



INDEPENDENT AUDITOR'S REPORT

Justice Health and Forensic Mental Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Justice Health and Forensic Mental Health Network (the Network), 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, the service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity as at 30 June 2015, and of its 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(x). The Note states that AASB 1055 'Budgetary Reporting' is not applicable to the Network. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the Network's financial statements presented 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 Network'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 Network's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

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

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



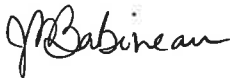
Renee Meimaroglou
Director Financial Audit Services

21 September 2015
SYDNEY

**Justice Health and Forensic Mental Health Network
Certification of the Financial Statements
for the year ended 30 June 2015**

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

- 1) The financial statements of the Justice Health and Forensic Mental Health Network 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 Justice Health and Forensic Mental Health Network; and
- 3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Julie Babineau
Chief Executive
17 September 2015



Christopher Puplick
Chair

Justice Health and Forensic Mental Health Network
Statement of Comprehensive Income for the year ended 30 June 2015

PARENT			CONSOLIDATION					
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual	
2015	2015	2014			2015	2015	2014	
\$000	\$000	\$000			\$000	\$000	\$000	
			Expenses excluding losses					
			Operating Expenses					
-----	-----	-----	Employee Related	3	144,689	144,315	137,339	
138,047	137,617	130,688	Personnel Services	4	-----	-----	-----	
7,409	8,190	7,430	Visiting Medical Officers		7,409	8,190	7,430	
33,548	31,826	31,819	Other Operating Expenses	5	33,548	31,826	31,819	
4,719	4,858	3,614	Depreciation and Amortisation	2(h), 6	4,719	4,858	3,614	
243	224	224	Grants and Subsidies	7	243	224	224	
5,336	5,336	5,434	Finance Costs	8	5,336	5,336	5,434	
189,302	188,051	179,209	Total Expenses excluding losses		195,944	194,749	185,860	
			Revenue					
176,956	176,984	170,184	NSW Ministry of Health Recurrent Allocations	2(d)	176,956	176,984	170,184	
3,221	3,285	3,785	NSW Ministry of Health Capital Allocations	2(d)	3,221	3,285	3,785	
-----	-----	-----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 12	6,642	6,698	6,651	
6,094	5,093	7,132	Sale of Goods and Services	9	6,094	5,093	7,132	
1,191	190	1,213	Investment Revenue	10	1,191	190	1,213	
459	103	938	Grants and Contributions	11	459	103	938	
4,486	325	749	Other Revenue	13	4,486	325	749	
192,407	185,980	184,001	Total Revenue		199,049	192,678	190,652	
(31)	-----	(91)	Gain / (Loss) on Disposal	14	(31)	-----	(91)	
(275)	-----	(194)	Other Gains / (Losses)	15	(275)	-----	(194)	
2,799	(2,071)	4,507	Net Result	30	2,799	(2,071)	4,507	
			Other Comprehensive Income					
			Items that will not be reclassified to net result					
		3,356	Net Increase/(Decrease) in Property, Plant & Equipment Revaluation Surplus	20	-----	-----	3,356	
-----	-----	3,356	Total Other Comprehensive Income		-----	-----	3,356	
2,799	(2,071)	7,863	TOTAL COMPREHENSIVE INCOME		2,799	(2,071)	7,863	

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
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						
35,138	32,491	33,389	17	35,138	32,491	33,389
3,430	3,092	3,095	18	3,430	3,092	3,095
1,136	243	243	19	1,136	243	243
<u>39,704</u>	<u>35,826</u>	<u>36,727</u>		<u>39,704</u>	<u>35,826</u>	<u>36,727</u>
39,704	35,826	36,727		39,704	35,826	36,727
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
100,639	101,427	103,189	20	100,639	101,427	103,189
3,414	1,950	3,385	20	3,414	1,950	3,385
3,436	3,300	3,300	20	3,436	3,300	3,300
<u>107,489</u>	<u>106,677</u>	<u>109,874</u>		<u>107,489</u>	<u>106,677</u>	<u>109,874</u>
4,518	5,146	5,145	21	4,518	5,146	5,145
<u>112,007</u>	<u>111,823</u>	<u>115,019</u>		<u>112,007</u>	<u>111,823</u>	<u>115,019</u>
151,711	147,649	151,746		151,711	147,649	151,746
LIABILITIES						
Current Liabilities						
12,943	13,612	14,526	23	12,943	13,612	14,526
1,464	1,464	1,324	24	1,464	1,464	1,324
18,162	18,343	18,081	25	18,162	18,343	18,081
61	19	160	26	61	19	160
<u>32,630</u>	<u>33,438</u>	<u>34,091</u>		<u>32,630</u>	<u>33,438</u>	<u>34,091</u>
Total Current Liabilities						
Non-Current Liabilities						
76,986	76,987	78,451	24	76,986	76,987	78,451
198	198	106	25	198	198	106
<u>77,184</u>	<u>77,185</u>	<u>78,557</u>		<u>77,184</u>	<u>77,185</u>	<u>78,557</u>
109,814	110,623	112,648		109,814	110,623	112,648
Total Liabilities						
41,897	37,026	39,098		41,897	37,026	39,098
Net Assets						
EQUITY						
17,985	17,985	17,985		17,985	17,985	17,985
23,912	19,041	21,113		23,912	19,041	21,113
<u>41,897</u>	<u>37,026</u>	<u>39,098</u>		<u>41,897</u>	<u>37,026</u>	<u>39,098</u>
Total Equity						

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Changes in Equity for the year ended 30 June 2015

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
Balance at 1 July 2014		21,113	17,985	----	39,098
Total Equity at 1 July 2014		21,113	17,985	----	39,098
Net Result for the year		2,799	----	----	2,799
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	----	----	----
Total Other Comprehensive Income		----	----	----	----
Total Comprehensive Income for the year		2,799	----	----	2,799
Balance at 30 June 2015		23,912	17,985	----	41,897
Balance at 1 July 2013		16,606	14,629	----	31,235
Total Equity at 1 July 2013		16,606	14,629	----	31,235
Net Result for the year		4,507	----	----	4,507
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	3,356	----	3,356
Total Other Comprehensive Income		----	3,356	----	3,356
Total Comprehensive Income for the year		4,507	3,356	----	7,863
Balance at 30 June 2014		21,113	17,985	----	39,098

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Statement of Cash Flows for the year ended 30 June 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
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
—	—	—				
(251)	(231)	(254)		(141,035)	(140,644)	(131,049)
(5,336)	(5,336)	(5,433)		(251)	(231)	(254)
(185,226)	(181,746)	(177,661)		(5,336)	(5,336)	(5,433)
				(44,191)	(41,102)	(46,612)
<u>(190,813)</u>	<u>(187,313)</u>	<u>(183,348)</u>		<u>(190,813)</u>	<u>(187,313)</u>	<u>(183,348)</u>
Receipts						
176,956	176,984	170,184		176,956	176,984	170,184
3,222	3,283	3,783		3,222	3,283	3,783
2,327	2,327	1,788		2,327	2,327	1,788
5,805	5,109	7,147		5,805	5,109	7,147
1,191	190	1,213		1,191	190	1,213
467	111	1,542		467	111	1,542
5,655	1,432	5,611		5,655	1,432	5,611
<u>195,623</u>	<u>189,436</u>	<u>191,268</u>		<u>195,623</u>	<u>189,436</u>	<u>191,268</u>
4,810	2,123	7,920		4,810	2,123	7,920
NET CASH FLOWS FROM OPERATING ACTIVITIES						
30						
CASH FLOWS FROM INVESTING ACTIVITIES						
152	—	669		152	—	669
(1,889)	(1,698)	(4,395)		(1,889)	(1,698)	(4,395)
<u>(1,737)</u>	<u>(1,698)</u>	<u>(3,726)</u>		<u>(1,737)</u>	<u>(1,698)</u>	<u>(3,726)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
CASH FLOWS FROM FINANCING ACTIVITIES						
(1,324)	(1,323)	(1,197)		(1,324)	(1,323)	(1,197)
<u>(1,324)</u>	<u>(1,323)</u>	<u>(1,197)</u>		<u>(1,324)</u>	<u>(1,323)</u>	<u>(1,197)</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES						
1,749	(898)	2,997		1,749	(898)	2,997
33,389	33,389	30,392		33,389	33,389	30,392
<u>35,138</u>	<u>32,491</u>	<u>33,389</u>		<u>35,138</u>	<u>32,491</u>	<u>33,389</u>
CLOSING CASH AND CASH EQUIVALENTS						
17						

The accompanying notes form part of these financial statements.

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

1. The Reporting Entity

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control.
- * The Justice Health and Forensic Mental Health Network Special Purpose Service Entity which was established as a Division of the Network on 30 March 2012 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, 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 Network is a not-for-profit entity (as profit is not its principal objective).

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

These consolidated financial statements for the year ended 30 June 2015 have been authorised for issue by the Chief Executive on 17 September 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

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

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

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

ii) Long Service Leave and Superannuation

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

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

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

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 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 Network has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Justice Health and Forensic Mental Health Network
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 Network transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

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

Patient Fees

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

High Cost Drugs

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

Investment Revenue

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

Debt Forgiveness

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

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

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

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

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

f) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 2(0)).

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

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

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

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

	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%
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%

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

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

i) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 15-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

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

The Network revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the Network was completed on 31 December 2014 and was based on an independent assessment which resulted in no change to the valuation.

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

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j) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value 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.

k) Restoration Costs

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

l) Intangible Assets

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

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

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

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

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

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

m) 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.

n) 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.

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o) 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.

p) 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.

q) 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.

r) De-recognition of financial assets and financial liabilities

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

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

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

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

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s) Payables

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

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

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

t) 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.

u) Fair Value Hierarchy

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

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

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

Refer Note 33 and Note 22 for further disclosures regarding fair value measurements of financial and non-financial assets.

v) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

(iii) Separate Reserves

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

Justice Health and Forensic Mental Health Network
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w) Trust Funds

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

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

Justice Health and Forensic Mental Health Network
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x) 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 Network'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 Network's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the Network 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".

y) Service Group Statements Allocation Methodology

Service group definitions are based and allocated on methodology determined by the Independent Hospital Pricing Authority, refer note 16.

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 Network 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.

z) 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, Network 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 Network as individual budgets are not presented in parliament. Refer note 2(x) on how the Network derives its adjusted budgetary information.

Justice Health and Forensic Mental Health Network
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(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.

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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.

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
3. Employee Related				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	91,087	84,366
----	----	Overtime	5,415	5,361
----	----	Penalties	8,302	7,959
----	----	Superannuation - Defined Benefit Plans	921	1,025
----	----	Superannuation - Defined Contribution Plans	10,845	9,924
----	----	Long Service Leave	6,074	6,078
----	----	Annual Leave	10,957	11,247
----	----	Sick Leave and Other Leave	9,219	8,679
----	----	Redundancies	112	32
----	----	Workers' Compensation Insurance	1,717	2,699
----	----	Fringe Benefits Tax	40	(31)
-----	-----		144,689	137,339
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
91,087	84,366	Salaries and Wages	----	----
5,415	5,361	Overtime	----	----
8,302	7,959	Penalties	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
10,845	9,924	Superannuation - Defined Contribution Plans	----	----
353	452	Long Service Leave	----	----
10,957	11,247	Annual Leave	----	----
9,219	8,679	Sick Leave and Other Leave	----	----
112	32	Redundancies	----	----
1,717	2,699	Workers' Compensation Insurance	----	----
40	(31)	Fringe Benefits Tax	----	----
-----	-----		-----	-----
138,047	130,688		-----	-----
5. Other Operating Expenses				
100	74	Advertising	100	74
101	65	Auditor's Remuneration - Audit of Financial Statements	101	65
----	8	Consultancies - Capital Works	----	8
269	127	Consultancies - Other	269	127
59	89	Contractors	59	89
393	551	Domestic Supplies and Services	393	551
8,957	8,775	Drug Supplies	8,957	8,775
646	691	Food Supplies	646	691
4	65	Fuel, Light and Power	4	65
2	----	Hospital Ambulance Transport Costs	2	----
2,923	1,832	Information Management Expenses	2,923	1,832
221	139	Insurance	221	139
3,041	2,516	Maintenance (See (b) below)	3,041	2,516
606	479	Medical and Surgical Supplies	606	479
259	263	Motor Vehicle Expenses	259	263
269	540	Postal and Telephone Costs	269	540
880	755	Printing and Stationery	880	755
58	37	Rates and Charges	58	37
433	373	Rental	433	373
976	909	Special Service Departments	976	909
1,838	2,190	Staff Related Costs	1,838	2,190
1,134	1,090	Travel Related Costs	1,134	1,090
10,379	10,251	Other (See (a) below)	10,379	10,251
-----	-----		33,548	31,819
33,548	31,819		-----	-----

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		(a) Other Includes:		
30	19	Contract for Patient Services	30	19
603	534	Corporate Support Services	603	534
217	223	Courier and Freight	217	223
94	200	Legal Services	94	200
36	28	Membership/Professional Fees	36	28
8,295	8,408	Public Private Partnership Contracted Services	8,295	8,408
62	2	Quality Assurance/Accreditation	62	2
11	23	Security Services	11	23
1,031	815	Other Miscellaneous	1,031	815
<u>10,379</u>	<u>10,252</u>		<u>10,379</u>	<u>10,252</u>
		(b) Reconciliation of Total Maintenance		
474	452	Maintenance Contracts	474	452
2,544	2,025	New/Replacement Equipment under \$10,000	2,544	2,025
23	39	Repairs Maintenance/Non Contract	23	39
<u>3,041</u>	<u>2,516</u>	Total Maintenance Expenses	<u>3,041</u>	<u>2,516</u>

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
2,550	2,550	Depreciation - Buildings	2,550	2,550
619	658	Depreciation - Plant and Equipment	619	658
492	406	Depreciation - Leasehold Improvements	492	406
1,058	----	Amortisation - Intangible Assets	1,058	----
<u>4,719</u>	<u>3,614</u>		<u>4,719</u>	<u>3,614</u>
7. Grants and Subsidies				
11	6	Grants to Research Organisations	11	6
232	218	Other Grants	232	218
<u>243</u>	<u>224</u>		<u>243</u>	<u>224</u>
8. Finance Costs				
5,336	5,433	PPP Interest Charges	5,336	5,433
<u>5,336</u>	<u>5,434</u>		<u>5,336</u>	<u>5,434</u>

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
9. Sale of Goods and Services				
		Patient Fees		
2,209	2,155	- Inpatient Fees	2,209	2,155
86	94	Cafeteria/Kiosk	86	94
51	49	Information Retrieval	51	49
3,516	4,663	High Cost Drugs	3,516	4,663
49	41	Private Use of Motor Vehicles	49	41
183	130	Other	183	130
<u>6,094</u>	<u>7,132</u>		<u>6,094</u>	<u>7,132</u>
10. Investment Revenue				
1,191	1,213	Interest	1,191	1,213
<u>1,191</u>	<u>1,213</u>		<u>1,191</u>	<u>1,213</u>

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
11. Grants and Contributions				
113	----	Cancer Institute Grants	113	----
287	----	Grants from Other NSW Health Entities	287	----
59	938	Other Grants	59	938
<u>459</u>	<u>938</u>		<u>459</u>	<u>938</u>
12. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	921	1,025
----	----	Long Service Leave	5,721	5,626
<u>----</u>	<u>----</u>		<u>6,642</u>	<u>6,651</u>
13. Other Revenue				
Other Revenue comprises the following:-				
1	1	Commissions	1	1
185	272	Conference and Training Fees	185	272
34	41	Discounts	34	41
4,061	----	Treasury Managed Fund Hindsight Adjustment	4,061	----
205	435	Other	205	435
<u>4,486</u>	<u>749</u>		<u>4,486</u>	<u>749</u>

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
		14. Gain / (Loss) on Disposal		
318	1,210	Property, Plant and Equipment	318	1,210
135	450	Less: Accumulated Depreciation	135	450
183	760	Written Down Value	183	760
152	669	Less: Proceeds from Disposal	152	669
(31)	(91)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(31)	(91)
(31)	(91)	Total Gain/(Loss) on Disposal	(31)	(91)
		15. Other Gains / (Losses)		
(275)	(194)	Impairment of Receivables	(275)	(194)
(275)	(194)		(275)	(194)

Justice Health and Forensic Mental Health Network
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16. Service Groups of the Network

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. 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 2.2 - Inpatient Hospital Services

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

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

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

Justice Health and Forensic Mental Health Network
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Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
17. Cash and Cash Equivalents				
27,138	4,053	Cash at Bank and On Hand	27,138	4,053
8,000	29,336	Short Term Deposits	8,000	29,336
<u>35,138</u>	<u>33,389</u>		<u>35,138</u>	<u>33,389</u>
<p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
35,138	33,389	Cash and Cash Equivalents (per Statement of Financial Position)	35,138	33,389
<u>35,138</u>	<u>33,389</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>35,138</u>	<u>33,389</u>

Refer to Note 33 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		18. Receivables		
		Current		
1,670	1,122	Sale of Goods and Services	1,670	1,122
189	298	Intra Health Receivables	189	298
995	845	Goods and Services Tax	995	845
818	1,115	Other Debtors	818	1,115
<u>3,672</u>	<u>3,380</u>	Sub Total	<u>3,672</u>	<u>3,380</u>
(667)	(495)	Less Allowance for Impairment	(667)	(495)
3,005	2,885	Sub Total	3,005	2,885
425	210	Prepayments	425	210
<u>3,430</u>	<u>3,095</u>		<u>3,430</u>	<u>3,095</u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(495)	(502)	Balance at Commencement of Reporting Period	(495)	(502)
103	201	Amounts written off during the period	103	201
-----	-----	Amounts recovered during the period	-----	-----
(275)	(194)	(Increase)/decrease in Allowance Recognised in the Net Result	(275)	(194)
(667)	(495)	Balance at 30 June	(667)	(495)
<u>(667)</u>	<u>(495)</u>		<u>(667)</u>	<u>(495)</u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
1,007	591	Patient Fees - Inpatient & Other	1,007	591
<u>1,007</u>	<u>591</u>		<u>1,007</u>	<u>591</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 33.

Justice Health and Forensic Mental Health Network
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2015
\$000

2014
\$000

2015
\$000

2014
\$000

19. Inventories

1,136

243

Drugs

1,136

243

1,136

243

1,136

243

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
117,213	117,213	Gross Carrying Amount	117,213	117,213
16,574	14,024	Less: Accumulated Depreciation and Impairment	16,574	14,024
<u>100,639</u>	<u>103,189</u>	Net Carrying Amount	<u>100,639</u>	<u>103,189</u>
Plant and Equipment - Fair Value*				
6,686	6,173	Gross Carrying Amount	6,686	6,173
3,272	2,788	Less: Accumulated Depreciation and Impairment	3,272	2,788
<u>3,414</u>	<u>3,385</u>	Net Carrying Amount	<u>3,414</u>	<u>3,385</u>
Leasehold Improvements - Fair Value*				
5,775	5,147	Gross Carrying Amount	5,775	5,147
2,339	1,847	Less: Accumulated Depreciation and Impairment	2,339	1,847
<u>3,436</u>	<u>3,300</u>	Net Carrying Amount	<u>3,436</u>	<u>3,300</u>
<u>107,489</u>	<u>109,874</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>107,489</u>	<u>109,874</u>

* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 15-01.

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PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

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

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000
2015					
Net Carrying Amount at Start of Year	15,225	87,964	3,385	3,300	109,874
Additions	----	----	942	517	1,459
Disposals	----	----	(183)	----	(183)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	----	----	----	----	----
Depreciation Expense	----	(2,550)	(619)	(492)	(3,661)
Reclassifications	----	----	(111)	111	----
Net Carrying Amount at End of Year	15,225	85,414	3,414	3,436	107,489

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000
2014					
Net Carrying Amount at Start of Year	14,500	87,878	6,891	2,371	111,640
Additions	----	----	1,268	550	1,818
Disposals	----	----	(759)	----	(759)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	725	2,631	----	----	3,356
Depreciation Expense	----	(2,550)	(658)	(406)	(3,614)
Reclassifications	----	5	(3,357)	785	(2,567)
Net Carrying Amount at End of Year	15,225	87,964	3,385	3,300	109,874

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Network [see note 2(f)].
- (ii) To ensure the land, buildings and infrastructure 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 (i).

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

Year	Land		Buildings	
2013/14	5%	3%		
2014/15	2%	1%		

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		21. Intangible Assets		
		Intangibles		
5,576	5,145	Cost (Gross Carrying Amount)	5,576	5,145
1,058	-----	Less Accumulated Amortisation and Impairment	1,058	-----
<u>4,518</u>	<u>5,145</u>	Net Carrying Amount	<u>4,518</u>	<u>5,145</u>
<u>4,518</u>	<u>5,145</u>	Total Intangible Assets at Net Carrying Amount	<u>4,518</u>	<u>5,145</u>

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Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

21. Intangibles - Reconciliation

	Intangibles \$000
2015	
Net Carrying Amount at Start of Year	5,145
Additions (From Internal Development or Acquired Separately)	431
Amortisation (Recognised in Depreciation and Amortisation)	(1,058)
Net Carrying Amount at End of Year	4,518
2014	
Net Carrying Amount at Start of Year	-----
Additions (From Internal Development or Acquired Separately)	2,578
Reclassifications from Plant & Equipment	2,567
Net Carrying Amount at End of Year	5,145

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22. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

a) Fair Value Hierarchy

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	----	100,639	100,639
	----	----	<u>100,639</u>	<u>100,639</u>

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

2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	----	103,189	103,189
	----	----	<u>103,189</u>	<u>103,189</u>

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

Work in Progress is carried at cost, therefore excluded from figures above and as a result will not agree to to Note 20.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Network obtains external valuations by independent valuers every three years. The last revaluation was performed by Land and Property Information for the 2014/15 financial year. Land and Property Information is a independent entity and is not an employee of the Network.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 20 reconciliation.

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

The 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 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.

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)

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

Justice Health and Forensic Mental Health Network
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22. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2015	Land and Buildings \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2014	103,189	103,189
Additions	----	----
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	----	----
Depreciation	(2,550)	(2,550)
Fair value as at 30 June 2015	<u><u>100,639</u></u>	<u><u>100,639</u></u>
2014	Land and Buildings \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	102,378	102,378
Additions	----	----
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	3,356	3,356
Depreciation	(2,550)	(2,550)
Other	5	5
Fair value as at 30 June 2014	<u><u>103,189</u></u>	<u><u>103,189</u></u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
		23. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	5,029	4,567
----	----	Taxation and Payroll Deductions	(962)	308
4,067	4,875	Accrued Liability - Purchase of Personnel Services	----	----
2,626	2,040	Creditors	2,626	2,040
		Other Creditors		
760	1,255	- Intra Health Liability	760	1,255
5,490	6,355	- Other	5,490	6,355
12,943	14,526		12,943	14,526

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 33.

		24. Borrowings		
		Current		
1,464	1,324	Public Private Partnership	1,464	1,324
1,464	1,324		1,464	1,324
		Non-Current		
76,986	78,451	Public Private Partnership	76,986	78,451
76,986	78,451		76,986	78,451

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

Final Repayment is scheduled for 30 June 2034

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 33.

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PARENT			CONSOLIDATION	
2015	2014		2015	2014
\$000	\$000		\$000	\$000
25. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	12,621	9,170
----	----	Annual Leave - Long Term Benefit	3,259	6,890
----	----	Long Service Leave Consequential On-Costs	2,282	2,021
18,162	18,081	Provision for Personnel Services Liability	----	----
18,162	18,081	Total Current Provisions	18,162	18,081
Non-Current				
----	----	Long Service Leave Consequential On-Costs	198	106
198	106	Provision for Personnel Services Liability	----	----
198	106	Total Non-Current Provisions	198	106
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	18,162	18,081
----	----	Provisions - Non-Current	198	106
----	----	Accrued Salaries, Wages and On-Costs (Note 23)	4,067	4,875
22,427	23,062	Liability - Purchase of Personnel Services	----	----
22,427	23,062		22,427	23,062
26. Other Liabilities				
Current				
61	160	Income in Advance	61	160
61	160		61	160

Justice Health and Forensic Mental Health Network
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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000	27. Commitments for Expenditure	2015 \$000	2014 \$000
		(a) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
373	418	Not later than one year	373	418
17	118	Later than one year and not later than five years	17	118
<u>390</u>	<u>536</u>	Total Operating Lease Commitments (Including GST)	<u>390</u>	<u>536</u>
		The operating lease commitments above are for leased properties.		
		(b) Finance Lease Commitments		
		Minimum lease payment commitments in relation to finance leases are payable as follows:		
9,794	9,794	Not later than one year	9,794	9,794
39,177	39,177	Later than one year and not later than five years	39,177	39,177
135,537	145,332	Later than five years	135,537	145,332
<u>184,508</u>	<u>194,303</u>	Minimum Lease Payments	<u>184,508</u>	<u>194,303</u>
106,058	114,528	Less: Future Finance Charges	106,058	114,528
<u>78,450</u>	<u>79,775</u>	Present Value of Minimum Lease Payments	<u>78,450</u>	<u>79,775</u>
		The present value of finance lease commitments is as follows:		
1,464	1,324	Not later than one year	1,464	1,324
7,587	6,859	Later than one year and not later than five years	7,587	6,859
69,399	71,592	Later than five years	69,399	71,592
<u>78,450</u>	<u>79,775</u>	Present Value of Minimum Lease Payments	<u>78,450</u>	<u>79,775</u>
		Classified as:		
1,464	1,324	(a) Current (Note 24)	1,464	1,324
76,986	78,451	(b) Non-Current (Note 24)	76,986	78,451
<u>78,450</u>	<u>79,775</u>		<u>78,450</u>	<u>79,775</u>
		The finance lease commitments above are for the Forensic Hospital complex.		
		(c) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$78.5 million million as at 30 June 2015		

Justice Health and Forensic Mental Health Network
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PARENT AND CONSOLIDATION

28. Trust Funds

The Network holds trust funds of \$1.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Total	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Balance at the beginning of the financial year	718	790	-----	-----	718	790
Income	1,974	1,982	27	-----	2,001	1,982
Expenses	(1,649)	(2,054)	-----	-----	(1,649)	(2,054)
Balance at the end of the financial year	1,043	718	27	-----	1,070	718

Justice Health and Forensic Mental Health Network
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29. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

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

b) Other

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

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PARENT			CONSOLIDATION	
2015 \$000	2014 \$000		2015 \$000	2014 \$000
30. Reconciliation of Cash Flows from Operating Activities to Net Result				
4,810	7,920	Net Cash Flows from Operating Activities	4,810	7,920
(4,719)	(3,614)	Depreciation	(4,719)	(3,614)
(275)	(194)	Allowance for Impairment	(275)	(194)
99	386	(Increase)/ Decrease Income in Advance	99	386
(173)	(924)	(Increase)/ Decrease in Provisions	(173)	(924)
1,516	(490)	Increase / (Decrease) in Prepayments and Other Assets	1,516	(490)
1,572	1,514	(Increase)/ Decrease in Payables from Operating Activities	1,572	1,514
(31)	(91)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(31)	(91)
<u>2,799</u>	<u>4,507</u>	Net Result	<u>2,799</u>	<u>4,507</u>

31. Unclaimed Monies

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

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

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

Justice Health and Forensic Mental Health Network
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PARENT AND CONSOLIDATION

32. Adjusted Budget Review - Parent and Consolidated

Net Result

Actual Net Result was favourable to budget by \$4.9 million, due to:

- receipt of TMF Workers' Compensation Hindsight adjustment of \$4.1 million in March 2015.
- HealthShare corrected a prior year annual leave on-costs error which reduced the annual leave expense by \$0.7M.

Assets and Liabilities

Actual Net Assets for the year were higher than budget by \$4.9 million largely due to the receipt of \$4.1 million TMF Workers' Compensation Hindsight adjustment.

Cash Flows

Actual net cash flows from the operating activities were favourable to budget by \$2.6 million mainly due to the Net Result achieved for the year.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2014 are as follows:

	\$000
Initial Allocation, 1 July 2014	173,127
Subsequent supplementations - Special Projects	2,970
Subsequent supplementations - General Funding	859
	<hr/>
Balance as per Statement of Comprehensive Income	<u>176,956</u>

Justice Health and Forensic Mental Health Network
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

33. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Network, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a 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 17)	N/A	35,138	33,389
Receivables (note 18)*	Loans and receivables (at amortised cost)	2,010	2,040
Total Financial Assets		<u>37,148</u>	<u>35,429</u>
Financial Liabilities			
Borrowings (note 24)	Financial liabilities	78,450	79,775
Payables (note 23)**	measured at	13,905	14,218
Other (note 26)	amortised cost	-----	-----
Total Financial Liabilities		<u>92,355</u>	<u>93,993</u>

Notes

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

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

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(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.20% in 2014/15 compared to 3.35% in the previous year.

Receivables - trade debtors

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

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2015:\$783K; 2014: \$447K) and not more than 3 months past due (2015: \$255K; 2014:\$222K) are not considered impaired. Together these represent 63% of the total trade debtors.

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

2015	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	255	210	45
3 months - 6 months overdue	22	-----	22
> 6 months overdue	600	-----	600
2014			
<3 months overdue	222	181	41
3 months - 6 months overdue	132	115	17
> 6 months overdue	413	4	409

Notes

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

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

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(c) Liquidity Risk

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

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

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

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

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

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

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

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2015								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,029	----	----	5,029	5,029	----	----
- Creditors		8,876	----	----	8,876	8,876	----	----
Borrowings:								
- Public Private Partnership	10.60%	184,508	----	184,508	----	9,794	39,177	135,537
		<u>198,413</u>	<u>----</u>	<u>184,508</u>	<u>13,905</u>	<u>23,699</u>	<u>39,177</u>	<u>135,537</u>
2014								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		4,567	----	----	4,567	4,567	----	----
- Creditors		9,651	----	----	9,651	9,651	----	----
Borrowings:								
- Public Private Partnership	10.60%	194,303	----	194,303	----	9,794	39,177	145,332
		<u>208,521</u>	<u>----</u>	<u>194,303</u>	<u>14,218</u>	<u>24,012</u>	<u>39,177</u>	<u>145,332</u>

Notes:

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

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(d) Market Risk

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

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

Interest rate risk

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

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

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

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The Network'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	35,138	(351)	(351)	351	351
Receivables	2,010	-----	-----	-----	-----
Financial Liabilities					
Payables	13,905	-----	-----	-----	-----
Borrowings	78,450	785	785	(785)	(785)
Other	-----	-----	-----	-----	-----
2014					
Financial Assets					
Cash and Cash Equivalents	33,389	(334)	(334)	334	334
Receivables	2,040	-----	-----	-----	-----
Financial Liabilities					
Payables	14,218	-----	-----	-----	-----
Borrowings	79,775	798	798	(798)	(798)
Other	-----	-----	-----	-----	-----

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34. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS