



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of South Eastern Sydney 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(ad). 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.



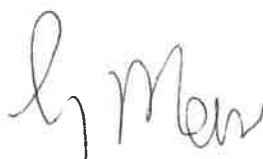
Chris Clayton
Director, Financial Audit Services

15 September 2015
SYDNEY

**South Eastern Sydney 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 South Eastern Sydney 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 South Eastern Sydney Local Health District; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Gerry Marr
Chief Executive
14th September 2015



Karen Foldi
Director of Finance
14th September 2015

South Eastern Sydney 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	2015	2014		2015	2015	2014	
\$000	\$000	\$000		\$000	\$000	\$000	
							Expenses excluding losses
							Operating Expenses
-----	-----	-----					Employee Related
974,627	970,436	945,903	3	1,029,765	1,025,450	989,026	Personnel Services
46,413	36,635	41,631	4	-----	-----	-----	Visiting Medical Officers
407,843	392,434	390,264		46,413	36,635	41,631	Other Operating Expenses
56,010	55,575	51,173	5	407,843	392,434	390,264	Depreciation and Amortisation
17,464	20,012	23,327	2(i), 6	56,010	55,575	51,173	Grants and Subsidies
4	69	21	7	17,464	20,012	23,327	Finance Costs
34,208	34,138	36,000	8	4	69	21	Payments to Affiliated Health Organisations
1,536,569	1,509,299	1,488,319	9	34,208	34,138	36,000	Total Expenses excluding losses
				1,591,707	1,564,313	1,531,442	
							Revenue
1,203,214	1,164,237	1,142,032	2(d)	1,203,214	1,164,237	1,142,032	NSW Ministry of Health Recurrent Allocations
45,693	45,594	56,647	2(d)	45,693	45,594	56,647	NSW Ministry of Health Capital Allocations
-----	-----	-----	2(a)(ii), 13	55,138	55,014	43,123	Acceptance by the Crown Entity of Employee Benefits
251,119	244,211	227,473	10	251,119	244,211	227,473	Sale of Goods and Services
2,565	4,973	2,923	11	2,565	4,973	2,923	Investment Revenue
38,269	27,553	33,638	12	38,269	27,553	33,638	Grants and Contributions
15,852	22,576	13,696	14	15,852	22,576	13,696	Other Revenue
1,556,712	1,509,144	1,476,409		1,611,850	1,564,158	1,519,532	Total Revenue
(6,178)	(5,779)	153	15	(6,178)	(5,779)	153	Gain / (Loss) on Disposal
(4,269)	(4,658)	(5,189)	16	(4,269)	(4,658)	(5,189)	Other Gains / (Losses)
9,696	(10,592)	(16,946)	34	9,696	(10,592)	(16,946)	Net Result
							Other Comprehensive Income
							Items that will not be reclassified to net result
							Net Increase/(Decrease) in Property, Plant &
89,682	-----	16,958	22, 24	89,682	-----	16,958	Equipment Revaluation Surplus
89,682	-----	16,958		89,682	-----	16,958	Total Other Comprehensive Income
99,378	(10,592)	12		99,378	(10,592)	12	TOTAL COMPREHENSIVE INCOME

The accompanying notes form part of these financial statements.

**South Eastern Sydney Local Health District
Statement of Financial Position as at 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
ASSETS						
Current Assets						
97,554	84,554	96,360		97,554	84,554	96,360
53,608	51,110	55,899	19	53,608	51,110	55,899
16,157	14,727	14,706	20	16,157	14,727	14,706
<u>167,319</u>	<u>150,391</u>	<u>166,965</u>	21	<u>167,319</u>	<u>150,391</u>	<u>166,965</u>
-----	332	332		-----	332	332
<u>167,319</u>	<u>150,723</u>	<u>167,297</u>	25	<u>167,319</u>	<u>150,723</u>	<u>167,297</u>
Non-Current Assets						
Property, Plant & Equipment						
977,808	888,245	883,771		977,808	888,245	883,771
72,389	68,557	69,648	22	72,389	68,557	69,648
71,036	76,645	80,847	22	71,036	76,645	80,847
<u>1,121,233</u>	<u>1,033,447</u>	<u>1,034,266</u>		<u>1,121,233</u>	<u>1,033,447</u>	<u>1,034,266</u>
181	61	133	22	181	61	133
36,514	35,366	33,446	22	36,514	35,366	33,446
<u>1,157,928</u>	<u>1,068,874</u>	<u>1,067,845</u>		<u>1,157,928</u>	<u>1,068,874</u>	<u>1,067,845</u>
<u>1,325,247</u>	<u>1,219,597</u>	<u>1,235,142</u>		<u>1,325,247</u>	<u>1,219,597</u>	<u>1,235,142</u>
LIABILITIES						
Current Liabilities						
102,042	107,614	119,800		102,042	107,614	119,800
168,383	167,190	161,004	28	168,383	167,190	161,004
3,462	2,141	1,900	29	3,462	2,141	1,900
<u>273,887</u>	<u>276,945</u>	<u>282,704</u>	30	<u>273,887</u>	<u>276,945</u>	<u>282,704</u>
Non-Current Liabilities						
1,732	1,732	925		1,732	1,732	925
9,346	10,609	10,609	29	9,346	10,609	10,609
<u>11,078</u>	<u>12,341</u>	<u>11,534</u>		<u>11,078</u>	<u>12,341</u>	<u>11,534</u>
<u>284,965</u>	<u>289,286</u>	<u>294,238</u>		<u>284,965</u>	<u>289,286</u>	<u>294,238</u>
<u>1,040,282</u>	<u>930,311</u>	<u>940,904</u>		<u>1,040,282</u>	<u>930,311</u>	<u>940,904</u>
EQUITY						
138,166	49,572	49,573		138,166	49,572	49,573
902,116	880,739	891,331		902,116	880,739	891,331
<u>1,040,282</u>	<u>930,311</u>	<u>940,904</u>		<u>1,040,282</u>	<u>930,311</u>	<u>940,904</u>

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2015

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2014		891,331	49,573	940,904
Total Equity at 1 July 2014		891,331	49,573	940,904
Net Result for the year		9,696		9,696
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	89,682	89,682
Transfers on Disposal		1,089	(1,089)	-----
Total Other Comprehensive Income		1,089	88,593	89,682
Total Comprehensive Income for the year		10,785	88,593	99,378
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	39	-----	-----	-----
Balance at 30 June 2015		902,116	138,166	1,040,282
Balance at 1 July 2013		908,483	32,615	941,098
Total Equity at 1 July 2013		908,483	32,615	941,098
Net Result for the year		(16,946)		(16,946)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	16,958	16,958
Total Other Comprehensive Income		-----	16,958	16,958
Total Comprehensive Income for the year		(16,946)	16,958	12
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	39	(206)	-----	(206)
Balance at 30 June 2014		891,331	49,573	940,904

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 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
			CASH FLOWS FROM OPERATING ACTIVITIES			
			Payments			
----	----	----				
(59,681)	(62,160)	(67,345)		(988,673)	(984,129)	(952,374)
----	(52)	(5)		(59,681)	(62,160)	(67,345)
(1,512,060)	(1,485,314)	(1,419,108)		----	(52)	(5)
(1,571,741)	(1,547,526)	(1,486,458)		(523,387)	(501,185)	(466,734)
				<u>(1,571,741)</u>	<u>(1,547,526)</u>	<u>(1,486,458)</u>
			Receipts			
1,203,214	1,164,237	1,142,031		1,203,214	1,164,237	1,142,031
45,693	45,594	56,647		45,693	45,594	56,647
15,288	15,288	15,201		15,288	15,288	15,201
277,304	282,523	259,594		277,304	282,523	259,594
2,565	2,448	2,501		2,565	2,448	2,501
60,329	49,687	54,801		60,329	49,687	54,801
26,469	34,087	26,936		26,469	34,087	26,936
<u>1,630,862</u>	<u>1,593,864</u>	<u>1,557,711</u>		<u>1,630,862</u>	<u>1,593,864</u>	<u>1,557,711</u>
			NET CASH FLOWS FROM OPERATING ACTIVITIES			
<u>59,121</u>	<u>46,338</u>	<u>71,253</u>	34	<u>59,121</u>	<u>46,338</u>	<u>71,253</u>
			CASH FLOWS FROM INVESTING ACTIVITIES			
1,322	279	689		1,322	279	689
(59,245)	(58,408)	(68,625)		(59,245)	(58,408)	(68,625)
<u>(57,923)</u>	<u>(58,129)</u>	<u>(67,936)</u>		<u>(57,923)</u>	<u>(58,129)</u>	<u>(67,936)</u>
			CASH FLOWS FROM FINANCING ACTIVITIES			
(4)	(15)	(441)		(4)	(15)	(441)
<u>(4)</u>	<u>(15)</u>	<u>(441)</u>		<u>(4)</u>	<u>(15)</u>	<u>(441)</u>
			NET INCREASE / (DECREASE) IN CASH			
1,194	(11,806)	2,876		1,194	(11,806)	2,876
96,360	96,360	93,484		96,360	96,360	93,484
<u>97,554</u>	<u>84,554</u>	<u>96,360</u>	19	<u>97,554</u>	<u>84,554</u>	<u>96,360</u>
			CLOSING CASH AND CASH EQUIVALENTS			

The accompanying notes form part of these financial statements.

**South Eastern Sydney 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
Expenses Excluding Losses																						
Operating Expenses																						
Employee Related	29,789	33,132	2,805	5,539	158,100	145,090	90,932	101,474	483,823	500,645	73,781	85,422	120,900	78,430	22,096	22,352	35,898	28,583	1,029,765	989,026		
Visiting Medical Officers	26	225	5	6,066	6,512	6,066	2,344	2,127	32,773	30,037	1,748	1,748	962	488	1,130	795	913	412	46,413	41,631		
Other Operating Expenses	8,367	9,561	475	1,210	98,218	94,132	28,974	30,909	203,566	201,337	14,665	13,230	33,994	22,050	8,710	8,703	10,874	9,132	407,843	390,264		
Depreciation and Amortisation	1,459	1,438	58	118	11,778	15,403	3,830	2,825	27,970	18,918	7,876	1,637	6,621	2,681	764	686	1,893	1,228	56,010	51,178		
Grants and Subsidies	3,768	6,450	19	888	5,722	8,888	107	1	42	547	2,867	1,958	13	61	1,946	3,604	4,015	784	17,464	23,327		
Finance Costs	
Payments to Affiliated Health Organisations	2,941	34,208	4,849	
Total Expenses Excluding Losses	43,409	53,747	3,343	6,886	314,539	274,435	126,080	137,443	748,177	751,531	99,266	105,430	162,490	131,689	34,646	36,140	53,593	40,305	1,591,707	1,531,442		
Revenue																						
NSW Ministry of Health Recurrent Allocations **																						
NSW Ministry of Health Capital Allocations **																						
Acceptance by the Crown Entity																						
of Employee Benefits and Other Liabilities	1,486	1,264	169	176	8,385	6,287	5,009	4,295	26,663	21,771	4,887	3,448	4,466	3,732	1,574	1,018	2,499	1,132	55,138	43,123		
Sale of Goods and Services	1,166	154	48	43	72,293	75,693	11,057	1,223	122,943	116,111	5,527	3,391	27,368	30,697	4,260	56	6,457	105	251,119	227,473		
Investment Revenue	18	10	1	2	640	910	50	44	490	1,480	15	62	71	399	170	7	1,110	9	2,565	2,923		
Grants and Contributions	3,185	869	750	3	5,548	3,718	667	85	3,070	3,105	137	121	6,791	11,487	7,300	9,121	10,821	5,129	38,269	33,638		
Other Revenue	(192)	74	97	21	3,503	4,071	217	356	4,540	6,905	358	905	708	1,812	5,839	38	235	.....	15,852	13,696	
Total Revenue	5,663	2,371	1,065	245	90,369	90,679	17,000	6,003	157,706	149,372	11,471	7,380	39,404	48,127	19,143	10,240	21,122	6,436	1,611,830	1,519,532		
Gain / (Loss) on Disposal	(161)	4	(6)	.....	(1,299)	46	(422)	8	(3,086)	57	(181)	24	(730)	8	(84)	2	(209)	4	(6,178)	153	
Other Gains / (Losses)	(20)	(4)	(1)	.....	(1,229)	(1,727)	(188)	(28)	(2,090)	(2,649)	(94)	(77)	(465)	(700)	(72)	(1)	(110)	(2)	(4,269)	(5,189)	
Net Result	(37,927)	(51,376)	(2,285)	(6,642)	(226,696)	(185,437)	(109,690)	(131,460)	(595,647)	(604,751)	(94,234)	(91,939)	(124,281)	(84,254)	(15,659)	(25,899)	(32,790)	(33,867)	1,198,679	9,696	(16,946)	
Other Comprehensive Income																						
(Increase/Decrease) in Revaluation Surplus	2,336	477	92	39	18,859	5,104	6,133	936	44,785	6,271	2,622	2,610	10,602	889	1,223	227	3,030	405	89,682	16,958		
Total Other Comprehensive Income	2,336	477	92	39	18,859	5,104	6,133	936	44,785	6,271	2,622	2,610	10,602	889	1,223	227	3,030	405	89,682	16,958		
Total Comprehensive Income	(35,591)	(50,899)	(2,193)	(6,603)	(207,839)	(180,333)	(103,557)	(130,524)	(550,862)	(598,480)	(89,329)	(91,612)	(113,679)	(83,365)	(14,436)	(25,672)	(29,760)	(33,462)	1,198,679	99,378	(12)	

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

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

**South Eastern Sydney Local Health District
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	2014	
ASSETS																									
Current Assets																									
Cash and Cash Equivalents	2,660	3,382	205	433	19,278	17,268	7,727	8,648	45,855	47,287	6,246	9,959	8,286	2,123	2,274	3,285	2,536	3,285	2,536	97,554	96,360	97,554	96,360		
Receivables	249	38	10	11	15,433	18,601	2,360	300	26,247	28,533	833	5,842	7,543	909	14	1,378	26	1,378	26	53,608	55,899	53,608	55,899		
Inventories	331	360	19	46	3,891	3,547	1,148	1,165	8,064	7,586	581	1,347	831	345	328	431	344	431	344	16,157	14,706	16,157	14,706		
Non-Current Assets Held for Sale	9	9	1	100	100	100	18	18	124	124	51	17	17	8	4	4	8	4	8	332	332	332	332		
Total Current Assets	3,240	3,789	234	491	38,602	39,516	11,235	10,131	80,166	83,530	8,223	17,148	16,677	3,377	2,620	5,094	2,914	5,094	2,914	167,319	167,297	167,319	167,297		
Non-Current Assets																									
Property, Plant and Equipment																									
- Land and Buildings	25,471	24,834	1,007	2,033	205,619	266,015	66,865	48,784	488,296	326,729	136,012	115,590	46,310	13,337	11,843	33,040	21,211	33,040	21,211	977,808	883,771	977,808	883,771		
- Plant and Equipment	1,886	1,957	75	160	15,222	20,964	4,950	3,845	36,150	25,748	10,719	8,557	3,650	987	933	2,446	1,672	2,446	1,672	72,389	69,648	72,389	69,648		
- Infrastructure Systems	1,850	2,272	73	186	14,938	24,335	4,858	4,463	35,474	29,890	12,442	8,397	4,236	969	1,083	2,400	1,940	2,400	1,940	71,036	80,847	71,036	80,847		
Intangible Assets	5	4	4	-----	38	40	12	7	92	50	20	5	7	2	2	6	3	6	3	181	181	181	181		
Other	996	1,174	77	150	7,216	5,994	2,892	3,002	17,162	16,413	2,419	3,728	2,876	795	789	1,229	880	1,229	880	36,514	33,446	36,514	33,446		
Total Non-Current Assets	30,208	30,241	1,232	2,529	243,033	317,348	79,577	60,101	577,174	398,830	161,361	136,293	57,079	16,090	14,650	39,121	25,706	39,121	25,706	1,157,928	1,067,845	1,157,928	1,067,845		
TOTAL ASSETS	33,448	34,030	1,466	3,020	281,635	356,864	90,812	70,232	657,340	482,360	43,423	168,990	73,756	19,467	17,270	44,215	28,620	44,215	28,620	1,325,247	1,235,142	1,325,247	1,235,142		
LIABILITIES																									
Current Liabilities																									
Payables	2,094	2,935	119	371	24,574	28,896	7,249	9,488	50,932	61,805	4,061	8,505	6,769	2,179	2,672	2,721	2,803	2,721	2,803	102,042	119,800	102,042	119,800		
Provisions	4,871	5,394	459	902	25,852	23,619	14,869	16,519	79,112	81,499	13,968	19,769	12,768	3,613	3,639	5,870	4,653	5,870	4,653	168,383	161,004	168,383	161,004		
Other	94	67	7	9	684	340	274	171	1,629	932	229	353	163	75	45	117	50	117	50	3,462	1,900	3,462	1,900		
Total Current Liabilities	7,059	8,396	585	1,282	51,110	52,855	22,392	26,178	131,673	144,236	17,866	28,627	19,700	5,867	6,356	8,708	7,506	8,708	7,506	273,887	282,704	273,887	282,704		
Non-Current Liabilities																									
Provisions	50	31	5	5	266	136	153	95	814	468	144	203	73	37	21	60	27	60	27	1,732	925	1,732	925		
Other	255	372	20	48	1,847	1,901	740	952	4,303	5,207	688	954	912	203	250	315	279	315	279	9,346	10,609	9,346	10,609		
Total Non-Current Liabilities	305	403	25	53	2,113	2,037	893	1,047	5,207	5,675	763	1,157	985	240	271	375	306	375	306	11,078	11,534	11,078	11,534		
TOTAL LIABILITIES	7,364	8,799	610	1,335	53,223	54,892	23,285	27,225	136,880	149,911	18,629	29,784	20,685	6,107	6,627	9,083	7,812	9,083	7,812	284,965	294,238	284,965	294,238		
NET ASSETS	26,084	25,231	856	1,685	228,412	301,972	67,527	43,007	520,460	332,449	152,038	142,657	53,071	13,360	10,643	35,132	20,808	35,132	20,808	1,040,282	940,904	1,040,282	940,904		

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

1. The Reporting Entity

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

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

- * The Parent Entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 17 and 27), which while containing assets which are restricted for specified uses by the grantor or the donor are nevertheless controlled by the parent entity;
- * The South Eastern Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SESLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD to exercise its functions.

As a consequence, the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the Parent and Special Purpose Service Entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, 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 SESLHD 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 14th September 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

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

Property, plant and equipment, assets (or disposal groups) held for sale, 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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

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 amount 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 SESLHD has assessed the actuarial advice based on the SESLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

The SESLHD's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

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

Specific on-costs relating to long service leave assumed by the Crown Entity are borne by the SESLHD as shown in Note 29.

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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

iv) Other Provisions

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

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the SESLHD transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

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

Patient Fees

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

High Cost Drugs

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

Motor Accident Authority Third Party

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

Department of Veterans' Affairs

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

Investment Revenue

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

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

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

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

General operating expenses/revenues of \$34.2M (Refer Note 9 - Affiliated Health Organisations) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The SESLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

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

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

f) Interstate Patient Flows

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

g) Acquisition of Assets

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 2(aa)).

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

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

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

h) Capitalisation Thresholds

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

i) Depreciation of Property, Plant and Equipment

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

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

	2015	2014
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 which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls, and water reticulation systems.

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

j) Revaluation of Non-Current Assets

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

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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Fair value of property, plant and equipment is based on a market participants' perspective using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 22 and Note 26 for further information regarding fair value.

The SESLHD revalues its land and buildings and infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the SESLHD was completed in the 2014/15 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.

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) Assets Not Able to be Reliably Measured

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

These assets are a unique pathology collection of which their normal place of residence is at Sydney Hospital. Parts of the collection are currently on loan to a range of associated educational and health institutions.

m) Restoration Costs

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

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

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

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

South Eastern Sydney Local Health District
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o) Investment Properties

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

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

p) Intangible Assets

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

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

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

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

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

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

q) Maintenance

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

r) Leased Assets

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

s) Inventories

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

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

t) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

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

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

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

The 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 SESLHD's key management personnel.

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 SESLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

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

- * Available-for-sale investments - any 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 SESLHD commits to purchase or sell the asset.

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

v) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as 'available for sale', must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

South Eastern Sydney Local Health District
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w) De-recognition of financial assets and financial liabilities

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

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

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

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

x) Payables

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

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

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

y) Borrowings

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

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

z) Fair Value Hierarchy

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

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

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

Refer Note 40 and Note 26 for further disclosures regarding fair value measurements of financial and non-financial assets.

aa) 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.

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

ab) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ac) Trust Funds

The SESLHD receives monies in a trustee capacity for various trusts as set out in Note 32.

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

ad) 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 SESLHD'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 SESLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the SESLHD 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".

ae) Emerging Asset

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

af) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer Note 18.

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

In respect of assets and liabilities, the SESLHD identifies those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for intangibles and property, plant & equipment.

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

(i) Effective for the first time in 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, SESLHD 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 the SESLHD as individual budgets are not presented in parliament. Refer Note 2(ad) on how the SESLHD 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 NSW 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:

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.

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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.

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
3. Employee Related				
Employee Related expenses comprise the following:				
----	----	Salaries and Wages	652,514	631,253
----	----	Overtime	29,299	28,484
----	----	Penalties	61,437	59,014
----	----	Superannuation - Defined Benefit Plans	10,197	10,573
----	----	Superannuation - Defined Contribution Plans	75,693	71,057
----	----	Long Service Leave	48,095	35,032
----	----	Annual Leave	88,773	84,047
----	----	Sick Leave and Other Leave	51,192	50,114
----	----	Redundancies	1,764	4,887
----	----	Workers' Compensation Insurance	10,779	14,875
----	----	Fringe Benefits Tax	22	(310)
----	----		1,029,765	989,026
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
652,514	631,253	Salaries and Wages	----	----
29,299	28,484	Overtime	----	----
61,437	59,014	Penalties	----	----
75,693	71,057	Superannuation - Defined Contribution Plans	----	----
3,154	2,482	Long Service Leave	----	----
88,773	84,047	Annual Leave	----	----
51,192	50,114	Sick Leave and Other Leave	----	----
1,764	4,887	Redundancies	----	----
10,779	14,875	Workers' Compensation Insurance	----	----
22	(310)	Fringe Benefits Tax	----	----
974,627	945,903		----	----
5. Other Operating Expenses				
493	407	Advertising	493	407
260	135	Auditor's Remuneration - Audit of Financial Statements	260	135
9,769	9,393	Blood and Blood Products	9,769	9,393
135	203	Consultancies - Capital Works	135	203
1,976	921	Consultancies - Other	1,976	921
28	23	Contractors	28	23
19,379	18,876	Domestic Supplies and Services	19,379	18,876
85,215	83,481	Drug Supplies	85,215	83,481
23,232	22,881	Food Supplies	23,232	22,881
10,210	13,570	Fuel, Light and Power	10,210	13,570
4,264	3,592	Hospital Ambulance Transport Costs	4,264	3,592
23,180	18,458	Information Management Expenses	23,180	18,458
1,830	1,740	Insurance	1,830	1,740
31,612	28,595	Maintenance (See (b) below)	31,612	28,595
76,927	75,078	Medical and Surgical Supplies	76,927	75,078
1,461	1,202	Motor Vehicle Expenses	1,461	1,202
2,791	3,151	Postal and Telephone Costs	2,791	3,151
3,879	3,686	Printing and Stationery	3,879	3,686
1,908	2,076	Rates and Charges	1,908	2,076
3,197	3,319	Rental	3,197	3,319
60,663	58,666	Special Service Departments	60,663	58,666
9,016	7,921	Staff Related Costs	9,016	7,921
6,353	6,214	Travel Related Costs	6,353	6,214
30,065	26,676	Other (See (a) below)	30,065	26,676
407,843	390,264		407,843	390,264

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for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		(a) Other Includes:		
6,943	6,590	Contract for Patient Services	6,943	6,590
6,427	5,870	Corporate Support Services	6,427	5,870
1,062	752	Courier and Freight	1,062	752
157	139	Isolated Patient Travel and Accommodation Assistance Scheme	157	139
484	588	Legal Services	484	588
997	580	Membership/Professional Fees	997	580
1,515	1,416	Motor Vehicle Operating Lease Expense - Minimum Lease Payment	1,515	1,416
2,549	2,678	Other Operating Lease Expense - Minimum Lease Payments	2,549	2,678
157	62	Quality Assurance/Accreditation	157	62
238	354	Security Services	238	354
9,536	7,647	Other Miscellaneous	9,536	7,647
<u>30,065</u>	<u>26,676</u>		<u>30,065</u>	<u>26,676</u>
		(b) Reconciliation of Total Maintenance		
12,300	11,605	Maintenance Contracts	12,300	11,605
7,826	7,570	New/Replacement Equipment under \$10,000	7,826	7,570
12,216	9,950	Repairs Maintenance/Non Contract	12,216	9,950
(730)	(530)	Other	(730)	(530)
<u>31,612</u>	<u>28,595</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	<u>31,612</u>	<u>28,595</u>
4,308	4,592	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	4,308	4,592
<u>35,920</u>	<u>33,187</u>	Total Maintenance Expenses	<u>35,920</u>	<u>33,187</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
36,061	33,126	Depreciation - Buildings	36,061	33,126
15,675	13,575	Depreciation - Plant and Equipment	15,675	13,575
4,201	4,241	Depreciation - Infrastructure Systems	4,201	4,241
73	231	Amortisation - Intangible Assets	73	231
<u>56,010</u>	<u>51,173</u>		<u>56,010</u>	<u>51,173</u>
7. Grants and Subsidies				
14,414	14,337	Non-Government Organisations	14,414	14,337
1,417	1,782	Community Packages	1,417	1,782
438	550	Grants to Research Organisations	438	550
-----	5,630	Grant Payments to Other NSW Health Entities	-----	5,630
1,195	1,028	Other Grants	1,195	1,028
<u>17,464</u>	<u>23,327</u>		<u>17,464</u>	<u>23,327</u>
8. Finance Costs				
-----	5	Interest on Loans	-----	5
4	16	Other Interest Charges	4	16
<u>4</u>	<u>21</u>		<u>4</u>	<u>21</u>
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
21,044	22,093	Calvary Health Care Sydney	21,044	22,093
11,853	12,621	War Memorial Hospital Waverley	11,853	12,621
1,311	1,286	Eastern Sydney SCARBA Centre	1,311	1,286
<u>34,208</u>	<u>36,000</u>		<u>34,208</u>	<u>36,000</u>
(b) Capital Sourced				
-----	-----	Health Infrastructure	-----	-----
<p>In the 2013/2014 financial year South Eastern Sydney Local Health District transferred \$5.63M as a local special purpose capital contribution to Health Infrastructure for the purchase of LINACs for the Prince of Wales Hospital Cancer Care Centre. The transfer was disclosed in the 2013/14 Financial Statements as a Payment to an Affiliated Health Organisation, with at the end of the financial year South Eastern Sydney recognising the assets acquired at the carrying amount advised by Health Infrastructure. However Ministry of Health directive has resulted in the restatement of Note 7 and Note 9 (b) for the comparative period. The transfer to Health Infrastructure in the comparative period is now disclosed in the 2014/15 Financial Statements under Grant Payments to Other NSW Health Entities in Note 7.</p>				
-----	-----		-----	-----
<u>34,208</u>	<u>36,000</u>		<u>34,208</u>	<u>36,000</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:				
711	744	Pharmacy Sales	711	744
8,352	7,531	Sale of Prosthesis	8,352	7,531
191	201	Other	191	201
(b) Rendering of Services comprise the following:				
		Patient Fees		
89,571	80,092	- Inpatient Fees	89,571	80,092
99	53	- Nursing Home Fees	99	53
2,670	1,837	- Non Inpatient Fees	2,670	1,837
22,360	20,593	Department of Veterans' Affairs	22,360	20,593
423	397	Staff-Meals and Accommodation	423	397
20,152	20,974	Infrastructure Fees - Monthly Facility Charge	20,152	20,974
13,311	8,355	- Annual Charge	13,311	8,355
2	3	Cafeteria/Kiosk	2	3
2,009	1,649	Car Parking	2,009	1,649
934	803	Child Care Fees	934	803
282	213	Clinical Services (excluding Clinical Drug Trials)	282	213
15,721	15,007	Commercial Activities	15,721	15,007
11	16	Enteral Nutrition Income	11	16
234	275	Fees for Medical Records	234	275
2	8	Information Retrieval	2	8
50,949	49,294	High Cost Drugs	50,949	49,294
11,902	15,530	Motor Accident Authority Third Party	11,902	15,530
171	203	Private Use of Motor Vehicles	171	203
6,630	1,417	Hosted Services Provided to Other NSW Health Entities	6,630	1,417
4,198	2,226	Services Provided to Non NSW Health Organisations	4,198	2,226
234	52	Other	234	52
251,119	227,473		251,119	227,473

11. Investment Revenue

367	461	Interest	367	461
2,198	2,039	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	2,198	2,039
-----	423	Other	-----	423
2,565	2,923		2,565	2,923

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
12. Grants and Contributions				
4,109	4,074	Clinical Drug Trials	4,109	4,074
9,507	7,554	Commonwealth Government Grants	9,507	7,554
24	562	Commonwealth Teaching Hospital Grants	24	562
6,256	6,325	Industry Contributions/Donations	6,256	6,325
8,636	7,972	Cancer Institute Grants	8,636	7,972
2,909	3,029	NSW Government Grants	2,909	3,029
1,047	-----	Grants from Other NSW Health Entities	1,047	-----
1,121	890	Research Grants	1,121	890
4,660	3,232	Other Grants	4,660	3,232
<u>38,269</u>	<u>33,638</u>		<u>38,269</u>	<u>33,638</u>
13. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	10,197	10,573
-----	-----	Long Service Leave	44,941	32,550
-----	-----		<u>55,138</u>	<u>43,123</u>
14. Other Revenue				
269	345	Commissions	269	345
528	342	Conference and Training Fees	528	342
111	158	Discounts	111	158
40	-----	Insurance Refunds	40	-----
7,833	6,270	Lease and Rental Income	7,833	6,270
1,750	-----	Property not Previously Recognised	1,750	-----
35	41	Sale of Merchandise, Old Wares and Books	35	41
287	248	Sponsorship Income	287	248
153	821	Treasury Managed Fund Hindsight Adjustment	153	821
-----	1	Unclaimed Deposits	-----	1
4,846	5,470	Other	4,846	5,470
<u>15,852</u>	<u>13,696</u>		<u>15,852</u>	<u>13,696</u>
15. Gain / (Loss) on Disposal				
20,665	4,874	Property, Plant and Equipment	20,665	4,874
14,007	4,338	Less: Accumulated Depreciation	14,007	4,338
<u>6,658</u>	<u>536</u>	Written Down Value	<u>6,658</u>	<u>536</u>
303	410	Less: Proceeds from Disposal	303	410
<u>(6,355)</u>	<u>(126)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(6,355)</u>	<u>(126)</u>
332	-----	Assets Held for Sale	332	-----
509	279	Less: Proceeds from Disposal	509	279
<u>177</u>	<u>279</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>177</u>	<u>279</u>
<u>(6,178)</u>	<u>153</u>	Total Gain/(Loss) on Disposal	<u>(6,178)</u>	<u>153</u>
16. Other Gains / (Losses)				
(4,269)	(5,189)	Impairment of Receivables	(4,269)	(5,189)
<u>(4,269)</u>	<u>(5,189)</u>		<u>(4,269)</u>	<u>(5,189)</u>

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

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	506	23,401	23,907
Contributions recognised in previous years which were not expended in the current reporting period	3,125	67,647	70,772
Total amount of unexpended contributions as at reporting date	<u>3,631</u>	<u>91,048</u>	<u>94,679</u>

Comment on restricted assets appears in Note 27

South Eastern Sydney Local Health District
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18. Service Groups of the SESLHD

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. 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.

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.

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Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Consistent with Prior Years

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		19. Cash and Cash Equivalents		
16,214	14,307	Cash at Bank and On Hand	16,214	14,307
81,340	82,053	Short Term Deposits	81,340	82,053
<u>97,554</u>	<u>96,360</u>		<u>97,554</u>	<u>96,360</u>

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.

Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

<u>97,554</u>	<u>96,360</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>97,554</u>	<u>96,360</u>
<u>97,554</u>	<u>96,360</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>97,554</u>	<u>96,360</u>

Refer to Note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
20. Receivables				
Current				
29,573	29,021	Sale of Goods and Services	29,573	29,021
16,564	16,431	Intra Health Receivables	16,564	16,431
2,463	4,226	Goods and Services Tax	2,463	4,226
6,645	8,027	Other Debtors	6,645	8,027
<u>55,245</u>	<u>57,705</u>	Sub Total	<u>55,245</u>	<u>57,705</u>
(5,434)	(5,664)	Less: Allowance for Impairment	(5,434)	(5,664)
49,811	52,041	Sub Total	49,811	52,041
3,797	3,858	Prepayments	3,797	3,858
<u><u>53,608</u></u>	<u><u>55,899</u></u>		<u><u>53,608</u></u>	<u><u>55,899</u></u>
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(5,438)	(5,203)	Balance at Commencement of Reporting Period	(5,438)	(5,203)
4,245	5,246	Amounts written off during the period	4,245	5,246
(29)	(51)	Amounts recovered during the period	(29)	(51)
(3,715)	(5,430)	(Increase)/decrease in Allowance Recognised in the Net Result	(3,715)	(5,430)
<u>(4,937)</u>	<u>(5,438)</u>	Balance at 30 June	<u>(4,937)</u>	<u>(5,438)</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
(226)	(476)	Balance at Commencement of Reporting Period	(226)	(476)
283	475	Amounts written off during the period	283	475
-----	(465)	Amounts recovered during the period	-----	(465)
(554)	241	(Increase)/decrease in Allowance Recognised in the Net Result	(554)	241
<u>(497)</u>	<u>(226)</u>	Balance at 30 June	<u>(497)</u>	<u>(226)</u>
<u><u>(5,434)</u></u>	<u><u>(5,664)</u></u>		<u><u>(5,434)</u></u>	<u><u>(5,664)</u></u>
The current and non-current sale of goods and services balances above include the following patient fee receivables:				
216	535	Patient Fees - Compensable	216	535
5,636	7,616	Patient Fees - Ineligible	5,636	7,616
13,216	13,173	Patient Fees - Inpatient & Other	13,216	13,173
<u><u>19,068</u></u>	<u><u>21,324</u></u>		<u><u>19,068</u></u>	<u><u>21,324</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 40.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
21. Inventories				
7,128	6,765	Drugs	7,128	6,765
9,015	7,934	Medical and Surgical Supplies	9,015	7,934
11	7	Food and Hotel Supplies	11	7
3	-----	Engineering Supplies	3	-----
<u>16,157</u>	<u>14,706</u>		<u>16,157</u>	<u>14,706</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
22. Property, Plant and Equipment				
		Land and Buildings - Fair Value		
1,689,524	1,616,864	Gross Carrying Amount	1,689,524	1,616,864
		Less: Accumulated Depreciation		
711,716	733,093	and Impairment	711,716	733,093
<u>977,808</u>	<u>883,771</u>	Net Carrying Amount	<u>977,808</u>	<u>883,771</u>
		Plant and Equipment - Fair Value*		
179,873	166,963	Gross Carrying Amount	179,873	166,963
		Less: Accumulated Depreciation		
107,484	97,315	and Impairment	107,484	97,315
<u>72,389</u>	<u>69,648</u>	Net Carrying Amount	<u>72,389</u>	<u>69,648</u>
		Infrastructure Systems - Fair Value		
164,551	171,567	Gross Carrying Amount	164,551	171,567
		Less: Accumulated Depreciation		
93,515	90,720	and Impairment	93,515	90,720
<u>71,036</u>	<u>80,847</u>	Net Carrying Amount	<u>71,036</u>	<u>80,847</u>
		Total Property, Plant and Equipment		
<u>1,121,233</u>	<u>1,034,266</u>	At Net Carrying Amount	<u>1,121,233</u>	<u>1,034,266</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.

South Eastern Sydney Local Health District
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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
2015					
Net Carrying Amount at Start of Year	169,876	713,895	69,648	80,847	1,034,266
Additions	1,750	44,416	13,275	----	59,441
Disposals	----	(5,778)	(880)	----	(6,658)
Net Revaluation Increment Less Revaluation Decrements					
Recognised in Reserves	22,223	73,508	----	(5,610)	90,121
Depreciation Expense	----	(36,061)	(15,675)	(4,201)	(55,937)
Reclassifications	----	(6,021)	6,021	----	----
Net Carrying Amount at End of Year	193,849	783,959	72,389	71,036	1,121,233

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

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		23. Intangible Assets		
		Intangibles		
484	2,773	Cost (Gross Carrying Amount)	484	2,773
303	2,640	Less: Accumulated Amortisation and Impairment	303	2,640
<u>181</u>	<u>133</u>	Net Carrying Amount	<u>181</u>	<u>133</u>
<u>181</u>	<u>133</u>	Total Intangible Assets at Net Carrying Amount	<u>181</u>	<u>133</u>

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

23. Intangibles - Reconciliation

	Intangibles \$000
2015	
Net Carrying Amount at Start of Year	133
Additions (From Internal Development or Acquired Separately)	121
Amortisation (Recognised in Depreciation and Amortisation)	(73)
Net Carrying Amount at End of Year	181
	Intangibles \$000
2014	
Net Carrying Amount at Start of Year	364
Amortisation (Recognised in Depreciation and Amortisation)	(231)
Net Carrying Amount at End of Year	133

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		24. Other Assets		
		Non-Current		
		Emerging Rights to Assets (refer Note 2(ae))	36,514	33,446
36,514	33,446		36,514	33,446
<u>36,514</u>	<u>33,446</u>		<u>36,514</u>	<u>33,446</u>
		Movement in Emerging Assets:		
		Recognised in Note 14 (Other Revenue) \$3.507M		
		Recognised in Statement of Changes in Equity -\$0.439M		
		25. Non-Current Assets (or Disposal Groups) Held for Sale		
		Assets Held for Sale		
		Land and Buildings	-----	332
-----	332		-----	332
<u>-----</u>	<u>332</u>		<u>-----</u>	<u>332</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.

South Eastern Sydney Local Health District received approval from the Ministry of Health to sell Lot 1, 158 Orchard St. GUILDFORD in 2013/14. The property was disposed of by the Ministry of Health on behalf of South Eastern Sydney Local Health District in February 2015.

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

26. 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 2015.

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	-----	43,601	798,151	841,752
- Infrastructure Systems	-----	-----	71,036	71,036
Non-Current Assets (or Disposal Groups) Held for Sale (Note 25)	-----	-----	-----	-----
	-----	43,601	869,187	912,788
	=====	=====	=====	=====

There were no transfers between Levels 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	-----	156,829	726,942	883,771
- Infrastructure Systems	-----	-----	80,847	80,847
Non-Current Assets (or Disposal Groups) Held for Sale (Note 25)	-----	332	-----	332
	-----	157,161	807,789	964,950
	=====	=====	=====	=====

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

Work in Progress and newly completed works are carried at cost, therefore excluded from the figures above and as a result will not agree to Note 22.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the SESLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by David Knight [NSW Registration No. 6028] of CBRE Valuations Pty Ltd for the 2014/2015 financial year. CBRE Valuations Pty Ltd is an independent entity and David Knight [NSW Registration No. 6028] is not an employee of the SESLHD.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer Note 22 reconciliation.

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

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

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

Non-Current Assets Held for Sale is a non-recurring item that is measured at the lesser of its carrying amount or fair value less cost to sell. These assets are categorised as a Level 2 asset except when an asset was a Level 3 asset prior to transfer to Non-Current Assets Held for Sale, and continues to be recognised as a Level 3 asset where the carrying amount is lesser than the fair value less cost to sell.

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"> ▪ Rate per square metre ▪ Discount rate ▪ Provision for remediation 	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> ▪ Rate per square metre increases/(decreases) ▪ Discount rate decreases/(increases) ▪ Provision for remediation decreases/(increases)
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"> ▪ Useful life assessment ▪ Replacement cost per square metre 	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> ▪ Useful life assessment increases/(decreases) ▪ Replacement cost per square metre increases/(decreases)
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"> ▪ Useful life assessment ▪ Replacement cost per square metre 	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> ▪ Useful life assessment increases/(decreases) ▪ Replacement cost per square metre increases/(decreases)
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"> ▪ Useful life assessment ▪ Replacement cost per square metre 	The fair value will increase/(decrease) if the estimated: <ul style="list-style-type: none"> ▪ Useful life assessment increases/(decreases) ▪ Replacement cost per square metre increases/(decreases)

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

South Eastern Sydney Local Health District
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PARENT & CONSOLIDATION

26. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2015	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	726,942	80,847	807,789
Revaluation increments/ decrements recognised in Other Comprehensive Income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	91,947	(5,610)	86,337
Transfers from Level 2	18,725	----	18,725
Disposals	(5,779)	----	(5,779)
Depreciation	(33,684)	(4,201)	(37,885)
Fair value as at 30 June 2015	<u>798,151</u>	<u>71,036</u>	<u>869,187</u>

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

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

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

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
27. Restricted Assets				
<p>The SESLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
Category				
47,632	44,310	Specific Purposes	47,632	44,310
17,647	15,770	Research Grants	17,647	15,770
29,400	24,850	Private Practice Funds	29,400	24,850
<u>94,679</u>	<u>84,930</u>		<u>94,679</u>	<u>84,930</u>

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		28. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	25,948	23,432
-----	-----	Taxation and Payroll Deductions	1,233	9,182
27,181	32,614	Accrued Liability - Purchase of Personnel Services	-----	-----
45,100	46,880	Creditors	45,100	46,880
		Other Creditors		
15,779	24,923	- Intra Health Liability	15,779	24,923
13,982	15,383	- Other	13,982	15,383
<u>102,042</u>	<u>119,800</u>		<u>102,042</u>	<u>119,800</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 40.

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
29. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	91,939	79,000
----	----	Annual Leave - Long Term Benefit	56,529	64,437
----	----	Long Service Leave Consequential On-Costs	19,915	17,567
168,383	161,004	Provision for Personnel Services Liability	----	----
<u>168,383</u>	<u>161,004</u>	Total Current Provisions	<u>168,383</u>	<u>161,004</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	1,732	925
1,732	925	Provision for Personnel Services Liability	----	----
<u>1,732</u>	<u>925</u>	Total Non-Current Provisions	<u>1,732</u>	<u>925</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	168,383	161,004
----	----	Provisions - Non-Current	1,732	925
----	----	Accrued Salaries, Wages and On-Costs (Note 28)	27,181	32,614
197,296	194,543	Liability - Purchase of Personnel Services	----	----
<u>197,296</u>	<u>194,543</u>		<u>197,296</u>	<u>194,543</u>
30. Other Liabilities				
Current				
3,462	1,900	Income in Advance	3,462	1,900
<u>3,462</u>	<u>1,900</u>		<u>3,462</u>	<u>1,900</u>
Non-Current				
9,346	10,609	Income in Advance	9,346	10,609
<u>9,346</u>	<u>10,609</u>		<u>9,346</u>	<u>10,609</u>

Income in Advance was derived from the following:

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

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

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

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
31. Commitments for Expenditure				
(a) Capital Commitments				
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:				
165,141	42,554	Not later than one year	165,141	42,554
308,038	34,478	Later than one year and not later than five years	308,038	34,478
473,179	77,032	Total Capital Expenditure Commitments (Including GST)	473,179	77,032
Of the commitments reported at 30 June 2015, it is expected that \$78.7M will be met from locally generated moneys.				
(b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,542	3,524	Not later than one year	3,542	3,524
4,566	5,547	Later than one year and not later than five years	4,566	5,547
8,108	9,071	Total Operating Lease Commitments (Including GST)	8,108	9,071
(d) Contingent Asset Related to Commitments for Expenditure				
The total of 'Commitments for Expenditure' above, i.e. \$481M as at 30 June 2015 includes input tax credits of \$44M that are expected to be recoverable from the Australian Taxation Office (2014 \$14M).				

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

32. Trust Funds

The SESLHD holds trust funds of \$2.2M 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 SESLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Balance at the beginning of the financial year	429	464	375	303	372	400	1,176	1,167
Income	3,918	1,176	56	66	40,533	36,556	44,507	37,798
Expenses	(2,878)	(1,211)	(91)	6	(40,473)	(36,584)	(43,442)	(37,789)
Balance at the end of the financial year	1,469	429	340	375	432	372	2,241	1,176

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Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATED

33. Contingent Liabilities and Assets

Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 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 SESLHD will be paid in 2015/16. It is not possible for the SESLHD to reliably quantify the benefit to be received or amount payable.

South Eastern Sydney Local Health District
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
34. Reconciliation of Cash Flows from Operating Activities to Net Result				
59,121	71,253	Net Cash Flows from Operating Activities	59,121	71,253
(56,010)	(51,173)	Depreciation	(56,010)	(51,173)
(4,269)	(5,189)	Allowance for Impairment	(4,269)	(5,189)
(298)	1,098	(Increase)/ Decrease Income in Advance	(298)	1,098
(8,186)	(5,570)	(Increase)/ Decrease in Provisions	(8,186)	(5,570)
3,612	(1,454)	Increase / (Decrease) in Prepayments and Other Assets	3,612	(1,454)
17,573	(26,305)	(Increase)/ Decrease in Payables from Operating Activities	17,573	(26,305)
(6,178)	153	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(6,178)	153
4,331	241	Assets donated or brought to account for the first time	4,331	241
9,696	(16,946)	Net Result	9,696	(16,946)

35. Non-Cash Financing and Investing Activities

4,331	241	Assets Received by Donation	4,331	241
4,331	241		4,331	241

36. 2014/15 Voluntary Services

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

- Chaplaincies and Pastoral Care
- Pink Ladies/Hospital Auxiliaries
- Patient Support Groups
- Community Organisations
- Patient & Family Support
- Patient Services, Fund Raising
- Practical Support to Patients and Relatives
- Counselling, Health Education, Transport, Home Help & Patient Activities

37. Unclaimed Monies

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

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

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

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PARENT AND CONSOLIDATION

38. Adjusted Budget Review - Parent and Consolidated

Net Result

* The actual Net Result was higher than adjusted budget by \$20 million, primarily due to:

* The District receiving cash assistance from the Ministry of Health of \$39M

The main areas of variance included:

Visiting Medical Officer expenses were \$9.8M higher than budget, due to a mix of increased use of VMOs due activity and processing of backdated claims due to a new VMO claim policy (a one off). Other Operating expenses were \$15M higher than budget with the main contributors being: Blood Products \$2.7M, RMR \$2.5M, Medical & Surgical \$2.1M, Biomedical Engineering \$1.4M and Prostheses \$0.8M. Infrastructure Fee revenue was \$5.6M more than budget.

Assets and Liabilities

There was a \$110M variance between actual Net Assets and budgeted Net Assets. The variance is identified as:

Current Assets - the main variance was Cash and Cash Equivalents where the actual was \$13M greater than budget. This variance reflected the SELHD's requirement for cash assistance to meet creditor benchmarks. Inventories were \$1.4M greater than budget as a result of increased inventory holdings at POW theatres.

Non-Current Assets - the main variance is property, plant & equipment where the closing balance was \$89.5M greater than budget. This variance is a result of no budget allocation for the revaluation of increments and decrements of property, plant and equipment that occurred in 2014/2015. The contra variance is located within the Equity Reserves.

Current Liabilities - the main variance is Payables where the closing balance was \$5.5M less than budget as a result of meeting creditor payment benchmarks.

Cash Flows

As noted above in Assets and Liabilities, the SELHD had budgeted a net decrease in cash of \$11.8M (actual was an increase of \$1.2M), as a result of meeting creditor benchmarks, consistent with SELHD's requirement of cash assistance.

Movements in the level of NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 17 June 2014 are as follows:

	\$000
Initial Allocation [17 Jun 2014]	1,113,169
Award Increases	17,461
Special Projects:	
NSW Organ Tissue Donation Service Funding	2,981
Elective Surgery Activity - Peritonectomy	2,820
Acute Admission & Elective Surgery and Emergency Funding	2,000
National Partnership Agreement for Treating More Public Dental Patients	1,980
Nurse Midwife Strategy Resourcing	1,746
Electric Hospital Bed Funding	876
Prospective Evaluation of Lutate Therapy	800
Adult Drug Court Program Funding	428
Planning and Innovation Funding	360
HTrak Point Of Use Data Capture Solution Funding	350
Other Special Projects	1,817
Other:	
Reduction in Creditors Liability	8,000
PAYG Tax Budget Adjustment	6,400
Voluntary Redundancy Reimbursement	1,742
Super Defined Benefit and Super Guarantee Contribution Adjustment	1,307
Cash Assistance Received	38,977
Balance as per Statement of Comprehensive Income	1,203,214

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

Equity transfers effected in the 2013/14 year were:

A decrease in net assets of \$0.206M relating to assets not transferred to Illawarra Shoalhaven Local Health District and New South Wales Health Pathology when the Southern Transitional Organisation was devolved.

Equity transfers effected in the 2014/15 year were:

Nil equity transfers were effected in 2014/15.

Equity transfers effected comprised:

	2015	2014
	\$000	\$000
New South Wales Health Pathology	----	(18)
Illawarra Shoalhaven Local Health District	----	(188)
	-----	(206)
	-----	(206)

Assets and Liabilities transferred are as follows:

	2015	2014
	\$000	\$000
Assets		
Property, Plant & Equipment	----	(206)
Increase/(Decrease) in Net Assets From Equity Transfers	-----	(206)
	-----	(206)

South Eastern Sydney Local Health District
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40. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the SESLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed 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		
Financial Assets			
Cash and Cash Equivalents (Note 19)	N/A	97,554	96,360
Receivables (Note 20)*	Receivable measured at amortised cost	47,348	47,815
Total Financial Assets		144,902	144,175
Financial Liabilities			
Payables (Note 28)**	Financial Liabilities measured at amortised cost	100,809	110,618
Total Financial Liabilities		100,809	110,618

Notes

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

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

(b) Credit Risk

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

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

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

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 3.2% in 2014/15 compared to 3.4% in the previous year.

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

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the SESLHD 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 SESLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2015: \$16.7M; 2014: \$25.9M) and not more than 3 months past due (2015: \$2.1M; 2014: \$5.1M) are not considered impaired. Together these represent 62% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the SESLHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

South Eastern Sydney Local Health District
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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.

	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2015	\$000	\$000	\$000
<3 months overdue	3,168	1,917	1,251
3 months - 6 months overdue	1,534	51	1,483
> 6 months overdue	4,492	92	4,400
2014			
<3 months overdue	5,209	5,134	84
3 months - 6 months overdue	1,668	749	1,025
> 6 months overdue	6,053	1,969	4,555

Notes

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

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

Authority Deposits

The SESLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.8% (2014 - 3.0%), while over the year the weighted average interest rate was 1.6% (2014 - 1.7%) on a weighted average balance during the year of \$82.3M (2014 - \$80.9M). None of these assets are past due or impaired.

(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

The SESLHD has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the SESLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

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

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

For other suppliers, where settlement cannot be effected in accordance with the above, e.g. due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

South Eastern Sydney Local Health District
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The table below summarises the maturity profile of the SESLHD's financial liabilities together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	25,948	-----	-----	25,948	25,948	-----	-----
- Creditors	74,861	-----	-----	74,861	74,861	-----	-----
	100,809	-----	-----	100,809	100,809	-----	-----
2014							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	23,432	-----	-----	23,432	23,432	-----	-----
- Creditors	87,186	-----	-----	87,186	87,186	-----	-----
	110,618	-----	-----	110,618	110,618	-----	-----

Notes:

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

South Eastern Sydney Local Health District
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(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the SESLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2014. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the SESLHD is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through 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 SESLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

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

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

	Carrying Amount \$000	-1% Net Result	Equity	Profit	+1% Equity
2015					
Financial Assets					
Cash and Cash Equivalents	97,554	(976)	(976)	976	976
Receivables	47,348	----	----	----	----
Financial Liabilities					
Payables	100,809	----	----	----	----
2014					
Financial Assets					
Cash and Cash Equivalents	96,360	(964)	(964)	964	964
Receivables	47,815	----	----	----	----
Financial Liabilities					
Payables	110,618	----	----	----	----

(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	----	81,340	----	81,340
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2014 Total \$'000
TCorp Hour-Glass Invt.Facility	----	82,053	----	82,053

(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 SESLHD'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.

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41. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS