the ISLHD was completed in the 2015 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 an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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.

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**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 or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

**l) Restoration Costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

**m) Assets (or disposal groups) Held for Sale**

The ISLHD 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.

**n) Investment Properties**

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

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

**o) Intangible Assets**

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

Computer software developed or acquired by the ISLHD 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.

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**p) 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.

**q) Leased Assets**

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

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**r) 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.

**s) 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.

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

\* The ISLHD 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 T Corp 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 ISLHD's key management personnel.

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The risk management strategy of the ISLHD 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 T Corp 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 ISLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

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

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

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

**u) 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.

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**v) 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 ISLHD transfers the financial asset:

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

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

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

**w) Payables**

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

**x) Borrowings**

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

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

**y) Fair Value Hierarchy**

A number of the ISLHD's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the ISLHD 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 ISLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 25 and Note 39 for further disclosures regarding fair value measurements of financial and non-financial assets.

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**z) Equity Transfers**

The transfer of net assets between entities is 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 Accounting Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

**aa) 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 ISLHD'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.

**ab) Trust Funds**

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

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

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**ac) Adjusted Budgeted Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The ISLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the ISLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between ISLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

**ad) Service Group Statements Allocation Methodology**

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 17.

Income and expenses are allocated to service groups using statistical data for the twelve months ending 30 June 2014, then adjusted for any material change in service delivery or funding distribution occurring in the 2014-15 financial year.

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.

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

**(i) Effective for the first time in 2014-15**

The accounting policies applied in 2014-15 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 2014-15 and have been applied for the first time as follows:

AASB 10 Consolidated Financial Statements, AASB 2011-7, and AASB 2013-8 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.

Following an assessment of the applicable new accounting standards mentioned above in relation to consolidation and joint arrangements, ISLHD management is of the opinion that there will be no material implications for the financial statements.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. This standard is not applicable to ISLHD as individual budgets are not presented in parliament. Refer note 2(ac) on how ISLHD derives its adjusted budgetary information.

**(ii) Issued but not yet effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards, excluding standards not considered applicable or material to NSW Health, have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:



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AASB 9, Financial Instruments, has application from 1 January 2018. The standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 15 and AASB 2014-5, Revenue from Contracts with Customers has application from 1 January 2017. We believe this standard will impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprises 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 2014-3, Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. This amending standard clarifies the treatment of expensing all acquisition-related costs, and recognition of share in a joint operation according to the contractual arrangements. This standard is applicable from 1 January 2016.

AASB 2014-4, Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation, has application from 1 January 2016. The change will take into account the expected future reductions in the selling price when accounting for useful life.

AASB 2014-7, Amendments to various Australian Accounting Standards as a result of the changes from AASB 9 (December 2014) and will have application from 1 Jan 2018. The new AASB 9 includes revised guidance on the classification and measurement of financial assets and supersedes AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-8, Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)] has application from 1 Jan 2015. This update limits the application of the existing versions of AASB 9 (December 2009) and AASB 9 (December 2010).

AASB 2014-9, Amendments to Australian Accounting Standards – It gives entities the choice of using the Equity Method for their subsidiaries in their separate financial statements [AASB 1, 127 & 128]. It has application from 1 January 2016.

AASB 2014-10, Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]. This has application from 1 January 2016.

AASB 2015-01, Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]. This has application from 1 January 2016.

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AASB 2015-02, Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049] require entities to disclose significant accounting policies and other explanatory information in a more detailed manner rather than a summary as previously done. This application takes place from 1 January 2016.

AASB 2015-03, Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality from 1 January 2016. It is expected that the withdrawal of AASB 1031 will not change practice regarding the application of materiality in financial reporting. In particular, amendments would not change the level of disclosure presently specified by other accounting standards.

AASB 2015-5, Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128], has application from 1 January 2016. This standard is unlikely to have any impact on this entity as the exceptions would be hard to satisfy.

AASB 2015-6, Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049], has application from 1 July 2016. Based on preliminary evaluation, this standard could potentially increase the level of disclosure required for not for profit entities where delegated power exists for senior officers of the entity.

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	341,635	325,550
----	----	Overtime	17,573	16,552
----	----	Penalties	32,544	31,217
----	----	Superannuation - Defined Benefit Plans	5,708	6,015
----	----	Superannuation - Defined Contribution Plans	38,874	35,305
----	----	Long Service Leave	23,761	19,209
----	----	Annual Leave	43,764	41,389
----	----	Sick Leave and Other Leave	24,337	22,666
----	----	Redundancies	459	255
----	----	Workers' Compensation Insurance	6,194	9,949
----	----	Fringe Benefits Tax	75	(101)
-----	-----		<b>534,924</b>	<b>508,006</b>
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
341,635	325,550	Salaries and Wages	----	----
17,573	16,552	Overtime	----	----
32,544	31,217	Penalties	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
38,874	35,305	Superannuation - Defined Contribution Plans	----	----
1,416	1,464	Long Service Leave	----	----
43,764	41,389	Annual Leave	----	----
24,337	22,666	Sick Leave and Other Leave	----	----
459	255	Redundancies	----	----
6,194	9,949	Workers' Compensation Insurance	----	----
75	(101)	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<b>506,871</b>	<b>484,246</b>		<b>-----</b>	<b>-----</b>
<b>5. Other Operating Expenses</b>				
478	323	Advertising	478	323
196	192	Auditor's Remuneration - Audit of Financial Statements	196	192
4,426	5,159	Blood and Blood Products	4,426	5,159
69	145	Consultancies - Capital Works	69	145
442	384	Consultancies - Other	442	384
9,064	7,707	Domestic Supplies and Services	9,064	7,707
29,837	29,833	Drug Supplies	29,837	29,833
15,480	15,740	Food Supplies	15,480	15,740
4,630	5,373	Fuel, Light and Power	4,630	5,373
6,572	4,625	Hospital Ambulance Transport Costs	6,572	4,625
9,674	9,337	Information Management Expenses	9,674	9,337
953	1,013	Insurance	953	1,013
18,056	19,967	Maintenance (See (b) below)	18,056	19,967
35,012	33,451	Medical and Surgical Supplies	35,012	33,451
1,555	1,584	Motor Vehicle Expenses	1,555	1,584
1,721	1,451	Postal and Telephone Costs	1,721	1,451
2,015	1,801	Printing and Stationery	2,015	1,801
886	885	Rates and Charges	886	885
3,990	3,723	Rental	3,990	3,723
849	751	Hosted Services Purchased from Other NSW Health Entities	849	751
40,170	40,756	Special Service Departments	40,170	40,756
2,851	3,042	Staff Related Costs	2,851	3,042
2,467	1,937	Travel Related Costs	2,467	1,937
14,956	14,269	Other (See (a) below)	14,956	14,269
-----	-----		<b>206,349</b>	<b>203,448</b>
<b>206,349</b>	<b>203,448</b>		<b>-----</b>	<b>-----</b>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>(a) Other Includes:</b>		
3,693	3,248	Contract for Patient Services	3,693	3,248
3,336	3,064	Corporate Support Services	3,336	3,064
622	540	Courier and Freight	622	540
482	401	Isolated Patient Travel and Accommodation Assistance Scheme	482	401
188	301	Legal Services	188	301
323	147	Membership/Professional Fees	323	147
1,973	2,019	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,973	2,019
1,000	995	Other Operating Lease Expense - Minimum Lease Payments	1,000	995
182	154	Quality Assurance/Accreditation	182	154
103	64	Security Services	103	64
3,054	3,336	Other Miscellaneous	3,054	3,336
<u>14,956</u>	<u>14,269</u>		<u>14,956</u>	<u>14,269</u>
		<b>(b) Reconciliation of Total Maintenance</b>		
4,678	3,724	Maintenance Contracts	4,678	3,724
7,512	9,949	New/Replacement Equipment under \$10,000	7,512	9,949
5,742	6,287	Repairs Maintenance/Non Contract	5,742	6,287
124	7	Other	124	7
18,056	19,967	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	18,056	19,967
2,558	2,777	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	2,558	2,777
<u>20,614</u>	<u>22,744</u>	Total Maintenance Expenses	<u>20,614</u>	<u>22,744</u>

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<b>PARENT</b>			<b>CONSOLIDATION</b>	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
<b>6. Depreciation and Amortisation</b>				
15,552	14,291	Depreciation - Buildings	15,552	14,291
7,139	4,701	Depreciation - Plant and Equipment	7,139	4,701
1,513	1,387	Depreciation - Infrastructure Systems	1,513	1,387
264	155	Amortisation - Intangible Assets	264	155
<hr/>				
<b><u>24,468</u></b>	<b><u>20,534</u></b>		<b><u>24,468</u></b>	<b><u>20,534</u></b>
<b>7. Grants and Subsidies</b>				
3,706	3,499	Non-Government Organisations	3,706	3,499
602	678	Community Packages	602	678
274	217	Grants to Research Organisations	274	217
125	1,204	Other Grants	125	1,204
<hr/>				
<b><u>4,707</u></b>	<b><u>5,598</u></b>		<b><u>4,707</u></b>	<b><u>5,598</u></b>
<b>8. Finance Costs</b>				
-----	4	Interest on Loans	-----	4
1	1	Other Interest Charges	1	1
<hr/>				
<b><u>1</u></b>	<b><u>5</u></b>		<b><u>1</u></b>	<b><u>5</u></b>

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>9. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
713	674	Pharmacy Sales	713	674
2,103	2,468	Sale of Prosthesis	2,103	2,468
50	49	Other	50	49
(b) Rendering of Services comprise the following:-				
		Patient Fees		
34,842	31,892	- Inpatient Fees	34,842	31,892
934	591	- Nursing Home Fees	934	591
981	378	- Non Inpatient Fees	981	378
16,594	16,293	Department of Veterans' Affairs	16,594	16,293
262	220	Staff-Meals and Accommodation	262	220
11,300	9,699	Infrastructure Fees - Monthly Facility Charge	11,300	9,699
3,904	3,555	- Annual Charge	3,904	3,555
-----	13	Cafeteria/Kiosk	-----	13
758	833	Car Parking	758	833
400	395	Child Care Fees	400	395
132	30	Commercial Activities	132	30
102	114	Fees for Medical Records	102	114
13,472	13,343	High Cost Drugs	13,472	13,343
4,003	3,455	Motor Accident Authority Third Party	4,003	3,455
65	8	Patient Transport Fees	65	8
370	339	Private Use of Motor Vehicles	370	339
2,050	1,766	Salary Packaging Fee	2,050	1,766
1,232	2,023	Services Provided to Non NSW Health Organisations	1,232	2,023
16	355	Other	16	355
<b><u>94,283</u></b>	<b><u>88,493</u></b>		<b><u>94,283</u></b>	<b><u>88,493</u></b>
<b>10. Investment Revenue</b>				
1,170	1,698	Interest	1,170	1,698
2,469	1,618	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	2,469	1,618
<b><u>3,639</u></b>	<b><u>3,316</u></b>		<b><u>3,639</u></b>	<b><u>3,316</u></b>

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>11. Grants and Contributions</b>				
712	482	Clinical Drug Trials	712	482
3,576	3,155	Commonwealth Government Grants	3,576	3,155
2,037	2,088	Commonwealth Teaching Hospital Grants	2,037	2,088
1,168	3,178	Industry Contributions/Donations	1,168	3,178
1,251	1,391	Cancer Institute Grants	1,251	1,391
834	1,252	NSW Government Grants	834	1,252
98	----	Grants from Other NSW Health Entities	98	----
25	42	Research Grants	25	42
2,549	3,882	Other Grants	2,549	3,882
<u>12,250</u>	<u>15,470</u>		<u>12,250</u>	<u>15,470</u>
 <b>12. Acceptance by the Crown Entity of Employee Benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	5,708	6,015
----	----	Long Service Leave	22,345	17,745
<u>----</u>	<u>----</u>		<u>28,053</u>	<u>23,760</u>
 <b>13. Other Revenue</b>				
Other Revenue comprises the following:-				
177	449	Commissions	177	449
49	108	Conference and Training Fees	49	108
47	127	Insurance Refunds	47	127
453	266	Lease and Rental Income	453	266
66	48	Sale of Merchandise, Old Wares and Books	66	48
9	7	Sponsorship Income	9	7
1,416	----	Treasury Managed Fund Hindsight Adjustment	1,416	----
205	981	Other	205	981
<u>2,422</u>	<u>1,986</u>		<u>2,422</u>	<u>1,986</u>



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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>14. Gain / (Loss) on Disposal</b>		
6,575	11,175	Property, Plant and Equipment	6,575	11,175
5,011	10,214	Less: Accumulated Depreciation	5,011	10,214
<b>1,564</b>	<b>961</b>	<b>Written Down Value</b>	<b>1,564</b>	<b>961</b>
267	339	Less: Proceeds from Disposal	267	339
<b><u>(1,297)</u></b>	<b><u>(622)</u></b>	<b>Total Gain/(Loss) on Disposal</b>	<b><u>(1,297)</u></b>	<b><u>(622)</u></b>
		<b>15. Other Gains / (Losses)</b>		
(858)	(432)	Impairment of Receivables	(858)	(432)
<b><u>(858)</u></b>	<b><u>(432)</u></b>		<b><u>(858)</u></b>	<b><u>(432)</u></b>

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**PARENT & CONSOLIDATION**

**16. Conditions on Contributions**

	<b>Purchase of Assets</b>	<b>Health Promotion, Education and Research</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	1,717	6,211	7,928
Contributions recognised in previous years which were not expended in the current reporting period	6,736	13,733	20,469
Total amount of unexpended contributions as at reporting date	8,453	19,944	28,397

Comment on restricted assets appears in Note 26

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**17. Service Groups of the ISLHD**

**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. 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 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.

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**Service Group 2.2 - Inpatient Hospital Services**

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

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

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

**Service Group 3.1 - Mental Health Services**

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	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>18. Cash and Cash Equivalents</b>				
23,263	41,409	Cash at Bank and On Hand	23,263	41,409
903	878	Short Term Deposits	903	878
<u>24,166</u>	<u>42,287</u>		<u>24,166</u>	<u>42,287</u>
<p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash &amp; cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
24,166	42,287	Cash and Cash Equivalents (per Statement of Financial Position)	24,166	42,287
<u>24,166</u>	<u>42,287</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>24,166</u>	<u>42,287</u>

*Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>19. Receivables</b>		
		<b>Current</b>		
6,265	7,359	Sale of Goods and Services	6,265	7,359
1,721	1,979	Intra Health Receivables	1,721	1,979
2,710	2,492	Goods and Services Tax	2,710	2,492
<u>5,020</u>	<u>1,040</u>	Other Debtors	<u>5,020</u>	<u>1,040</u>
15,716	12,870	<b>Sub Total</b>	15,716	12,870
<u>(511)</u>	<u>(813)</u>	Less Allowance for Impairment	<u>(511)</u>	<u>(813)</u>
15,205	12,057	<b>Sub Total</b>	15,205	12,057
1,438	2,156	Prepayments	1,438	2,156
<u><u>16,643</u></u>	<u><u>14,213</u></u>		<u><u>16,643</u></u>	<u><u>14,213</u></u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(803)	----	Balance at Commencement of Reporting Period	(803)	----
1,147	(803)	Amounts written off during the period	1,147	(803)
(849)	----	(Increase)/decrease in Allowance Recognised in the Net Result	(849)	----
<u>(505)</u>	<u>(803)</u>	Balance at 30 June	<u>(505)</u>	<u>(803)</u>
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(10)	(2)	Balance at Commencement of Reporting Period	(10)	(2)
13	10	Amounts written off during the period	13	10
(9)	(18)	(Increase)/decrease in Allowance Recognised in the Net Result	(9)	(18)
<u>(6)</u>	<u>(10)</u>	Balance at 30 June	<u>(6)</u>	<u>(10)</u>
<u><u>(511)</u></u>	<u><u>(813)</u></u>		<u><u>(511)</u></u>	<u><u>(813)</u></u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
688	456	Patient Fees - Compensable	688	456
1,078	1,059	Patient Fees - Ineligible	1,078	1,059
<u>4,102</u>	<u>5,208</u>	Patient Fees - Inpatient & Other	<u>4,102</u>	<u>5,208</u>
<u><u>5,868</u></u>	<u><u>6,723</u></u>		<u><u>5,868</u></u>	<u><u>6,723</u></u>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.*

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2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>20. Inventories</b>		
2,205	1,938	Drugs	2,205	1,938
4,862	4,490	Medical and Surgical Supplies	4,862	4,490
650	214	Other Including Goods in Transit	650	214
<u>7,717</u>	<u>6,642</u>		<u>7,717</u>	<u>6,642</u>
		<b>21. Financial Assets at Fair Value</b>		
		<b>Current</b>		
32,330	23,951	Treasury Corporation - Hour-Glass Investment Facilities	32,330	23,951
<u>32,330</u>	<u>23,951</u>		<u>32,330</u>	<u>23,951</u>

*Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*



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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
811,945	740,639	Gross Carrying Amount	811,945	740,639
286,486	277,666	Less: Accumulated Depreciation and Impairment	286,486	277,666
<u><b>525,459</b></u>	<u><b>462,973</b></u>	Net Carrying Amount	<u><b>525,459</b></u>	<u><b>462,973</b></u>
<b>Plant and Equipment - Fair Value*</b>				
68,019	58,021	Gross Carrying Amount	68,019	58,021
33,369	29,307	Less: Accumulated Depreciation and Impairment	33,369	29,307
<u><b>34,650</b></u>	<u><b>28,714</b></u>	Net Carrying Amount	<u><b>34,650</b></u>	<u><b>28,714</b></u>
<b>Infrastructure Systems - Fair Value</b>				
73,307	55,384	Gross Carrying Amount	73,307	55,384
33,216	25,567	Less: Accumulated Depreciation and Impairment	33,216	25,567
<u><b>40,091</b></u>	<u><b>29,817</b></u>	Net Carrying Amount	<u><b>40,091</b></u>	<u><b>29,817</b></u>
<u><b>600,200</b></u>	<u><b>521,504</b></u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u><b>600,200</b></u>	<u><b>521,504</b></u>

\* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

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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
<b>2015</b>					
Net Carrying Amount at Start of Year	52,681	410,292	28,714	29,817	521,504
Additions	----	68,256	7,883	----	76,139
Reclassifications to Intangibles	----	----	(328)	----	(328)
Recognition of Assets Held for Sale	(3,615)	(1,207)	----	----	(4,822)
Disposals	----	(910)	(654)	----	(1,564)
Transfers to NSW Health Entities through Statement of Comprehensive Income	----	----	98	----	98
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	5,299	25,729	----	2,349	33,377
Depreciation Expense	----	(15,552)	(7,139)	(1,513)	(24,204)
Reclassifications	1,030	(16,544)	6,076	9,438	----
Net Carrying Amount at End of Year	<b>55,395</b>	<b>470,064</b>	<b>34,650</b>	<b>40,091</b>	<b>600,200</b>

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
<b>2014</b>					
Net Carrying Amount at Start of Year	50,914	366,620	23,518	30,155	471,207
Additions	688	52,613	10,423	----	63,724
Disposals	----	(228)	(734)	----	(962)
Administrative Restructures - Transfers In/(Out)	----	----	188	----	188
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	1,079	5,598	----	1,049	7,726
Depreciation Expense	----	(14,291)	(4,701)	(1,387)	(20,379)
Reclassifications	----	(20)	20	----	----
Net Carrying Amount at End of Year	<b>52,681</b>	<b>410,292</b>	<b>28,714</b>	<b>29,817</b>	<b>521,504</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

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

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		<b>23. Intangible Assets</b>		
		<b>Intangibles</b>		
1,102	774	Cost (Gross Carrying Amount)	1,102	774
793	529	Less Accumulated Amortisation and Impairment	793	529
<u>309</u>	<u>245</u>	<b>Net Carrying Amount</b>	<u>309</u>	<u>245</u>
<u>309</u>	<u>245</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>309</u>	<u>245</u>

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**PARENT & CONSOLIDATION**

**23. Intangibles - Reconciliation**

	<b>Intangibles \$000</b>
<b>2015</b>	
Net Carrying Amount at Start of Year	245
Reclassifications from Plant & Equipment	328
Amortisation (Recognised in Depreciation and Amortisation)	(264)
<b>Net Carrying Amount at End of Year</b>	<b>309</b>
<b>2014</b>	
Net Carrying Amount at Start of Year	400
Amortisation (Recognised in Depreciation and Amortisation)	(155)
<b>Net Carrying Amount at End of Year</b>	<b>245</b>

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>24. Assets (or Disposal Groups) Held for Sale</b>				
		<b>Assets Held for Sale</b>		
4,822	-----	Land and Buildings	4,822	-----
<u>4,822</u>	<u>-----</u>		<u>4,822</u>	<u>-----</u>

The non-current assets held for sale constitute assets that are surplus to requirements and are 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.

One property no longer required and the majority of Kiama Hospital site are listed for disposal. Approval from NSW Government bodies has been received. Proceeds from these sales will be invested in health facilities, in particular the building of a community health centre on the remainder of the Kiama site. Inpatient services historically provided at Kiama will be transferred to Port Kembla and Shellharbour hospitals.

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**PARENT & CONSOLIDATION**

**25. Fair Value Measurement of Non-Financial Assets**

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June

**a) Fair Value Hierarchy**

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	71,308	343,742	415,050
- Infrastructure Systems	----	----	40,091	40,091
Assets (or Disposal Groups) Held for Sale (Note 24)	----	4,822	----	4,822
	-----	-----	-----	-----
	-----	<u>76,130</u>	<u>383,833</u>	<u>459,963</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	177,017	285,956	462,973
- Infrastructure Systems	----	----	29,817	29,817
Assets (or Disposal Groups) Held for Sale (Note 24)	----	----	----	----
	-----	-----	-----	-----
	-----	<u>177,017</u>	<u>315,773</u>	<u>492,790</u>

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

Work in Progress is carried at cost, therefore excluded from figures above and as a result will not agree to to Note 22.

**b) Valuation Techniques, inputs and Processes**

For land, buildings and infrastructure systems the ISLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Savills Valuations Pty Ltd for the 2014/15 financial year. Savills Valuations Pty Ltd is a independent entity and is not an associated entity of the ISLHD.

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.

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

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

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

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

Newly completed buildings are 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 an 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 significant valuation inputs and relationship to fair value:

The valuation of buildings was computed by suitably qualified independent valuers using a methodology known as the depreciated replacement cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process, the relationship to the estimated fair value and the sensitivity to changes in unobservable inputs.

Assets	Valuation Technique	Significant Unobservable Inputs	Relationship between unobservable inputs and fair value measurement
Land	Market approach: this valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for restrictions specific for the property (e.g. mandated use and/or zoning)	<ul style="list-style-type: none"> <li>• Rate per square metre</li> <li>• Discount rate</li> <li>• Provision for remediation</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Rate per square metre increases/(decreases)</li> <li>• Discount rate decreases/(increases)</li> <li>• Provision for remediation decreases/(increases)</li> </ul>
Specialised Buildings	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> <li>• Useful life assessment</li> <li>• Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Useful life assessment increases/(decreases)</li> <li>• Replacement cost per square metre increases/(decreases)</li> </ul>
Non-Specialised Buildings	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent asset for each type of buildings on a rate per square metre basis; depreciated to reflect the building's remaining useful life.	<ul style="list-style-type: none"> <li>• Useful life assessment</li> <li>• Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Useful life assessment increases/(decreases)</li> <li>• Replacement cost per square metre increases/(decreases)</li> </ul>
Infrastructure Systems	Depreciated replacement cost approach: this valuation method involves establishing the current replacement cost of the modern equivalent infrastructure asset on a rate per square metre basis; depreciated to reflect the assets remaining useful life.	<ul style="list-style-type: none"> <li>• Useful life assessment</li> <li>• Replacement cost per square metre</li> </ul>	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> <li>• Useful life assessment increases/(decreases)</li> <li>• Replacement cost per square metre increases/(decreases)</li> </ul>

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

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**PARENT & CONSOLIDATION**

**25. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

<b>2015</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2014	285,956	29,817	315,773
Additions	68,256	----	68,256
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	31,028	2,349	33,377
Transfers from Level 2	9,629	----	9,629
Transfers to Level 2	(30,049)	----	(30,049)
Disposals	(910)	----	(910)
Depreciation	(15,552)	(1,513)	(17,065)
Recassifications and assets held for sale	(4,616)	9,438	4,822
Fair value as at 30 June 2015	<u>343,742</u>	<u>40,091</u>	<u>383,833</u>
<b>2014</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2013	280,332	30,155	310,487
Additions	53,301	----	53,301
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	5,558	1,049	6,607
Transfers from Level 2	6,647	----	6,647
Transfers to Level 2	(45,393)	----	(45,393)
Disposals	(228)	----	(228)
Depreciation	(14,241)	(1,387)	(15,628)
Recassifications and assets held for sale	(20)	----	(20)
Fair value as at 30 June 2014	<u>285,956</u>	<u>29,817</u>	<u>315,773</u>



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**PARENT**

**CONSOLIDATION**

**2015  
\$000**

**2014  
\$000**

**2015  
\$000**

**2014  
\$000**

**26. Restricted Assets**

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

**Category**

6,291	6,850	Specific Purposes	6,291	6,850
9,191	7,300	Research Grants	9,191	7,300
12,915	10,752	Private Practice Funds	12,915	10,752
<u>28,397</u>	<u>24,902</u>		<u>28,397</u>	<u>24,902</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		<b>27. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	10,458	8,647
----	----	Taxation and Payroll Deductions	758	4,642
11,216	13,289	Accrued Liability - Purchase of Personnel Services	----	----
15,232	17,815	Creditors	15,232	17,815
7,188	7,716	- Intra Health Liability	7,188	7,716
10,204	16,139	- Other	10,204	16,139
<b>43,840</b>	<b>54,959</b>		<b>43,840</b>	<b>54,959</b>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 39.*

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>28. Provisions</b>				
<b>Current</b>				
----	----	Annual Leave - Short Term Benefit	45,466	40,926
----	----	Annual Leave - Long Term Benefit	14,002	16,082
----	----	Long Service Leave Consequential On-Costs	9,598	8,566
69,066	65,574	Provision for Personnel Services Liability	----	----
<u>69,066</u>	<u>65,574</u>	<b>Total Current Provisions</b>	<u>69,066</u>	<u>65,574</u>
<b>Non-Current</b>				
----	----	Long Service Leave Consequential On-Costs	835	451
835	451	Provision for Personnel Services Liability	----	----
<u>835</u>	<u>451</u>	<b>Total Non-Current Provisions</b>	<u>835</u>	<u>451</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
----	----	Provisions - Current	69,066	65,574
----	----	Provisions - Non-Current	835	451
----	----	Accrued Salaries, Wages and On-Costs (Note 27)	11,216	13,289
81,117	79,314	Liability - Purchase of Personnel Services	----	----
<u>81,117</u>	<u>79,314</u>		<u>81,117</u>	<u>79,314</u>
<b>29. Other Liabilities</b>				
<b>Current</b>				
52	716	Income in Advance	52	716
<u>52</u>	<u>716</u>		<u>52</u>	<u>716</u>

Illawarra Shoalhaven Local Health District  
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000	30. Commitments for Expenditure	2015 \$000	2014 \$000
		<b>(a) Capital Commitments</b>		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems and intangible assets, contracted for at balance date and not provided for:		
3,856	49,487	Not later than one year	3,856	49,487
5	5,680	Later than one year and not later than five years	5	5,680
-----	-----	Later than five years	-----	-----
<u>3,861</u>	<u>55,167</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>3,861</u>	<u>55,167</u>
		<b>(b) Operating Lease Commitments</b>		
		Future non-cancellable operating lease rentals not provided for and payable:		
3,576	6,403	Not later than one year	3,576	6,403
4,226	2,671	Later than one year and not later than five years	4,226	2,671
373	192	Later than five years	373	192
-----	-----		-----	-----
<u>8,175</u>	<u>9,266</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>8,175</u>	<u>9,266</u>
		The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		<b>(c) Contingent Asset Related to Commitments for Expenditure</b>		
		The total of 'Commitments for Expenditure' above, i.e. \$13.009 million as at 30 June 2015 includes input tax credits of \$1.301m that are expected to be recoverable from the Australian Taxation Office (2014 \$6.443m).		

Illawarra Shoalhaven Local Health District  
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**PARENT AND CONSOLIDATION**

**31. Trust Funds**

The ISLHD holds trust funds of \$138 thousand which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These funds are excluded from the financial statements as the ISLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Refundable Deposits		Private Practice Trust Funds		Total	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Balance at the beginning of the financial year	133	119	-----	-----	133	119
Administrative Restructures - Transfers In/(Out)	-----	-----	-----	-----	-----	-----
Income	5	4	16,420	14,190	16,425	14,194
Expenses	-----	10	(16,420)	(14,190)	(16,420)	(14,180)
Balance at the end of the financial year	138	133	-----	-----	138	133

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**PARENT AND CONSOLIDATED**

**32. Contingent Liabilities and Assets**

**a) Workers Compensation Hindsight Adjustment**

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2009/10 fund year and an interim adjustment for the 2011/12 fund year were not calculated until 2014/15.

As a result, the 2010/11 final and 2012/13 adjustments pertaining to the hospitals and community services now forming part of the ISLHD will be paid in 2015/16. It is not possible for the ISLHD to reliably quantify the benefit to be received or amount payable.

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
<b>33. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
66,079	80,274	Net Cash Flows from Operating Activities	66,079	80,274
(24,468)	(20,534)	Depreciation	(24,468)	(20,534)
(858)	(432)	Allowance for Impairment	(858)	(432)
664	880	(Increase)/ Decrease Income in Advance	664	880
(3,877)	(4,564)	(Increase)/ Decrease in Provisions	(3,877)	(4,564)
4,372	(984)	Increase / (Decrease) in Prepayments and Other Assets	4,372	(984)
11,110	(10,958)	(Increase)/ Decrease in Payables from Operating Activities	11,110	(10,958)
(1,297)	(622)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(1,297)	(622)
150	209	Assets donated or brought to account for the first time	150	209
<hr style="border-top: 1px dashed black;"/>				
<b>51,875</b>	<b>43,269</b>	<b>Net Result</b>	<b>51,875</b>	<b>43,269</b>
<hr style="border-top: 1px dashed black;"/>				
<b>34. Non-Cash Financing and Investing Activities</b>				
150	209	Assets Received by Donation	150	209
<hr style="border-top: 1px dashed black;"/>				
<b>150</b>	<b>209</b>		<b>150</b>	<b>209</b>
<hr style="border-top: 1px dashed black;"/>				
<b>35. 2014/15 Voluntary Services</b>				
It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the ISLHD. Services provided include:				
<ul style="list-style-type: none"> <li>- Chaplaincies and Pastoral Care</li> <li>- Pink Ladies/Hospital Auxiliaries</li> <li>- Patient Support Groups</li> <li>- Community Organisations</li> <li>- Patient &amp; Family Support</li> <li>- Patient Services, Fund Raising</li> <li>- Practical Support to Patients and Relatives</li> <li>- Counselling, Health Education, Transport, Home Help &amp; Patient Activities</li> </ul>				
<b>36. Unclaimed Monies</b>				
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 ISLHD 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 ISLHD.				
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.				

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**PARENT AND CONSOLIDATION**

**37. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was higher than adjusted budget by \$2 million, primarily due to:

Expenses were lower than budget, where savings have been made in Other Working expenses as a result of productivity and efficiency initiatives. Depreciation expense was also favourable by \$1.048m.

Own sources revenue raised through Patient Fees and User Charges was \$5.8m more than 2013-14. The District also received a positive Workers Compensation Hindsight return of \$1.4m. Strong expenditure controls and improved sources of revenue enabled the District to be favourable to budget.

**Assets and Liabilities**

Cash and Cash Equivalents decreased as a result of increase in locally funded initiatives to improve ageing infrastructure and improved service delivery. Property, Plant and Equipment increased in the year by \$78.8m. Part of this increase (\$33.4m) was due to formal revaluation of assets.

**Cash Flows**

Closing Cash and equivalents has decreased as a result of investment in infrastructure and Plant and Equipment improvements.

ISLHD received the Initial Recurrent Allocation on 17 June 2014. During the 2014-15 financial year, the Ministry of Health processed the following adjustments to the District's budget:

	<b>\$000</b>
Initial Allocation, 17 June 2014	625,870
Award Increases	10,843
 <b>Special Projects</b>	
National Partnership Agreement on Treating more Public Dental Patients	2,164
Nurse and Midwifery Strategy (Supplementation)	1,058
Establish the Illawarra New Street Service	680
National Partnership Agreement on Homelessness	205
National Perinatal Depression Initiative	144
Indigenous Teenage Sexual and Reproductive Health and Parent Support	139
Rural Doctors - Obstetric and Anaesthetic Incentive	105
NSW Rural Generalist Training Program	130
 <b>Other</b>	
PAYG Tax Budget Adjustment 2014-15	4,000
Superannuation Defined Benefit Scheme 2014/15 Adjustment	458
IPTASS (supplementation)	400
Voluntary Redundancy (supplementation)	450
NSW Organ & Tissue Donation Service	216
PGY1 and 2 Positions	194
Whole of Hospital (supplementation)	180
Treasury Managed Fund Adjustment	(178)
Electronic Patient Journey Boards	136
Nursing Enhancements	110
Hospital Skills Program - Education Support	100
Small Projects under \$100,000 each	602
 Adjusted Budget as per Statement of Comprehensive Income	 <u><u>648,006</u></u>



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

Equity transfers effected in the 2013/14 year were:

An increase in net assets of \$0.188m relating to the dissolution of the Health Reform Transition Organisation where it has now been determined that some assets were in fact the responsibility of this District rather than of the South Eastern Sydney Local Health District.

Equity transfers effected in the 2014/15 year were:

Nil equity transfers were effected in 2014/15.

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Equity transfers effected comprised:		
South Eastern Sydney Local Health District	-----	188
	-----	<b>188</b>
Assets and Liabilities transferred are as follows:		
	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Property Plant and Equipment	-----	188
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	-----	<b>188</b>

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### 39. Financial Instruments

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

The ISLHD's main risks arising from financial instruments are outlined below, together with the ISLHD'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 ISLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a regular basis.

#### (a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2015 \$000	Carrying Amount 2014 \$000
Class:	Category		
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 18)	N/A	24,166	42,287
Receivables (note 19)*	Loans and receivables (at amortised cost)	12,495	9,565
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	32,330	23,951
Available-for-Sale Financial Assets	At fair value	-----	-----
Total Financial Assets		<u>68,991</u>	<u>75,803</u>
<b>Financial Liabilities</b>			
Payables (note 27)**	measured at amortised cost	43,082	50,317
Total Financial Liabilities		<u>43,082</u>	<u>50,317</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)

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**(b) Credit Risk**

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

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

**Cash**

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.19% in 2014/15 compared to 3.35% 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 ISLHD will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The ISLHD 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 (2015:\$7.171M; 2014: \$8.445M) and not more than 3 months past due (2015: \$0.615M; 2014:\$1.159M) are not considered impaired. Together these represent 91.81% 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 ISLHD'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.

<b>2015</b>	<b>Total</b> <sup>1,2</sup>	<b>Past due but not impaired</b> <sup>1,2</sup>	<b>Considered impaired</b> <sup>1,2</sup>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<3 months overdue	753	615	138
3 months - 6 months overdue	230	94	136
> 6 months overdue	327	90	237
<b>2014</b>			
<3 months overdue	1,211	1,159	52
3 months - 6 months overdue	323	210	113
> 6 months overdue	1,015	367	648

**Notes**

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

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### Authority Deposits

The ISLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits over the year had a weighted average interest rate was 6.94% (2014: 6.67%) on a weighted average balance during the year of \$31.679m (2014: \$19.659m). None of these assets are past due or impaired.

### (c) Liquidity Risk

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

The ISLHD 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 ISLHD 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 ISLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

For other suppliers, where settlement cannot be effected in accordance with the above, 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 ISLHD'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 <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2015</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		10,458	-----	-----	10,458	10,458	-----	-----
- Creditors		32,624	-----	-----	32,624	32,624	-----	-----
		43,082	-----	-----	43,082	43,082	-----	-----
<b>2014</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		8,647	-----	-----	8,647	8,647	-----	-----
- Creditors		41,670	-----	-----	41,670	41,670	-----	-----
		50,317	-----	-----	50,317	50,317	-----	-----

Notes:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the ISLHD 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 ISLHD's exposures to market risk are primarily through interest rate risk on the ISLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The ISLHD 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 ISLHD 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 2014. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The ISLHD 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.

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

	Carrying Amount \$000	-1% Net Result	Equity	Profit	+1% Equity
<b>2015</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	24,166	(242)	(242)	242	242
Receivables	12,495	----	----	----	----
Financial Assets at Fair Value	32,330	(323)	(323)	323	323
Other Financial Assets	----	----	----	----	----
<b>Financial Liabilities</b>					
Payables	43,082	----	----	----	----
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	42,287	(423)	(423)	423	423
Receivables	9,565	----	----	----	----
Financial Assets at Fair Value	23,951	(240)	(240)	240	240
Other Financial Assets	----	----	----	----	----
<b>Financial Liabilities</b>					
Payables	50,317	----	----	----	----

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*Other price risk - TCorp Hour-Glass Investment 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 ISLHD has no direct equity investments. The ISLHD holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2015 \$000	2014 \$000
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	2,312	2,248
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	22,317	14,869
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	7,701	6,834

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 ISLHD's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

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

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

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	Change in unit price	Impact on profit/loss	
		2015 \$000	2014 \$000
Hour-Glass Investment - Strategic cash facility	+/- 1%	23	22
Hour-Glass Investment - Medium-term growth facility	+/- 6%	1,339	892
Hour-Glass Investment - Long-term growth facility	+/- 15%	1,155	1,025

**(e) Fair Value Measurement**

**(i) Fair value compared to carrying amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value.

**(ii) Fair Value recognised in the Statement of Financial Position**

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility		33,232		33,232

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

There were no transfers between level 1 and 2 during the period ended 30 June 2015.

As discussed, the value of the Hour-Glass Investments is based on the ISLHD's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

**40. Events after the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**