



INDEPENDENT AUDITOR'S REPORT

South Western Sydney Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of South Western 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 statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Emphasis of Matter

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

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the adjusted 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.



A. Oyetunji
Director, Financial Audit Services

15 September 2015
SYDNEY

**South Western Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2015**

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

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



Amanda Larkin
Chief Executive
11th September, 2015



Ross Sinclair
Director Finance
11th September, 2015

**South Western 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						
68,122	57,248	59,628	19	68,122	57,248	59,628
34,080	35,780	37,920	20	34,080	35,780	37,920
4,045	3,530	3,530	21	4,045	3,530	3,530
<u>106,247</u>	<u>96,558</u>	<u>101,078</u>		<u>106,247</u>	<u>96,558</u>	<u>101,078</u>
1,000	1,000	1,000	24	1,000	1,000	1,000
<u>107,247</u>	<u>97,558</u>	<u>102,078</u>		<u>107,247</u>	<u>97,558</u>	<u>102,078</u>
Non-Current Assets						
1,260	1,305	1,305	20	1,260	1,305	1,305
Property, Plant & Equipment						
1,133,226	1,110,928	1,126,282	22	1,133,226	1,110,928	1,126,282
73,235	81,331	73,350	22	73,235	81,331	73,350
11,315	11,901	11,901	22	11,315	11,901	11,901
941	-----	-----	22	941	-----	-----
<u>1,218,717</u>	<u>1,204,160</u>	<u>1,211,533</u>		<u>1,218,717</u>	<u>1,204,160</u>	<u>1,211,533</u>
513	-----	-----	23	513	-----	-----
<u>1,220,490</u>	<u>1,205,465</u>	<u>1,212,838</u>		<u>1,220,490</u>	<u>1,205,465</u>	<u>1,212,838</u>
<u>1,327,737</u>	<u>1,303,023</u>	<u>1,314,916</u>		<u>1,327,737</u>	<u>1,303,023</u>	<u>1,314,916</u>
LIABILITIES						
Current Liabilities						
87,879	92,867	91,004	27	87,879	92,867	91,004
4,757	3,518	3,518	28	4,757	3,518	3,518
178,345	168,168	165,849	29	178,345	168,168	165,849
604	376	376	30	604	376	376
<u>271,585</u>	<u>264,929</u>	<u>260,747</u>		<u>271,585</u>	<u>264,929</u>	<u>260,747</u>
Non-Current Liabilities						
26,696	31,286	28,818	28	26,696	31,286	28,818
1,497	1,497	784	29	1,497	1,497	784
<u>28,193</u>	<u>32,783</u>	<u>29,602</u>		<u>28,193</u>	<u>32,783</u>	<u>29,602</u>
<u>299,778</u>	<u>297,712</u>	<u>290,349</u>		<u>299,778</u>	<u>297,712</u>	<u>290,349</u>
<u>1,027,959</u>	<u>1,005,311</u>	<u>1,024,567</u>		<u>1,027,959</u>	<u>1,005,311</u>	<u>1,024,567</u>
EQUITY						
128,303	110,621	110,621		128,303	110,621	110,621
899,656	894,690	913,946		899,656	894,690	913,946
<u>1,027,959</u>	<u>1,005,311</u>	<u>1,024,567</u>		<u>1,027,959</u>	<u>1,005,311</u>	<u>1,024,567</u>

The accompanying notes form part of these financial statements.

**South Western 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		913,946	110,621	1,024,567
Total Equity at 1 July 2014		913,946	110,621	1,024,567
Net Result for the year		(14,290)		(14,290)
Other Comprehensive Income:				
Net increase/(Decrease) in Property, Plant & Equipment	22	----	17,682	17,682
Total Other Comprehensive Income		----	17,682	17,682
Total Comprehensive Income for the year		(14,290)	17,682	3,392
Balance at 30 June 2015		899,656	128,303	1,027,959
Balance at 1 July 2013		896,141	110,621	1,006,762
Total Equity at 1 July 2013		896,141	110,621	1,006,762
Net Result for the year		15,606	----	15,606
Total Comprehensive Income for the year		15,606	----	15,606
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	38	2,199	----	2,199
Balance at 30 June 2014		913,946	110,621	1,024,567

The accompanying notes form part of these financial statements.

South Western 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	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																							
Operating Expenses																							
Employee Related	37,686	44,247	2,010	1,912	120,107	149,356	109,009	107,001	515,878	461,262	100,822	89,249	92,669	71,087	12,093	13,677	11,848	12,277	---	---	1,002,122	950,068	
Visiting Medical Officers	215	160	---	1	6,207	7,971	3,197	744	55,546	54,529	3,722	3,346	1,638	1,316	355	---	765	723	---	---	71,645	68,790	
Other Operating Expenses	7,899	10,797	315	377	84,000	85,747	37,794	33,269	215,778	190,073	19,530	16,969	29,213	19,405	3,283	4,408	2,273	1,317	---	---	400,085	362,362	
Depreciation and Amortisation	1,504	3,219	52	68	9,178	12,498	6,558	5,617	28,093	23,418	3,425	2,785	3,908	3,166	182	344	594	926	---	---	53,494	52,041	
Grants and Subsidies	8,447	6,504	1	(1)	356	---	29	---	145	---	1,015	370	19	---	35	28	553	1,974	---	---	10,600	8,875	
Finance Costs	106	89	4	3	344	461	246	193	1,283	1,232	208	200	225	176	25	21	25	46	---	---	2,466	2,421	
Payments to Affiliated Health Organisations	10,460	10,562	---	---	---	---	---	---	---	---	3,773	3,527	14,220	14,824	---	---	82	---	---	---	28,534	28,913	
Total Expenses excluding losses	66,317	75,578	2,382	2,360	220,192	256,033	156,833	146,824	816,723	730,514	132,495	116,446	141,892	109,974	15,973	18,478	16,140	17,263	---	---	1,568,946	1,473,470	
Revenue																							
NSW Ministry of Health Recurrent Allocations **																				1,271,095	1,195,518	1,271,095	1,195,518
NSW Ministry of Health Capital Allocations **																				32,267	63,706	32,267	63,706
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	3,076	2,250	42	60	6,395	4,414	4,662	4,728	22,483	21,295	4,188	3,360	3,645	3,545	3,039	254	1,085	183	---	---	48,615	40,089	
Sale of Goods and Services	186	703	4	9	29,956	36,343	3,528	2,719	106,724	87,225	3,732	2,989	15,335	17,163	700	40	174	54	---	---	160,339	147,245	
Investment Revenue	9	24	---	---	352	478	62	62	1,214	1,213	61	57	390	265	1	2	4	2	---	---	2,093	2,103	
Grants and Contributions	1,047	1,153	507	508	18,129	11,426	254	379	---	3,078	321	91	7,307	13,845	4,228	3,577	4,916	2,736	---	---	36,709	36,793	
Other Revenue	24	47	1	1	923	921	245	122	3,533	2,344	175	112	1,018	510	3	4	9	4	---	---	5,931	4,065	
Total Revenue	4,342	4,177	554	578	55,756	53,582	8,751	8,010	133,954	115,155	8,477	6,609	27,695	35,328	7,971	3,877	6,188	2,979	1,303,362	1,259,224	1,557,049	1,489,519	
Gain / (Loss) on Disposal	(4)	(19)	(1)	---	(27)	(96)	(19)	(23)	(82)	(158)	(10)	(14)	(11)	(20)	(1)	(2)	(2)	(6)	---	---	(157)	(338)	
Other Gains / (Losses)	(3)	(1)	---	(1)	(418)	(24)	(49)	(3)	(1,488)	(58)	(52)	(1)	(214)	(17)	(10)	---	(2)	---	---	---	(2,236)	(105)	
Net Result	(61,982)	(71,421)	(1,829)	(1,783)	(164,882)	(202,571)	(148,150)	(138,840)	(684,339)	(615,575)	(124,080)	(109,852)	(114,422)	(74,683)	(8,013)	(14,603)	(9,956)	(14,290)	1,303,362	1,259,224	(14,290)	15,606	
Other Comprehensive Income																							
Increase/(Decrease) in Revaluation Surplus	497	---	17	---	3,034	---	2,168	---	9,286	---	1,132	---	1,292	---	60	---	196	---	---	---	---	17,682	
Total Other Comprehensive Income	497	---	17	---	3,034	---	2,168	---	9,286	---	1,132	---	1,292	---	60	---	196	---	---	---	---	17,682	
Total Comprehensive Income	(61,485)	(71,421)	(1,812)	(1,783)	(161,848)	(202,571)	(145,982)	(138,840)	(675,053)	(615,575)	(122,948)	(109,852)	(113,130)	(74,683)	(7,953)	(14,603)	(9,760)	(14,290)	1,303,362	1,259,224	3,392	15,606	

* 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 Western 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	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	2,879	3,056	102	96	9,561	10,361	6,810	5,942	35,461	29,562	5,753	4,712	6,161	4,450	694	748	701	689						
Receivables	40	181	1	3	6,367	9,358	750	700	22,684	22,463	793	770	3,259	4,420	149	10	37	14						
Inventories	80	105	4	4	849	835	382	324	2,182	1,852	197	165	295	189	33	43	23	13						
Non-Current Assets Held for Sale	28	62	1		172	240	123	106	525	450	64	73	54	61	7	11	11	18						
Total Current Assets	3,027	3,406	106	103	16,949	20,795	8,065	7,074	60,852	54,327	6,807	5,701	9,788	9,120	879	808	772	744						
Non-Current Assets																								
Receivables	1	6		2	235	322	28	24	898	773	29	26	121	152	6		1							
Property, Plant and Equipment																								
- Land and Buildings	31,856	69,667	1,117	1,465	194,424	270,479	136,927	121,562	595,125	506,827	72,554	60,280	82,778	68,512	3,862	7,448	12,583	20,042						
- Plant and Equipment	2,059	4,537	71	95	12,565	17,615	8,978	7,917	38,460	33,008	4,669	3,926	5,350	4,462	250	485	813	1,305						
- Infrastructure Systems	318	736	11	15	1,941	2,858	1,387	1,285	5,942	5,355	724	637	827	724	39	79	126	212						
- Leasehold Improvements	26		3		161		115		494		60		69		3		10							
Intangible Assets	14		1		88		63		269		33		37		2		6							
Total Non-Current Assets	34,274	74,946	1,203	1,577	209,414	291,274	149,498	130,786	641,129	545,953	78,089	64,859	89,192	73,850	4,162	8,012	13,539	21,559						
TOTAL ASSETS	37,301	78,352	1,311	1,680	226,363	312,069	157,563	137,862	707,981	600,290	84,896	70,570	98,970	82,970	5,041	8,820	14,311	22,303						
LIABILITIES																								
Current Liabilities																								
Payables	1,735	2,712	69	94	18,451	21,535	8,301	8,355	47,396	47,735	4,290	4,262	6,417	4,873	721	1,107	489	331						
Borrowings	201	180	7	6	668	611	476	351	2,476	1,744	402	278	430	263	48	44	49	41						
Provisions	6,707	7,724	366	334	21,375	26,072	19,400	18,679	91,809	80,520	17,943	15,580	16,492	12,409	2,152	2,388	2,109	2,143						
Other	26	19	1	2	85	65	60	37	314	186	51	30	55	28	6	5	6	4						
Total Current Liabilities	8,669	10,634	435	436	40,579	48,283	28,237	27,422	141,985	130,185	22,696	20,150	23,394	17,573	2,927	3,544	2,663	2,619						
Non-Current Liabilities																								
Borrowings	1,128	1,478	40	47	3,747	5,007	2,689	2,872	13,897	14,287	2,254	2,277	2,414	2,151	272	361	275	338						
Provisions	56	37			179	123	163	88	771	381	151	74	138	59	18	11	18	10						
Total Non-Current Liabilities	1,184	1,515	43	47	3,926	5,130	2,852	2,960	14,668	14,668	2,405	2,351	2,552	2,210	290	372	293	348						
TOTAL LIABILITIES	9,853	12,150	478	484	44,505	53,413	31,089	30,382	156,653	144,853	25,091	22,501	25,946	19,783	3,217	3,916	2,956	2,967						
NET ASSETS	27,448	66,202	833	1,196	181,858	258,656	126,474	107,480	545,318	455,437	59,805	48,069	73,024	63,187	1,824	4,904	11,355	19,436						

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

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

The SWSLHD 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 26), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The South Western Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SWSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SWSLHD 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 SWSLHD 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 11th September, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The SWSLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015, and the Treasurers' Directions. The financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ac).

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

The Secretary of Health, the Chair of South Western 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 SWSLHD'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 SWSLHD fails to meet Service Agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

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

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

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

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

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

Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

Significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.7% are applied to the value of leave payable at 30 June 2015 (comparable on-costs for 30 June 2014 were 16.5%). The SWSLHD has assessed the actuarial advice based on the SWSLHD'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.

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

ii) Long Service Leave and Superannuation

The SWSLHD'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 SWSLHD 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 SWSLHD 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.

iv) Other Provisions

Other provisions exist when the SWSLHD 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 SWSLHD'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.

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

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

High Cost Drugs

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

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents. The SWSLHD 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 SWSLHD 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 SWSLHD's right to receive payment is established.

Debt Forgiveness

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

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

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 SWSLHD 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 SWSLHD use in the advancement of the SWSLHD or individuals within it.

Use of Outside Facilities

The SWSLHD 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 SWSLHD 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 SWSLHD 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 of \$28.534m (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 SWSLHD 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.

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 SWSLHD 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.

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

g) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 2(z)).

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

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

Land and buildings which are owned by the Health Administration Corporation or the State and operated/occupied by the SWSLHD are deemed to be controlled by the SWSLHD 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 SWSLHD. 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%
Furniture, Fittings and Furnishings	5.0%	5.0%
Leasehold Improvements	33.0%	33.0%

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

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

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

j) Revaluation of Non-Current Assets

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 22 and Note 25 for further information regarding fair value.

The SWSLHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the SWSLHD was completed in the 2012/13 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.

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

k) Impairment of Property, Plant and Equipment

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

l) Restoration Costs

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

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

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

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

n) Investment Properties

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

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

o) Intangible Assets

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

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

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

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

p) Maintenance

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

q) Leased Assets

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

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

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

r) Inventories

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

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

s) Loans and Receivables

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

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

t) Investments

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

* The SWSLHD 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 SWSLHD's key management personnel.

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

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

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

The movement in the fair value of the T Corp Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

- * Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the SWSLHD 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 SWSLHD commits to purchase or sell the asset.

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

u) Impairment of financial assets

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

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

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

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

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

v) De-recognition of financial assets and financial liabilities

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

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

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

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

w) Payables

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

x) Borrowings

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

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

y) Fair Value Hierarchy

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

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

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

z) Equity Transfers

The transfer of net assets between entities is as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

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

aa) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

ab) Trust Funds

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

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

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

ac) Adjusted Budgeted Amounts

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

ad) Service Group Statements Allocation Methodology

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

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

In respect of assets and liabilities, the SWSLHD 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.

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

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

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2014-15 and have been applied for the first time as follows:

AASB 10 Consolidated Financial Statements, AASB 2011-7, and AASB 2013-8 Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014.

Following an assessment of the applicable new accounting standards mentioned above in relation to consolidation and joint arrangements, SWSLHD 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 SWSLHD as individual budgets are not presented in parliament. Refer note 2(ac) on how the SWSLHD derives its adjusted budgetary information.

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

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

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

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

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

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

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

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

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

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

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

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

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

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.

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		3. Employee Related		
		Employee related expenses comprise the following:		
----	----	Salaries and Wages	631,956	596,823
----	----	Overtime	32,659	32,219
----	----	Penalties	63,747	60,523
----	----	Superannuation - Defined Benefit Plans	7,822	8,192
----	----	Superannuation - Defined Contribution Plans	73,831	66,415
----	----	Long Service Leave	43,825	33,694
----	----	Annual Leave	86,587	84,594
----	----	Sick Leave and Other Leave	49,766	46,962
----	----	Redundancies	186	190
----	----	Workers' Compensation Insurance	11,615	20,243
----	----	Fringe Benefits Tax	128	213
-----	-----		<u>1,002,122</u>	<u>950,068</u>
		The following additional information is provided:		
----	----	Employee Related Expenses Capitalised - Land and Buildings	301	259
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
631,956	596,823	Salaries and Wages	----	----
32,659	32,219	Overtime	----	----
63,747	60,523	Penalties	----	----
73,831	66,415	Superannuation - Defined Contribution Plans	----	----
3,032	1,797	Long Service Leave	----	----
86,587	84,594	Annual Leave	----	----
49,766	46,962	Sick Leave and Other Leave	----	----
186	190	Redundancies	----	----
11,615	20,243	Workers' Compensation Insurance	----	----
128	213	Fringe Benefits Tax	----	----
<u>953,507</u>	<u>909,979</u>		<u>-----</u>	<u>-----</u>
		The following additional information is provided:		
301	259	Personnel Services Expenses Capitalised - Land and Buildings	----	----
		5. Other Operating Expenses		
378	413	Advertising	378	413
237	261	Auditor's Remuneration - Audit of Financial Statements	237	261
11,255	10,069	Blood and Blood Products	11,255	10,069
8	25	Consultancies - Capital Works	8	25
401	819	Consultancies - Other	401	819
2,396	2,773	Contractors	2,396	2,773
19,816	19,427	Domestic Supplies and Services	19,816	19,427
57,756	56,032	Drug Supplies	57,756	56,032
27,860	26,889	Food Supplies	27,860	26,889
10,605	12,912	Fuel, Light and Power	10,605	12,912
5,594	4,938	Hospital Ambulance Transport Costs	5,594	4,938
10,079	8,051	Information Management Expenses	10,079	8,051
1,715	1,764	Insurance	1,715	1,764
35,824	31,240	Maintenance (See (b) below)	35,824	31,240
88,853	80,957	Medical and Surgical Supplies	88,853	80,957
2,251	2,272	Motor Vehicle Expenses	2,251	2,272
2,510	2,463	Postal and Telephone Costs	2,510	2,463
3,647	3,853	Printing and Stationery	3,647	3,853
2,317	2,000	Rates and Charges	2,317	2,000
2,872	2,393	Rental	2,872	2,393
12,180	4,826	Hosted Services Purchased from Other NSW Health Entities	12,180	4,826
60,356	53,371	Special Service Departments	60,356	53,371
8,045	7,476	Staff Related Costs	8,045	7,476
5,191	5,713	Travel Related Costs	5,191	5,713
27,939	21,425	Other (See (a) below)	27,939	21,425
<u>400,085</u>	<u>362,362</u>		<u>400,085</u>	<u>362,362</u>

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		(a) Other Includes:		
11,355	6,570	Contract for Patient Services	11,355	6,570
3,516	3,060	Corporate Support Services	3,516	3,060
625	625	Courier and Freight	625	625
63	61	Isolated Patient Travel and Accommodation Assistance Scheme	63	61
402	214	Legal Services	402	214
290	203	Membership/Professional Fees	290	203
3,201	2,592	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	3,201	2,592
550	1,163	Other Operating Lease Expense - Minimum Lease Payments	550	1,163
184	47	Quality Assurance/Accreditation	184	47
3,601	2,764	Security Services	3,601	2,764
4,152	4,126	Other Miscellaneous	4,152	4,126
27,939	21,426		27,939	21,426
		(b) Reconciliation of Total Maintenance		
17,133	16,792	Maintenance Contracts	17,133	16,792
12,865	8,691	New/Replacement Equipment under \$10,000	12,865	8,691
5,824	5,752	Repairs Maintenance/Non Contract	5,824	5,752
2	5	Other	2	5
35,824	31,240	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	35,824	31,240
4,111	4,296	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	4,111	4,296
39,936	35,536	Total Maintenance Expenses	39,936	35,536

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
6. Depreciation and Amortisation				
38,504	37,643	Depreciation - Buildings	38,504	37,643
14,648	14,064	Depreciation - Plant and Equipment	14,648	14,064
333	334	Depreciation - Infrastructure Systems	333	334
9	-----	Amortisation - Intangible Assets	9	-----
<u>53,494</u>	<u>52,041</u>		<u>53,494</u>	<u>52,041</u>
7. Grants and Subsidies				
8,018	7,879	Non-Government Organisations	8,018	7,879
2,148	-----	Community Packages	2,148	-----
39	428	Grants to Research Organisations	39	428
3	-----	NSW Government Sector Grants	3	-----
392	568	Other Grants	392	568
<u>10,600</u>	<u>8,875</u>		<u>10,600</u>	<u>8,875</u>
8. Finance Costs				
2,466	2,421	Interest on Loans	2,466	2,421
<u>2,466</u>	<u>2,421</u>		<u>2,466</u>	<u>2,421</u>
9. Payments to Affiliated Health Organisations				
16,629	16,253	Recurrent Sourced	16,629	16,253
1,250	2,061	Braeside Hospital	1,250	2,061
5,626	5,620	Carrington Centennial Care	5,626	5,620
524	514	Karitane	524	514
4,505	4,464	South Western Sydney Scarba Service	4,505	4,464
<u>28,534</u>	<u>28,913</u>	STARTTS	<u>28,534</u>	<u>28,913</u>

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
545	862	Pharmacy Sales	545	862
3,859	2,592	Sale of Prosthesis	3,859	2,592
34	140	Other	34	140
(b) Rendering of Services comprise the following:-				
		Patient Fees		
57,663	49,579	- Inpatient Fees	57,663	49,579
193	233	- Nursing Home Fees	193	233
2,118	1,203	- Non Inpatient Fees	2,118	1,203
19,543	25,381	Department of Veterans' Affairs	19,543	25,381
100	121	Staff-Meals and Accommodation	100	121
16,934	14,088	Infrastructure Fees - Monthly Facility Charge	16,934	14,088
10,910	5,737	- Annual Charge	10,910	5,737
1,125	1,162	Cafeteria/Kiosk	1,125	1,162
6,947	3,330	Car Parking	6,947	3,330
1,760	1,581	Child Care Fees	1,760	1,581
289	164	Clinical Services (excluding Clinical Drug Trials)	289	164
1,358	552	Commercial Activities	1,358	552
223	201	Fees for Medical Records	223	201
32	42	Information Retrieval	32	42
23,383	24,307	High Cost Drugs	23,383	24,307
----	18	Linen Service Revenues - Other Health Services	----	18
10,835	14,026	Motor Accident Authority Third Party	10,835	14,026
48	----	Patient Transport Fees	48	----
246	167	Private Use of Motor Vehicles	246	167
718	638	Salary Packaging Fee	718	638
520	519	Services Provided to Non NSW Health Organisations	520	519
398	2	Shared Corporate Services	398	2
67	45	Multi Purpose Service Centre Fees	67	45
491	555	Other	491	555
160,339	147,245		160,339	147,245
11. Investment Revenue				
2,093	2,103	Interest	2,093	2,103
2,093	2,103		2,093	2,103

South Western 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
12. Grants and Contributions				
1,674	2,030	Clinical Drug Trials	1,674	2,030
14,120	21,519	Commonwealth Government Grants	14,120	21,519
647	474	Commonwealth Teaching Hospital Grants	647	474
2,086	2,586	Industry Contributions/Donations	2,086	2,586
6,587	2,875	Cancer Institute Grants	6,587	2,875
3,576	3,487	NSW Government Grants	3,576	3,487
3,854	432	Grants from Other NSW Health Entities	3,854	432
653	683	Research Grants	653	683
3,512	2,707	Other Grants	3,512	2,707
<u>36,709</u>	<u>36,793</u>		<u>36,709</u>	<u>36,793</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	7,822	8,192
-----	-----	Long Service Leave	40,793	31,897
<u>-----</u>	<u>-----</u>		<u>48,615</u>	<u>40,089</u>
14. Other Revenue				
Other Revenue comprises the following:-				
1	22	Bad Debts Recovered	1	22
549	557	Commissions	549	557
1,796	1,016	Conference and Training Fees	1,796	1,016
-----	163	Discounts	-----	163
61	66	Insurance Refunds	61	66
1,361	1,036	Lease and Rental Income	1,361	1,036
-----	2	Sale of Merchandise, Old Wares and Books	-----	2
249	202	Sponsorship Income	249	202
973	-----	Treasury Managed Fund Hindsight Adjustment	973	-----
21	38	Unclaimed Deposits	21	38
920	963	Other	920	963
<u>5,931</u>	<u>4,065</u>		<u>5,931</u>	<u>4,065</u>

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		15. Gain / (Loss) on Disposal		
9,670	8,077	Property, Plant and Equipment	9,670	8,077
<u>9,448</u>	<u>7,729</u>	Less: Accumulated Depreciation	<u>9,448</u>	<u>7,729</u>
222	348	Written Down Value	222	348
65	10	Less: Proceeds from Disposal	65	10
<u>(157)</u>	<u>(338)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(157)</u>	<u>(338)</u>
<u>(157)</u>	<u>(338)</u>	Total Gain/(Loss) on Disposal	<u>(157)</u>	<u>(338)</u>
		16. Other Gains / (Losses)		
(2,236)	(105)	Impairment of Receivables	(2,236)	(105)
<u>(2,236)</u>	<u>(105)</u>		<u>(2,236)</u>	<u>(105)</u>

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

PARENT & CONSOLIDATION

17. Conditions on Contributions

	Health Promotion, Education and Research	Other	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	4,403	15,412	19,815
Contributions recognised in previous years which were not expended in the current reporting period	11,416	21,428	32,844
Total amount of unexpended contributions as at reporting date	<u>15,819</u>	<u>36,840</u>	<u>52,659</u>

Comment on restricted assets appears in Note 26

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

18. Service Groups of the SWSLHD

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.

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

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.

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		19. Cash and Cash Equivalents		
31,000	18,625	Cash at Bank and On Hand	31,000	18,625
<u>37,122</u>	<u>41,003</u>	Short Term Deposits	<u>37,122</u>	<u>41,003</u>
<u>68,122</u>	<u>59,628</u>		<u>68,122</u>	<u>59,628</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>68,122</u>	<u>59,628</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>68,122</u>	<u>59,628</u>
<u>68,122</u>	<u>59,628</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>68,122</u>	<u>59,628</u>

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

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		20. Receivables		
		Current		
19,493	19,282	Sale of Goods and Services	19,493	19,282
4,182	6,682	Intra Health Receivables	4,182	6,682
3,894	4,106	Goods and Services Tax	3,894	4,106
6,096	8,628	Other Debtors	6,096	8,628
<u>33,665</u>	<u>38,698</u>	Sub Total	<u>33,665</u>	<u>38,698</u>
(2,411)	(2,741)	Less Allowance for Impairment	(2,411)	(2,741)
31,254	35,957	Sub Total	31,254	35,957
2,826	1,963	Prepayments	2,826	1,963
<u>34,080</u>	<u>37,920</u>		<u>34,080</u>	<u>37,920</u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(2,399)	(3,733)	Balance at Commencement of Reporting Period	(2,399)	(3,733)
2,289	1,334	Amounts written off during the period	2,289	1,334
(2,123)	-----	(Increase)/decrease in Allowance Recognised in the Net Result	(2,123)	-----
<u>(2,233)</u>	<u>(2,399)</u>	Balance at 30 June	<u>(2,233)</u>	<u>(2,399)</u>
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(342)	(454)	Balance at Commencement of Reporting Period	(342)	(454)
277	217	Amounts written off during the period	277	217
(113)	(105)	(Increase)/decrease in Allowance Recognised in the Net Result	(113)	(105)
<u>(178)</u>	<u>(342)</u>	Balance at 30 June	<u>(178)</u>	<u>(342)</u>
<u>(2,411)</u>	<u>(2,741)</u>		<u>(2,411)</u>	<u>(2,741)</u>
		Non-Current		
1,260	1,305	Prepayments	1,260	1,305
<u>1,260</u>	<u>1,305</u>		<u>1,260</u>	<u>1,305</u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
3,134	2,029	Patient Fees - Compensable	3,134	2,029
4,874	4,368	Patient Fees - Ineligible	4,874	4,368
8,008	8,523	Patient Fees - Inpatient & Other	8,008	8,523
<u>16,016</u>	<u>14,920</u>		<u>16,016</u>	<u>14,920</u>

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

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
21. Inventories				
3,837	3,331	Drugs	3,837	3,331
118	131	Medical and Surgical Supplies	118	131
90	68	Engineering Supplies	90	68
<u>4,045</u>	<u>3,530</u>		<u>4,045</u>	<u>3,530</u>

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,750,300	1,704,850	Gross Carrying Amount	1,750,300	1,704,850
617,074	578,568	Less: Accumulated Depreciation and Impairment	617,074	578,568
1,133,226	1,126,282	Net Carrying Amount	1,133,226	1,126,282
Plant and Equipment - Fair Value*				
177,932	172,847	Gross Carrying Amount	177,932	172,847
104,697	99,497	Less: Accumulated Depreciation and Impairment	104,697	99,497
73,235	73,350	Net Carrying Amount	73,235	73,350
Infrastructure Systems - Fair Value				
13,312	13,567	Gross Carrying Amount	13,312	13,567
1,997	1,666	Less: Accumulated Depreciation and Impairment	1,997	1,666
11,315	11,901	Net Carrying Amount	11,315	11,901
Leasehold Improvements - Fair Value*				
941	-----	Gross Carrying Amount	941	-----
941	-----	Net Carrying Amount	941	-----
1,218,717	1,211,533	Total Property, Plant and Equipment At Net Carrying Amount	1,218,717	1,211,533

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

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	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Net Carrying Amount at Start of Year	93,488	1,032,794	73,350	11,901	---	1,211,533
Additions	---	27,512	13,253	---	941	41,706
Disposals	---	---	(222)	---	---	(222)
Transfers to NSW Health Entities through Statement of Comprehensive Income	---	---	1,503	---	---	1,503
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	17,682	---	---	---	---	17,682
Depreciation Expense	---	(38,504)	(14,648)	(333)	---	(53,485)
Reclassifications	---	254	(1)	(253)	---	---
Net Carrying Amount at End of Year	111,170	1,022,056	73,235	11,315	941	1,218,717

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2014						
Net Carrying Amount at Start of Year	94,488	1,006,593	73,762	11,991	---	1,186,834
Additions	---	63,751	13,182	---	---	76,933
Recognition of Assets Held for Sale	(1,000)	---	---	---	---	(1,000)
Disposals	---	(6)	(342)	---	---	(348)
Administrative Restructures - Transfers In/(Out)	---	---	1,155	---	---	1,155
Depreciation Expense	---	(37,643)	(14,064)	(334)	---	(52,041)
Reclassifications	---	99	(343)	244	---	---
Net Carrying Amount at End of Year	93,488	1,032,794	73,350	11,901	0	1,211,533

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

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

The following table details the indices applied to Non Current Assets as determined by Liquid Pacific Holdings P/L for Land, Buildings and Infrastructure :

Year	Land	Buildings	Infrastructure Systems
2013/14	0%	0%	0%
2014/15	19%	0%	0%

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		23. Intangible Assets		
		Intangibles		
522	-----	Cost (Gross Carrying Amount)	522	-----
9	-----	Less Accumulated Amortisation and Impairment	9	-----
513	-----	Net Carrying Amount	513	-----
513	-----	Total Intangible Assets at Net Carrying Amount	513	-----

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

PARENT & CONSOLIDATION

23. Intangibles - Reconciliation

	Intangibles \$000
2015	
Net Carrying Amount at Start of Year	-----
Additions (From Internal Development or Acquired Separately)	522
Amortisation (Recognised in Depreciation and Amortisation)	(9)
Net Carrying Amount at End of Year	513
	Intangibles \$000
2014	
Net Carrying Amount at Start of Year	-----
Net Carrying Amount at End of Year	-----

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
24. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
1,000	1,000	Land and Buildings	1,000	1,000
<u>1,000</u>	<u>1,000</u>		<u>1,000</u>	<u>1,000</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.

The Asset Held for Sale property is the Land and Building of the Community Health Centre, located at 28 Cordeaux Street, Campbelltown and in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations, measurement is at the lower of the carrying amount and its fair value less costs to sell.

Sale proceeds from the auction on the 27th August, 2015, were \$4.17m, with a settlement date on the 8th October, 2015.

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

PARENT & CONSOLIDATION

25. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	26,036	950,769	976,805
- Infrastructure Systems	----	----	11,315	11,315
Non-Current Assets (or Disposal Groups) Held for Sale (Note 24)	----	1,000	----	1,000
	-----	-----	-----	-----
	-----	27,036	962,084	989,120

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

2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 22)				
- Land and Buildings	----	26,809	968,997	995,806
- Infrastructure Systems	----	----	11,901	11,901
Non-Current Assets (or Disposal Groups) Held for Sale (Note 24)	----	1,000	----	1,000
	-----	-----	-----	-----
	-----	27,809	980,898	1,008,707

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

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

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the SWSLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Liquid Pacific Holdings P/L for the 2012/13 financial year. Liquid Pacific Holdings P/L is an independent entity and is not an employee of the SWSLHD.

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

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

The 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 fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

Level 3 significant valuation inputs and relationship to fair value:

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

Assets	Valuation Technique	Significant Unobservable Inputs	Relationship between unobservable inputs and fair value measurement
Land	Market approach: this valuation method involves comparing the subject property to comparable sale prices in similar location on a rate per square metre basis, adjusted for restrictions specific for the property (e.g. mandated use and/or zoning)	<ul style="list-style-type: none"> ▪ 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 Western Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

PARENT & CONSOLIDATION

25. 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	968,997	11,901	980,898
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	17,682	-----	17,682
Depreciation	(35,910)	(333)	(36,243)
Other - Reclassification	-----	(253)	(253)
Fair value as at 30 June 2015	<u><u>950,769</u></u>	<u><u>11,315</u></u>	<u><u>962,084</u></u>

The reclassification from Infrastructure Systems to Buildings is comprised of the Hoxton Park Carpark \$0.243m and Opening Infrastructure WIP balances \$0.010m. The Hoxton Park Carpark is measured at cost and is not included as part of the Fair Value disclosures.

2014	Land and Buildings \$000	Infrastructure Systems \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	1,005,913	11,991	1,017,904
Disposals	(6)	-----	(6)
Depreciation	(35,910)	(334)	(36,244)
Other - Reclassification	(1,000)	244	(756)
Fair value as at 30 June 2014	<u><u>968,997</u></u>	<u><u>11,901</u></u>	<u><u>980,898</u></u>

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

PARENT

CONSOLIDATION

**2015
\$000**

**2014
\$000**

**2015
\$000**

**2014
\$000**

26. Restricted Assets

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

Category

13,137	12,313	Specific Purposes	13,137	12,313
11,014	11,147	Research Grants	11,014	11,147
22,717	18,120	Private Practice Funds	22,717	18,120
987	1,034	Other - Clinical Services	987	1,034
3,355	2,948	Other - Community Services	3,355	2,948
1,449	1,536	Other - Nursing Services	1,449	1,536
<hr/>				
52,659	47,099		52,659	47,099

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		27. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	26,590	23,307
-----	-----	Taxation and Payroll Deductions	5,567	5,008
32,157	28,315	Accrued Liability - Purchase of Personnel Services	-----	-----
30,058	30,395	Creditors	30,058	30,395
		Other Creditors		
10,675	16,468	- Intra Health Liability	10,675	16,468
14,989	15,826	- Other	14,989	15,826
-----	-----	- Goods and Services Tax	-----	-----
87,879	91,004		87,879	91,004

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

		28. Borrowings		
		Current		
4,757	3,518	Other Loans and Deposits	4,757	3,518
4,757	3,518		4,757	3,518
		Non-Current		
26,696	28,818	Other Loans and Deposits	26,696	28,818
26,696	28,818		26,696	28,818

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

Final Repayment is scheduled for 30th June, 2019 for the EEGP Fairfield Utilities Upgrade loan and 25th June, 2024 for the Liverpool Carpark loan.

These loans still to be extinguished represent monies to be repaid to the NSW Ministry of Health.

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

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
29. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	86,808	79,033
----	----	Annual Leave - Long Term Benefit	74,327	71,925
----	----	Long Service Leave Consequential On-Costs	17,210	14,891
178,345	165,849	Provision for Personnel Services Liability	----	----
178,345	165,849	Total Current Provisions	178,345	165,849
Non-Current				
----	----	Long Service Leave Consequential On-Costs	1,497	784
1,497	784	Provision for Personnel Services Liability	----	----
1,497	784	Total Non-Current Provisions	1,497	784
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	178,345	165,849
----	----	Provisions - Non-Current	1,497	784
----	----	Accrued Salaries, Wages and On-Costs (Note 27)	32,157	28,315
211,999	194,948	Liability - Purchase of Personnel Services	----	----
211,999	194,948		211,999	194,948
30. Other Liabilities				
Current				
604	376	Income in Advance	604	376
604	376		604	376

Income in Advance in 2014/15 comprises prepaid patient accounts of \$0.214m, i.e. deferred Patient Fees revenue. This compares to \$0.376m in 2013/14.

In Aug-14, \$0.425m funding was received from the University of Wollongong to assist in the establishment of an education and training facility at Bowral Hospital. Under the terms of contract the funding was treated as Income in Advance, i.e. deferred rental income over 10 years for the right of University of Wollongong staff to occupy the building. As at 30-Jun-15 \$0.035m revenue has been recognised, leaving a balance of \$0.390m

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$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:		
1,523	22,555	Not later than one year	1,523	22,555
72	1,285	Later than one year and not later than five years	72	1,285
<u>1,595</u>	<u>23,840</u>	Total Capital Expenditure Commitments (Including GST)	<u>1,595</u>	<u>23,840</u>
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
3,619	3,167	Not later than one year	3,619	3,167
5,304	3,984	Later than one year and not later than five years	5,304	3,984
----	92	Later than five years	----	92
<u>8,923</u>	<u>7,243</u>	Total Operating Lease Commitments (Including GST)	<u>8,923</u>	<u>7,243</u>

The operating lease commitments above represent leases for motor vehicles and medical equipment. The lessor in these arrangements is StateFleet Government Services and Leasing Pty Limited respectively.

(c) **Contingent Asset Related to Commitments for Expenditure**

The total of 'Commitments for Expenditure' above, i.e. \$10.518m million as at 30 June 2015 includes input tax credits of \$0.956m that are expected to be recoverable from the Australian Taxation Office (2014 \$0.658m).

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

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 SWSLHD will be paid in 2015/16. It is not possible for the SWSLHD to reliably quantify the benefit to be received or amount payable.

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

PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
34. Reconciliation of Cash Flows from Operating Activities to Net Result				
53,042	81,852	Net Cash Flows from Operating Activities	53,042	81,852
(53,494)	(52,041)	Depreciation	(53,494)	(52,041)
(2,236)	(105)	Allowance for Impairment	(2,236)	(105)
(227)	7,820	(Increase)/ Decrease Income in Advance	(227)	7,820
(13,209)	(15,107)	(Increase)/ Decrease in Provisions	(13,209)	(15,107)
(973)	(4,372)	Increase / (Decrease) in Prepayments and Other Assets	(973)	(4,372)
2,964	(2,103)	(Increase)/ Decrease in Payables from Operating Activities	2,964	(2,103)
(157)	(338)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(157)	(338)
(14,290)	15,606	Net Result	(14,290)	15,606

35. 2014/15 Voluntary Services

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

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

36. 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 SWSLHD 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 SWSLHD.

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.

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

PARENT AND CONSOLIDATION

37. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$5 million, primarily due to:

Revenue favourability was due to the Annual Facility charge rollover from the Uncontrolled Custodial No. 1 account to the Controlled Special Purpose No. 2 account of \$5.9m, plus the invoicing to eHealth for the ICT Wireless Projects of \$0.9m and the implementation of eMR2 project worth \$0.5m. This was offset by unfavourability in Employee Related Expenditure, (primarily Annual Leave Provision of \$2.3m).

Assets and Liabilities

The actual net assets for the SWSLHD are higher than budgeted net assets by \$22.6 million.

Total assets are higher than budget by \$24.7 million, predominantly due to land and buildings being higher than budget by \$22.3 million.

Total liabilities are higher than budget by \$2.1 million, mainly due to current liabilities being higher than budget by \$6.7 million, which is mostly offset by non current liabilities being lower than budget by \$4.6 million.

Cash Flows

The variance of \$10.9 million between the actual and budgeted cash flows is mainly due to the under-budgeted cash inflows of \$11.1 million from operating activities. Cash inflows from financing activities were under budget by \$3.3 million, whilst cash outflows from investing activities were under budget by \$3.1 million.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 26 August, 2014 are as follows:

	\$000
Initial Allocation, 26/08/14	1,166,595
Growth & Escalation	44,121
Employee Award Changes: health services and medical staff	24,356
General Escalation	7,275
Special Projects:	
Inter District Agreement, SWS and Syd LHDs	10,756
Superannuation Defined Benefit Scheme	4,481
New Initiatives & Projects	4,367
PAYG Tax Budget Adjustment	3,650
Liverpool Car Park Loan	3,500
Nurse/ Midwife Strategy	1,561
Drug Health Projects	537
Aboriginal Health Projects	385
Mental Health Projects	306
Balance as per Statement of Comprehensive Income	1,271,890

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

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

Equity transfers effected in the 2013/14 year were:

An increase in net assets of \$2.199m relating to the transfer from Sydney Local Health District of the final split of the HRTOW bank balance of \$1.044m and transfer of the BreastScreen Service Plant and Equipment of \$1.155m.

Nil equity transfers were effected in 2014/15.

	2015	2014
	\$000	\$000
Equity transfers effected comprised:		
Sydney Local Health District	-----	2,199
	-----	2,199
Assets and Liabilities transferred are as follows:		
	2015	2014
	\$000	\$000
Assets		
Cash	-----	1,044
Plant and Equipment	-----	1,155
Total Assets	-----	2,199
Liabilities		
Total Liabilities	-----	-----
Increase/(Decrease) in Net Assets From Equity Transfers	-----	2,199

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

39. Financial Instruments

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

The SWSLHD's main risks arising from financial instruments are outlined below, together with the SWSLHD'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 SWSLHD, 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	68,122	59,628
Receivables (note 20)*	Loans and receivables (at amortised cost)	27,360	31,851
Total Financial Assets		<u>95,482</u>	<u>91,479</u>
Financial Liabilities			
Borrowings (note 28)	Financial liabilities	31,453	32,336
Payables (note 27)**	measured at amortised cost	82,312	85,996
Total Financial Liabilities		<u>113,765</u>	<u>118,332</u>

Notes

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

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

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

(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 SWSLHD. 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 SWSLHD, including cash, receivables and authority deposits. No collateral is held by the SWSLHD. The SWSLHD has not granted any financial guarantees.

Credit risk associated with the SWSLHD'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 2.96% in 2014/15 compared to 3.06% 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 SWSLHD 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 SWSLHD 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: \$26.706m; 2014: \$29.322m) and not more than 3 months past due (2015: \$3.219m; 2014: \$4.378m) are not considered impaired. Together these represent 89% 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 SWSLHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2015	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	3,219	3,219	-----
3 months - 6 months overdue	1,584	1,194	390
> 6 months overdue	2,156	135	2,021
2014			
<3 months overdue	4,378	4,378	-----
3 months - 6 months overdue	2,332	1,660	672
> 6 months overdue	2,665	596	2,069

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.

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

Authority Deposits

The SWSLHD 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 2.09% (2014 - 3.03%), while over the year the weighted average interest rate was 2.75% (2014 - 2.92%) on a weighted average balance during the year of \$37.122m (2014 - \$41.003m). None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the SWSLHD will be unable to meet its payment obligations when they fall due. The SWSLHD 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 SWSLHD 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 SWSLHD 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 SWSLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

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

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

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

The table below summarises the maturity profile of the SWSLHD's financial liabilities together with the interest rate exposure.

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

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	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		26,590	---	---	26,590	26,590	---	---
- Creditors		55,722	---	---	55,722	55,722	---	---
Borrowings:								
- Loans and Deposits	7.74%	31,237	31,237	---	---	4,700	20,000	18,685
- Other (Energy Efficient Government Program Loan - Fairfield Utilities Upgrade)	2.51%	216	216	---	---	57	172	---
		<u>113,765</u>	<u>31,453</u>	<u>---</u>	<u>82,312</u>	<u>87,069</u>	<u>20,172</u>	<u>18,685</u>
2014								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		23,307	---	---	23,307	23,307	---	---
- Creditors		62,689	---	---	62,689	62,689	---	---
Borrowings:								
- Loans and Deposits	7.74%	32,269	32,269	---	---	3,500	20,974	21,095
- Other (Birralee Childcare Centre Loan)	0.00%	67	---	---	67	18	49	---
		<u>118,332</u>	<u>32,269</u>	<u>---</u>	<u>86,063</u>	<u>89,514</u>	<u>21,023</u>	<u>21,095</u>

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the SWSLHD 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 Western Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

(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 SWSLHD's exposures to market risk are primarily through interest rate risk on the SWSLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The SWSLHD 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 SWSLHD 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 SWSLHD's interest bearing liabilities.

However, the SWSLHD 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 SWSLHD 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.

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

The SWSLHD'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	68,122	(681)	(681)	681	681
Receivables	27,360	----	----	----	----
Financial Liabilities					
Payables	82,312	----	----	----	----
Borrowings	31,453	315	315	(315)	(315)
2014					
Financial Assets					
Cash and Cash Equivalents	59,628	(596)	(596)	596	596
Receivables	31,851	----	----	----	----
Financial Liabilities					
Payables	85,996	----	----	----	----
Borrowings	32,336	323	323	(323)	(323)

40. Events after the Reporting Period

The contractual arrangement between SWSLHD and Ingham Institute for Applied Medical Research is to be signed in 2015/16. The accounting treatment for this arrangement has yet to be finalised.

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

END OF AUDITED FINANCIAL STATEMENTS