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INDEPENDENT AUDITOR'S REPORT

Ministry of Health

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Ministry of Health (the Ministry), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Ministry and the consolidated entity. The consolidated entity comprises the Ministry and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Ministry and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Ministry and the consolidated entity in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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.

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

Secretary's Responsibility for the Financial Statements

The Secretary 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 Secretary 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.

In preparing the financial statements, the Secretary must assess the ability of the Ministry and the consolidated entity to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Ministry or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Margaret Crawford
Auditor-General of NSW

15 September 2016
SYDNEY

NSW Ministry of Health
Certification of Financial Statements
for the year ended 30 June 2016

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

- 1) The financial statements of the Ministry of Health for the year ended 30 June 2016 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 for the Ministry of Health as at 30 June 2016 and the financial performance for the year then ended; and
- 3) I am not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Elizabeth Koff
Secretary, NSW Health
14 September 2016



John Roach PSM
**Chief Financial Officer & Deputy Secretary,
Finance**

NSW Ministry of Health
Statement of Financial Position as at 30 June 2016

PARENT							CONSOLIDATION		
Actual	Actual						Actual	Budget	Actual
2016	2015						2016	2016	2015
\$000	\$000	Notes					\$000	\$000	\$000
ASSETS									
Current Assets									
199,277	148,954	Cash and Cash Equivalents	17	1,396,326	1,231,024	1,548,230			
211,291	119,369	Receivables	18	737,775	646,119	561,515			
52,291	32,540	Inventories	19	182,419	135,258	145,970			
----	----	Financial Assets at Fair Value	20	20,118	39,624	47,787			
6,639	6,339	Other Financial Assets	21	----	----	----			
<u>469,498</u>	<u>307,202</u>			<u>2,336,638</u>	<u>2,052,025</u>	<u>2,303,502</u>			
----	----	Non-Current Assets Held for Sale	25	7,311	----	12,865			
<u>469,498</u>	<u>307,202</u>	Total Current Assets		<u>2,343,949</u>	<u>2,052,025</u>	<u>2,316,367</u>			
Non-Current Assets									
----	----	Receivables	18	12,937	8,667	11,791			
----	----	Financial Assets at Fair Value	20	55,882	52,793	51,675			
25,388	29,556	Other Financial Assets	21	----	----	----			
Property, Plant and Equipment									
129,271	117,645	- Land and Buildings	22	13,043,334	13,039,234	12,386,607			
2,633	1,736	- Plant and Equipment	22	1,069,385	780,876	914,556			
800	----	- Infrastructure Systems	22	380,717	354,708	360,517			
2,532	----	- Leasehold Improvements	22	31,839	----	28,463			
<u>135,236</u>	<u>119,381</u>	Total Property, Plant and Equipment		<u>14,525,275</u>	<u>14,174,818</u>	<u>13,690,143</u>			
844	----	Intangible Assets	23	566,075	568,172	529,105			
----	----	Other	24	50,495	49,567	45,177			
<u>161,468</u>	<u>148,937</u>	Total Non-Current Assets		<u>15,210,664</u>	<u>14,854,017</u>	<u>14,327,891</u>			
<u>630,966</u>	<u>456,139</u>	Total Assets		<u>17,554,613</u>	<u>16,906,042</u>	<u>16,644,258</u>			
LIABILITIES									
Current Liabilities									
282,029	246,823	Payables	28	1,373,067	1,435,952	1,296,783			
----	----	Borrowings	29	16,749	24,687	16,090			
13,732	12,737	Provisions	30	1,855,678	1,567,464	1,766,101			
2,427	2,525	Other	31	39,429	39,971	22,561			
<u>298,188</u>	<u>262,085</u>	Total Current Liabilities		<u>3,284,923</u>	<u>3,068,074</u>	<u>3,101,535</u>			
Non-Current Liabilities									
----	----	Borrowings	29	1,098,482	1,047,829	1,070,411			
373	331	Provisions	30	42,097	18,536	36,195			
50,976	53,404	Other	31	86,093	96,351	90,789			
<u>51,349</u>	<u>53,735</u>	Total Non-Current Liabilities		<u>1,226,672</u>	<u>1,162,716</u>	<u>1,197,395</u>			
<u>349,537</u>	<u>315,820</u>	Total Liabilities		<u>4,511,595</u>	<u>4,230,790</u>	<u>4,298,930</u>			
<u>281,429</u>	<u>140,319</u>	Net Assets		<u>13,043,018</u>	<u>12,675,252</u>	<u>12,345,328</u>			
EQUITY									
121,064	107,646	Reserves		4,114,133	3,831,562	3,741,050			
160,365	32,673	Accumulated Funds		8,928,885	8,843,690	8,604,278			
<u>281,429</u>	<u>140,319</u>	Total Equity		<u>13,043,018</u>	<u>12,675,252</u>	<u>12,345,328</u>			

The accompanying notes form part of these financial statements

NSW Ministry of Health
Statement of Changes in Equity for the year ended 30 June 2016

PARENT	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
Balance at 1 July 2015		32,673	107,646	140,319
Net Result for the year		125,796	----	125,796
Other Comprehensive Income				
Net Increase/(Decrease) in Property, Plant & Equipment		----	15,314	15,314
-Transfers on Disposal		1,896	(1,896)	----
Total Other Comprehensive Income		1,896	13,418	15,314
Total Comprehensive Income for the year		127,692	13,418	141,110
Balance at 30 June 2016		160,365	121,064	281,429
Balance at 1 July 2014		41,421	107,646	149,067
Net Result for the year		(8,748)	----	(8,748)
Other Comprehensive Income				
Net Increase/(Decrease) in Property, Plant & Equipment		----	----	----
-Transfers on Disposal		----	----	----
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the year		(8,748)	----	(8,748)
Balance at 30 June 2015		32,673	107,646	140,319

The accompanying notes form part of these financial statements.

NSW Ministry of Health
Statement of Changes in Equity for the year ended 30 June 2016

CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2015		8,604,278	3,741,050	12,345,328
Net Result for the year		323,252	----	323,252
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment		----	374,438	374,438
-Transfers on Disposal		1,355	(1,355)	----
Total Other Comprehensive Income		1,355	373,083	374,438
Total Comprehensive Income for the year		324,607	373,083	697,690
Balance at 30 June 2016		8,928,885	4,114,133	13,043,018
Balance at 1 July 2014		8,066,574	3,159,213	11,225,787
Net Result for the year		528,540	----	528,540
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment		----	591,001	591,001
-Transfers on Disposal		9,164	(9,164)	----
Total Other Comprehensive Income		9,164	581,837	591,001
Total Comprehensive Income for the year		537,704	581,837	1,119,541
Balance at 30 June 2015		8,604,278	3,741,050	12,345,328

The accompanying notes form part of these financial statements.

NSW Ministry of Health
Statement of Cash Flows for the year ended 30 June 2016

PARENT		CONSOLIDATION				
Actual	Actual		Actual	Budget	Actual	
2016	2015	Notes	2016	2016	2015	
\$000	\$000		\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(184,785)	(125,053)		(11,712,055)	(11,640,220)	(11,000,285)	
(15,664,884)	(15,169,992)		(1,319,198)	(1,318,174)	(1,202,441)	
----	----		(104,866)	(101,689)	(103,125)	
(787,112)	(958,257)		(6,322,569)	(6,630,999)	(6,231,250)	
<u>(16,636,781)</u>	<u>(16,253,302)</u>	Total Payments	<u>(19,458,688)</u>	<u>(19,691,082)</u>	<u>(18,537,101)</u>	
Receipts						
9,829,991	9,842,627		9,829,991	10,106,419	9,842,627	
937,979	1,050,515		937,979	1,004,894	1,050,515	
----	61		----	----	----	
4,560	2,954		203,265	----	191,584	
226,548	231,330		2,724,874	2,446,854	2,464,259	
5,881	11,280		34,283	46,938	55,888	
5,616,843	4,904,585		6,056,077	5,489,111	5,383,993	
66,594	94,298		696,064	1,447,317	707,141	
<u>16,688,396</u>	<u>16,137,650</u>	Total Receipts	<u>20,482,533</u>	<u>20,541,533</u>	<u>19,696,007</u>	
<u>51,615</u>	<u>(115,652)</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,023,845</u>	<u>850,451</u>	<u>1,158,906</u>	
CASH FLOWS FROM INVESTING ACTIVITIES						
16	16		20,036	28,000	14,983	
----	----		23,462	----	90,803	
(5,176)	(239)		(1,210,488)	(1,281,503)	(1,260,565)	
----	----		----	----	(111,117)	
3,868	15,058		----	----	----	
<u>(1,292)</u>	<u>14,835</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(1,166,990)</u>	<u>(1,253,503)</u>	<u>(1,265,896)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES						
----	----		7,070	3,570	----	
----	----		(15,829)	(16,744)	(13,273)	
<u>----</u>	<u>----</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(8,759)</u>	<u>(13,174)</u>	<u>(13,273)</u>	
50,323	(100,817)	NET INCREASE / (DECREASE) IN CASH	(151,904)	(416,226)	(120,263)	
148,954	249,771		1,548,230	1,647,250	1,668,493	
<u>199,277</u>	<u>148,954</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>1,396,326</u>	<u>1,231,024</u>	<u>1,548,230</u>	

The accompanying notes form part of these financial statements.

NSW Ministry of Health
Summary of Compliance with Financial Directives for the year ended 30 June 2016

	2016				2015			
	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000
Original Budget Appropriation								
• Appropriation Act	10,106,419	9,829,991	1,004,894	937,979	10,028,334	9,842,627	1,029,015	1,029,015
	10,106,419	9,829,991	1,004,894	937,979	10,028,334	9,842,627	1,029,015	1,029,015
Other Appropriations/Expenditure								
• S26 PF&AA Commonwealth Specific Purpose Payments	----	----	----	----	(10,848)	----	3,500	3,500
• Additional Appropriations	----	----	----	----	----	----	----	----
• Treasurer's Advance	----	----	----	----	250	----	----	----
• Transfers to/from another agency (S32 of the Appropriation Act)	(125,160)	----	(23,440)	----	(21,915)	----	18,000	18,000
	(125,160)	----	(23,440)	----	(32,513)	----	21,500	21,500
Total Appropriations/ Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	9,981,259	9,829,991	981,454	937,979	9,995,821	9,842,627	1,050,515	1,050,515
Amount drawn down against Appropriation		9,829,991		937,979		9,842,627		1,050,515
Liability to Consolidated Fund *		----		----		----		----

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

* The "Liability to Consolidated Fund" represents the difference between the "Amount Drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund".

NSW Ministry of Health
Service Group Statements
for the year ended 30 June 2016

MINISTRY EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	
Expenses excluding losses																						
Operating Expenses																						
Employee Related	546,694	546,429	44,852	48,306	1,463,414	1,388,428	1,771,042	1,680,096	5,488,774	5,137,669	1,222,538	1,165,048	1,031,946	979,253	248,312	237,620	389,912	370,780			12,207,484	11,553,629
Other Operating Expenses	237,087	184,012	16,316	17,403	1,064,619	896,649	735,919	672,149	2,445,368	2,548,772	355,698	306,750	376,725	333,028	215,631	229,183	183,654	141,241			5,631,007	5,329,187
Depreciation and Amortisation	23,405	23,662	1,910	1,706	122,005	104,466	96,344	83,458	300,216	300,672	63,348	55,365	59,893	51,111	11,798	9,956	19,206	16,848			701,125	647,244
Grants and Subsidies	119,716	106,915	22,658	21,883	176,371	174,294	53,330	48,620	414,845	378,727	108,080	102,105	166,082	188,224	73,910	74,155	184,206	127,518			1,319,198	1,202,441
Finance Costs	5,712	1,035	154	49	14,225	11,874	9,326	6,061	39,054	45,825	28,147	31,262	6,811	3,925	1,051	229	2,969	2,971			107,449	103,231
Total Expenses excluding losses	935,614	862,053	85,890	89,347	2,840,634	2,575,711	2,665,961	2,490,384	8,686,247	8,411,665	1,777,811	1,660,530	1,641,457	1,535,541	557,021	551,143	779,947	659,358			19,966,263	18,835,732
Revenue																						
Recurrent Allocations **																						
Capital Allocations **																						
Acceptance by the Crown Entity																						
of Employee Benefits	35,505	32,146	2,838	2,570	78,596	71,160	100,255	90,771	306,730	277,712	70,117	63,484	65,010	57,049	12,808	11,596	24,850	22,499			9,829,991	9,842,627
Sale of Goods and Services	21,036	19,558	3,364	3,146	519,533	483,024	313,583	291,547	1,183,216	1,100,066	110,932	103,137	376,387	349,937	43,712	40,640	30,896	28,725			937,979	1,050,515
Investment Revenue	635	1,126	29	52	7,099	12,598	1,733	3,075	19,332	32,534	1,533	2,720	3,867	6,863	849	1,507	1,234	2,190				
Grants and Contributions	185,005	163,876	11,826	10,475	825,974	731,642	503,883	446,336	2,790,038	2,471,395	916,126	811,498	260,857	231,065	123,065	109,010	344,885	305,497				
Other Revenue	6,410	4,053	621	393	45,442	28,734	22,918	14,491	121,100	76,575	18,339	11,596	33,848	21,402	12,178	7,700	6,676	4,348				
Total Revenue	246,591	220,759	18,698	16,636	1,476,644	1,327,158	942,372	846,220	4,419,416	3,956,282	1,117,047	982,435	737,969	666,316	192,612	170,453	408,741	363,259			10,767,970	20,330,060
Gain / (Loss) on Disposal	(185)	(376)	(13)	(28)	(928)	(1,890)	(753)	(1,533)	(6,597)	(17,511)	(2,357)	(4,800)	(1,540)	(3,137)	(184)	(375)	(1,204)	(2,452)				
Other Gains / (Losses)	(183)	(453)	(12)	(28)	(1,176)	(2,767)	(17,486)	(41,123)	(3,388)	(7,965)	(774)	(1,821)	(1,078)	(2,535)	(69)	(163)	(608)	(1,431)				
Net Result	(687,401)	(642,123)	(67,171)	(72,707)	(1,366,094)	(1,253,210)	(1,741,828)	(1,686,820)	(4,280,816)	(4,478,869)	(663,895)	(674,716)	(906,106)	(874,897)	(358,343)	(381,228)	(373,018)	(299,962)			10,893,142	19,454,660
Other Comprehensive Income																						
Increase/(Decrease) in Revaluation																						
Surplus	17,904	28,259	2,392	3,773	45,863	72,389	42,745	67,468	169,830	268,054	35,565	56,135	51,409	81,142	5,189	8,191	3,541	5,500				
Total Other Comprehensive Income	17,904	28,259	2,392	3,773	45,863	72,389	42,745	67,468	169,830	268,054	35,565	56,135	51,409	81,142	5,189	8,191	3,541	5,500			374,438	591,001
Total Comprehensive Income	(669,497)	(613,864)	(64,825)	(68,934)	(1,320,231)	(1,180,821)	(1,699,083)	(1,619,352)	(4,110,986)	(4,210,805)	(628,330)	(618,681)	(854,697)	(793,755)	(353,154)	(373,037)	(369,477)	(294,392)			10,767,970	1,119,541

* The name and purpose of each service group is summarised in Note 16

** Appropriations are made on an entity basis and not to individual service groups. Consequently, appropriations must be included in the 'Not Attributable' column.

1. The Reporting Entity

The Ministry of Health (The Ministry) is a NSW government entity. The Ministry is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Ministry, as a reporting entity, comprises all the entities under its control, namely Local Health Districts established from 1 January 2011 and constituted under the Health Services Act 1997; the Sydney Children's Hospitals Network, Justice Health and Forensic Mental Health Network, the Clinical Excellence Commission, the Bureau of Health Information, the Agency for Clinical Innovation, the Health Education and Training Institute, Cancer Institute NSW, the Albury Base Hospital, the Albury Wodonga Health Employment Division, the Graythwaite Trust (per Supreme Court order) and the Health Administration Corporation (which includes the operations of the Ambulance Service of NSW, HealthShare NSW, Health Infrastructure, NSW Health Pathology, eHealth NSW and Health System Support Group). On 31 October 2015, NSW Kids and Families was dissolved under the *Health Services Amendment (NSW Kids and Families) Order 2015*. As a result, its assets, rights and liabilities were transferred to the Health Administration Corporation.

The Ministry's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Ministry.

In the process of preparing the consolidated financial statements for the economic entity, 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.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Secretary on 14 September 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Ministry's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2015, and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer under Section 9(2)(n) of the Act.

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

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

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

Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented 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.

2. Summary of Significant Accounting Policies (continued)

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 annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

The Ministry'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 Ministry 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 Ministry as shown in Note 30.

Long Service Leave is measured at present value in accordance with AASB 119. 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 Ministry's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 28, 'Payables'.

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.

2. Summary of Significant Accounting Policies (continued)

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 Ministry 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. If the effect of time value of money is material provisions are discounted using a pre-tax rate that reflects the current market assessment of the time value money and the risk specific to the liability.

b) Insurance

The Ministry'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 claim experience.

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Ministry 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 Ministry of Health. Revenue is recognised on an accrual basis, when the service has been provided to the patient.

2. Summary of Significant Accounting Policies (continued)

High Cost Drugs

Revenue earned from the Commonwealth from the supply of Section 100 Highly Specialised Drugs is recouped through Medicare in accordance with terms of a Commonwealth Agreement. The Agreement provides for the treatment of chronic conditions where specific conditions are met in respect of a person receiving or registered to receive medical treatment. The revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A billing agreement is in place between motor vehicle insurers and the Ministry to recoup costs of patients receiving treatment in hospital as a result of a motor vehicle accident. The Ministry recognises the revenue on an accruals basis from the time the patient first receives treatment.

Department of Veterans' Affairs

An agreement between the Commonwealth Department of Veteran Affairs and the Ministry allows for the provision of health services to entitled veterans. Revenue from admitted patients is recognised on an accruals basis by reference to patient admissions, while non-admitted revenues are recognised by way of a block grant received from the Commonwealth.

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.

Specialist use of hospital facilities

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

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

2. Summary of Significant Accounting Policies (continued)

Use of Outside Facilities

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

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

Parliamentary Appropriations & Contributions

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the Ministry obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

General operating expenses/revenues of Affiliated Health Organisations have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The Ministry is not deemed to own or control the various assets/liabilities of the Affiliated Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

- * the amount of GST incurred by the Ministry 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) **Interstate Patient Flows**

Interstate patient flows are funded through the State Pool, based on activity and consistent with the price determined in the service level agreement.

The composition of interstate patient flow revenue is disclosed in Note 8.

The cost of NSW residents treated in other states and territories is similarly calculated and is disclosed in note 4.

2. Summary of Significant Accounting Policies (continued)

g) Acquisition of Assets

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

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

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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 by the Ministry are deemed to be controlled by the Ministry and are recognised as such in the financial statements.

h) Capitalisation Thresholds

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

i) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Ministry. 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:

	2016	2015
Buildings	2.5%	2.5%
Electro Medical Equipment		
- Costing less than \$200,000	10.0%	10.0%
- Costing more than or equal to \$200,000	12.5%	12.5%
Computer Equipment	20.0%	20.0%
Infrastructure Systems	2.5%	2.5%
Leasehold Improvements	10.0%	10.0%
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%
Linen	25.0%	25.0%
Furniture, Fittings and Furnishings	5.0%	5.0%

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

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

2. Summary of Significant Accounting Policies (continued)

j) Revaluation of Non-Current Assets

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 22 and Note 26 for further information regarding fair value.

The Ministry revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets recognised by the Parent entity was completed in the 30 June 2016 financial year and was based on an independent assessment.

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

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

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, 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.

2. Summary of Significant Accounting Policies (continued)

k) Impairment of Property, Plant and Equipment

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

l) Restoration Costs

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

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

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

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

n) Investment Properties

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

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

o) Intangible Assets

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

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

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

2. Summary of Significant Accounting Policies (continued)

p) Maintenance

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

q) Leased Assets

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

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

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

r) Inventories

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

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

s) Loans and Receivables

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

2. Summary of Significant Accounting Policies (continued)

t) Investments

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

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

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

The T Corp Hour-Glass Investment facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Ministry's key management personnel.

The risk management strategy of the Ministry has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act 1987.

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

u) Impairment of financial assets

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

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

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. 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.

v) De-recognition of financial assets and financial liabilities

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

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

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

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

w) Payables

These amounts represent liabilities for goods and services provided to the Ministry and other amounts. Payables are recognised initially at fair 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.

2. Summary of Significant Accounting Policies (continued)

x) Borrowings

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

Borrowings include finance lease liabilities. Leases are accounted for in accordance with AASB 117 Leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

y) Fair Value Hierarchy

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

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

z) Equity Transfers

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

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

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

2. Summary of Significant Accounting Policies (continued)

aa) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

ab) Trust Funds

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

As the Ministry performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Ministry's own objectives, they are not brought to account in the financial statements.

ac) Budgeted Amounts

The consolidated budgeted amounts are drawn from the original budgets presented to Parliament in the State Budget Papers.

ad) Emerging Asset

The Ministry of Health's emerging interest in car parks and hospitals has been valued in accordance with "Accounting for Privately Financed Projects" (TPP06-8). This policy requires the Ministry of Health and its controlled entities to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period.

ae) Service Group Statements Allocation Methodology

Income and expenses are allocated to service groups using prior year statistical data, then adjusted for any material change in service delivery or funding distribution, occurring in the 2015-16 year in determining the Statement of Comprehensive Income Statement fractions.

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

2. Summary of Significant Accounting Policies (continued)

af) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

AASB 2015-7, Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The standard allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

(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 16, Leases will have application from 1 January 2019. The standard introduces a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. We believe that the application of this standard will likely have a significant transitional impact as a result of all leases, except short term (<12 months) and low value, brought on balance sheet.
- * 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 is likely to increase disclosures to the financial statements relating to related party transactions, outstanding balances and Key Management Personnel remuneration.
- * 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 January 2018 and comprises changes to improve and simplify the approach for classification and measurement of financial assets. 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). The change is not expected to materially impact the financial statements.
- * AASB 15, AASB 2014-5, AASB 2015-8 and AASB 2016-3, Revenue from Contracts with Customers, has application from 1 January 2018. 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 2016-2, Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107, will apply from 1 January 2017. The standard amends AASB 107 to require additional disclosures regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the financial statements.

NSW Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
3. Employee Related				
98,005	111,118	Salaries and Wages (including annual leave)	10,380,546	9,874,041
1,343	2,743	Superannuation - Defined Benefit Plans	118,085	127,022
13,618	6,471	Superannuation - Defined Contribution Plans	888,574	824,128
9,776	7,992	Long Service Leave	611,431	535,613
2,229	3,300	Redundancies	24,250	21,698
290	237	Workers' Compensation Insurance	176,925	162,165
6,150	5,782	Payroll Tax and Fringe Benefits Tax	7,673	8,962
131,411	137,643		12,207,484	11,553,629
The following employee related costs have been capitalised, and therefore excluded from the above:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	11,375	8,225
----	----	Employee Related Expenses Capitalised - Plant and Equipment	378	162
----	----	Employee Related Expenses Capitalised - Intangibles	11,391	10,926
4. Other Operating Expenses				
6,605	5,125	Advertising	21,608	20,693
558	488	Auditor's Remuneration	4,245	4,249
21,341	18,331	Blood and Blood Products	130,136	120,992
1,503	1,602	Consultants	18,121	17,995
600	389	Domestic Supplies and Services	106,932	103,639
116,228	75,410	Drug Supplies	794,187	650,482
----	----	Food Supplies	96,016	94,572
627	664	Fuel, Light and Power	108,846	127,881
----	----	Hospital Ambulance Transport Costs	13,782	22,300
12,824	13,040	Information Management Expenses	204,679	241,413
245,458	236,965	Insurance	267,843	261,353
268,655	300,623	Interstate Patient Outflows	268,655	300,623
5,233	8,663	Maintenance (See (b) below)	504,011	466,482
1,108	1,144	Medical and Surgical Supplies	796,259	778,388
105	102	Motor Vehicle Expenses	39,097	41,662
2,259	1,914	Postal and Telephone Costs	50,776	46,214
2,400	2,266	Printing and Stationery	47,967	48,224
1,374	3,574	Rates and Charges	26,498	29,129
6,419	7,880	Rental	71,244	77,830
22	----	Specialised Services (Dental, Radiology, Pathology, Allied Health)	348,663	284,704
3,937	9,180	Staff Related Costs	122,498	116,141
1,614	1,404	Travel Related Costs	91,397	86,118
----	----	Visiting Medical Officers	742,502	704,858
66,827	68,271	Other Expenses (See (a) below)	755,045	683,245
765,697	757,035		5,631,007	5,329,187

NSW Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		4. Other Operating Expenses		
		(a) Other Expenses Includes		
-----	-----	Aircraft Expenses (Ambulance Fixed Wing and Rotor Transport)	90,583	85,365
-----	-----	Contract for Patient Services	132,152	118,980
2,098	2,462	Courier and Freight	17,472	17,668
-----	-----	Isolated Patient Travel and Accommodation Assistance Scheme	18,416	18,273
696	813	Legal Services	14,021	16,546
58	55	Membership/Professional Fees	11,391	10,538
-----	21	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	53,494	54,330
-----	-----	Public Private Partnership - Operating Facility Payments	84,109	88,377
-----	-----	Other Operating Lease Expense - Minimum Lease Payments	22,011	21,175
-----	-----	Quality Assurance/Accreditation	5,363	5,412
369	423	Security Services	14,088	12,980
63,606	64,497	Other	291,943	233,601
<u>66,827</u>	<u>68,271</u>		<u>755,043</u>	<u>683,245</u>
		(b) Reconciliation of Total Maintenance		
1,259	2,088	Maintenance Contracts	162,435	151,378
3,143	2,712	New/Replacement Equipment under \$10,000	234,028	204,765
831	3,863	Repairs Maintenance/Non Contract	106,755	109,870
-----	-----	Other	793	469
5,233	8,663	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	504,011	466,482
-----	-----	Employee Related Expense included in Notes 3	58,691	58,389
<u>5,233</u>	<u>8,663</u>	Total Maintenance Expenses	<u>562,702</u>	<u>524,871</u>

NSW Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		5. Depreciation and Amortisation		
2,716	2,688	Depreciation - Buildings	447,820	405,011
711	716	Depreciation - Plant and Equipment	184,660	180,092
30	-----	Depreciation - Infrastructure Systems	20,043	20,809
-----	-----	Depreciation - Leasehold Improvements	4,897	4,069
-----	-----	Amortisation - Intangible Assets	43,705	37,263
<u>3,457</u>	<u>3,404</u>		<u>701,125</u>	<u>647,244</u>
		6. Grants and Subsidies		
14,862,042	14,431,275	Payments to Controlled Health Entities	-----	-----
357,942	343,614	Payments to Other Affiliated Health Organisations	670,199	614,341
-----	-----	Grants -		
82,176	58,448	Community Packages	23,191	33,688
66,977	65,316	Grants to Research Organisations	118,721	99,116
3,180	7,238	Non-Government Organisations	148,316	149,780
99,714	95,119	NSW Government Agency	3,020	7,298
54,366	52,472	Albury Wodonga Health	99,714	95,119
138,487	116,510	Mental Health Housing Accommodation and Support Initiative	54,366	52,472
		Other Grants	201,671	150,627
<u>15,664,884</u>	<u>15,169,992</u>		<u>1,319,198</u>	<u>1,202,441</u>
		7. Finance Costs		
-----	-----	Finance Lease Interest Charges	104,610	102,841
-----	-----	Interest on Loans	2,583	106
-----	-----	Other Interest Charges	256	284
<u>-----</u>	<u>-----</u>		<u>107,449</u>	<u>103,231</u>

NSW Ministry of Health
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		8. Sale of Goods and Services		
		(a) Sale of Goods comprise the following:-		
----	----	Sale of Prosthesis	64,743	62,427
----	----	Pharmacy Sales	5,042	7,201
691	620	Other	11,575	11,524
		(b) Rendering of Services comprise the following:-		
		Patient Fees		
----	----	- Inpatient Fees	756,272	718,532
----	----	- Nursing Home Fees	17,497	16,644
----	----	- Non Inpatient Fees	39,152	25,492
94,512	92,112	Department of Veterans' Affairs	333,811	345,844
----	----	Staff-Meals and Accommodation	2,927	3,455
----	----	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	323,706	314,171
----	----	- Annual Charge	80,561	98,667
----	----	Cafeteria/Kiosk	10,083	12,066
----	----	Car Parking	38,758	34,720
----	----	Child Care Fees	13,628	13,524
----	----	Clinical Services (excluding Clinical Drug Trials)	48,028	45,607
----	7	Commercial Activities	24,215	21,077
----	----	Fees for Medical Records	2,378	2,115
----	----	High Cost Drugs	337,492	237,108
----	----	Linen Service Revenues	6,028	6,842
----	----	Meals on Wheels	761	986
----	----	Motor Accident Authority Third Party	156,694	146,256
----	----	Program of Appliances for Disabled People Patient Co-payments	1,584	524
132,299	103,782	Patient Inflows from Interstate	132,299	103,782
----	----	Patient Transport Fees	37,783	63,258
----	----	Private Use of Motor Vehicles	2,662	2,771
----	----	Salary Packaging Fee	6,824	8,408
----	----	Services Provided to Non NSW Health Organisations	24,577	23,908
----	----	Use of Ambulance Facilities	5,951	4,789
19,231	17,503	Other	117,648	88,082
<u>246,733</u>	<u>214,024</u>		<u>2,602,679</u>	<u>2,419,780</u>
		9. Investment Revenue		
		Interest		
----	----	- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	2,871	5,189
5,881	11,280	- Bank	31,412	50,700
----	----	Royalties	324	359
----	----	Other	704	6,417
<u>5,881</u>	<u>11,280</u>		<u>35,311</u>	<u>62,665</u>

NSW Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		10. Grants and Contributions		
----	----	Clinical Drug Trials	26,409	26,484
5,509,669	4,861,029	Commonwealth National Health Reform Funding	5,509,669	4,861,029
101,452	29,566	Commonwealth Government Grants	238,442	166,785
----	----	Industry Contributions/Donations	71,752	79,406
211	1,354	NSW Government Grants	26,639	31,979
5,500	5,799	Grants from NSW Health entities	----	----
----	----	Research Grants	24,338	24,080
11	----	Other Grants	64,410	91,031
<u>5,616,843</u>	<u>4,897,748</u>		<u>5,961,659</u>	<u>5,280,794</u>
		11. Acceptance by the Crown Entity of employee benefits		
		The following liabilities and expenses have been assumed by the Crown Entity:		
1,341	2,743	Superannuation-defined benefit	117,637	127,022
9,122	7,193	Long Service Leave	576,995	501,815
77	150	Payroll Tax	77	150
<u>10,540</u>	<u>10,086</u>		<u>694,709</u>	<u>628,987</u>
		12. Other Revenue		
		Other Revenue comprises the following:-		
----	----	Ambulance Death and Disability Employee Contributions	5,323	5,126
2	2	Commissions	4,784	2,855
10	1	Conference and Training Fees	10,608	11,611
2,042	1,842	Discounts	4,746	3,289
25	----	Insurance Refunds	5,825	2,455
2,225	954	Lease and Rental Income	31,990	32,926
----	----	Property not Previously Recognised	448	7,531
----	----	Sale of Merchandise, Old Wares and Books	1,032	604
33	----	Sponsorship Income	1,583	1,319
603	325	Treasury Managed Fund Hindsight Adjustment*	131,525	33,246
38,655	29,869	Other	69,868	68,330
<u>43,595</u>	<u>32,993</u>		<u>267,732</u>	<u>169,292</u>

* The increase is the result of two years hindsight refunds calculated by NSW Self Insurance Corporation in the single year. A hindsight refund is a result of NSW Health's improved claims against initial contributions.

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		13. Gain / (Loss) on Disposal		
4,059	329	Property, Plant and Equipment	217,312	220,403
3,727	306	Less: Accumulated Depreciation	187,249	182,890
332	23	Written Down Value	30,063	37,513
15	15	Less: Proceeds from Disposal	10,023	12,086
(317)	(8)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(20,040)	(25,427)
----	----	Intangible Assets	12	58
----	----	Less: Proceeds from Disposal	----	----
(12)	(58)	Gain/(Loss) on Disposal of Intangible Assets	(12)	(58)
----	----	Assets Held for Sale	8,953	9,514
----	----	Less: Proceeds from Disposal	13,244	2,897
(6,617)	(6,617)	Gain/(Loss) on Disposal of Assets Held for Sale	4,291	(6,617)
(317)	(8)	Total Gain/(Loss) on Disposal	(15,761)	(32,102)
		14. Other Gains / (Losses)		
----	----	Emerging Asset Gain	711	----
----	----	Impairment of Receivables	(25,495)	(58,286)
(24,784)	(58,286)		(24,784)	(58,286)

CONSOLIDATION

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	48,337	120,071	36,275	204,683
Contributions recognised in previous years which were not expended in the current reporting period	151,861	546,189	138,982	837,031
Total amount of unexpended contributions as at reporting date	200,198	666,259	175,257	1,041,714

The parent entity has nil items that are captured under this disclosure.

16. Service Groups of the Ministry

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services for persons attending community health centres or in the home, including health promotion activities, women's health, dental, drug and alcohol and HIV/AIDS services. It also covers co-ordination of domestic violence and sexual assault prevention. Grants to non-government organisations are also included.

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

16. Service Groups of the Ministry

Service Group 2.2 - Inpatient Hospital Services

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

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail and 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.

NSW Ministry of Health
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
17. Cash and Cash Equivalents				
199,277	148,954	Cash at Bank and On Hand	775,118	927,326
<u>-----</u>	<u>-----</u>	Short Term Deposits	<u>621,208</u>	<u>620,904</u>
<u>199,277</u>	<u>148,954</u>		<u>1,396,326</u>	<u>1,548,230</u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
<u>199,277</u>	<u>148,954</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>1,396,326</u>	<u>1,548,230</u>
<u>199,277</u>	<u>148,954</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>1,396,326</u>	<u>1,548,230</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits and bank overdraft

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

NSW Ministry of Health
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		18. Receivables		
		Current		
29,414	9,011	Sale of Goods and Services	331,247	317,399
52,403	27,959	Intra Health Receivables	-----	-----
6,743	7,039	Goods and Services Tax	99,034	87,635
<u>121,771</u>	<u>72,492</u>	Other Debtors	<u>280,722</u>	<u>171,094</u>
210,331	116,501	Sub Total	711,003	576,128
-----	-----	Less Allowance for Impairment	<u>(47,257)</u>	<u>(80,841)</u>
210,331	116,501	Sub Total	663,746	495,287
960	2,868	Prepayments	74,029	66,228
<u>211,291</u>	<u>119,369</u>		<u>737,775</u>	<u>561,515</u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
-----	-----	Balance at 1 July	(72,737)	(110,130)
-----	-----	Amounts written off during the year	55,915	84,047
-----	-----	(Increase)/decrease in Allowance Recognised in Profit or Loss	(24,811)	(46,654)
-----	-----	Balance at 30 June	<u>(41,633)</u>	<u>(72,737)</u>
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
-----	-----	Balance at 1 July	(8,104)	(4,715)
-----	-----	Amounts written off during the year	3,164	7,604
-----	-----	(Increase)/decrease in Allowance Recognised in Profit or Loss	(684)	(10,993)
-----	-----	Balance at 30 June	<u>(5,624)</u>	<u>(8,104)</u>
<u>-----</u>	<u>-----</u>		<u>(47,257)</u>	<u>(80,841)</u>

NSW Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		18. Receivables		
		Non-Current		
----	----	Sale of Goods and Services	657	898
----	----	Other Debtors	287	1,998
----	----	Sub Total	944	2,896
----	----	Less Allowance for Impairment	(645)	(1,188)
----	----	Sub Total	299	1,708
----	----	Prepayments	12,638	10,083
----	----		12,937	11,791
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
----	----	Balance at 1 July	(571)	(431)
----	----	Amounts written off during the year	86	----
----	----	(Increase)/decrease in Allowance Recognised in Profit or Loss	----	(140)
----	----	Balance at 30 June	(485)	(571)
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
----	----	Balance at 1 July	(617)	(118)
----	----	Amounts written off during the year	457	----
----	----	(Increase)/decrease in Allowance Recognised in Profit or Loss	----	(499)
----	----	Balance at 30 June	(160)	(617)
----	----		(645)	(1,188)
		The current and non-current sale of goods and services		
----	----	Patient Fees - Compensable	30,120	23,937
----	----	Patient Fees - Ineligible	44,183	45,817
----	----	Patient Fees - Inpatient & Other	113,457	105,942
----	----		187,760	175,696

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

NSW Ministry of Health
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		19. Inventories		
47,864	28,545	Drugs	94,537	69,503
4,427	3,995	Medical and Surgical Supplies	77,558	68,025
----	----	Food and Hotel Supplies	1,103	132
----	----	Other	9,221	8,310
52,291	32,540		182,419	145,970
		20. Financial Assets at Fair Value		
		Current		
----	----	Treasury Corp - Hour-Glass Investment Facilities	17,118	39,698
----	----	Other	3,000	8,089
----	----		20,118	47,787
		Non-Current		
----	----	Treasury Corp- Hour-Glass Investment Facilities	55,882	51,675
----	----		55,882	51,675
<i>Refer to note 40 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.</i>				
		21. Other Financial Assets		
		Current		
6,639	6,339	Advances Receivable - Intra Health	----	----
6,639	6,339		----	----
		Non-Current		
25,388	29,556	Advances Receivable - Intra Health	----	----
25,388	29,556		----	----

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
237,599	203,856	Gross Carrying Amount	21,604,023	20,293,492
108,328	86,211	Less: Accumulated Depreciation and Impairment	8,560,689	7,906,885
129,271	117,645	Net Carrying Amount	13,043,334	12,386,607
Plant and Equipment - Fair Value*				
8,379	6,778	Gross Carrying Amount	2,315,168	2,094,646
5,746	5,042	Less: Accumulated Depreciation and Impairment	1,245,783	1,180,090
2,633	1,736	Net Carrying Amount	1,069,385	914,556
Infrastructure Systems - Fair Value				
3,075	----	Gross Carrying Amount	817,551	778,769
2,275	----	Less: Accumulated Depreciation and Impairment	436,834	418,252
800	----	Net Carrying Amount	380,717	360,517
Leasehold Improvements - Fair Value				
14,756	12,224	Gross Carrying Amount	65,296	56,958
12,224	12,224	Less: Accumulated Depreciation and Impairment	33,457	28,495
2,532	----	Net Carrying Amount	31,839	28,463
135,236	119,381	Total Property, Plant and Equipment At Net Carrying Amount	14,525,275	13,690,143

NSW Ministry of Health
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PARENT

22. Property, Plant and Equipment - Reconciliation

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

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2016						
Net Carrying Amount at Start of Year	56,217	61,428	1,736	----	----	119,381
Additions	----	659	3,738	----	2,532	6,929
Disposals	(35)	(280)	(18)	----	----	(333)
Transfers to NSW Health Entities	----	----	(2,598)	----	----	(2,598)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	27,819	(12,505)	----	----	----	15,314
Depreciation Expense	----	(2,716)	(711)	(30)	----	(3,457)
Reclassifications	----	(1,316)	486	830	----	----
Net Carrying Amount at End of Year	84,001	45,270	2,633	800	2,532	135,236

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Net Carrying Amount at Start of Year	56,217	64,116	2,238	----	----	122,571
Additions	----	----	237	----	----	237
Disposals	----	----	(23)	----	----	(23)
Depreciation Expense	----	(2,688)	(716)	----	----	(3,404)
Net Carrying Amount at End of Year	56,217	61,428	1,736	----	----	119,381

NSW Ministry of Health
Notes to and forming part of the Financial Statements
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22. Property, Plant and Equipment - Reconciliation

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

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2016						
Net Carrying Amount at Start of Year	2,047,079	10,339,528	914,556	360,517	28,463	13,690,143
Additions	----	807,474	331,550	5,532	7,578	1,152,134
Reclassifications to Intangibles	----	----	(558)	----	----	(558)
Recognition of Assets Held for Sale	(3,288)	(65)	----	(46)	----	(3,399)
Disposals	(383)	(13,998)	(15,376)	----	(306)	(30,063)
Transfers to NSW Health Entities through Statement of Comprehensive Income	----	----	----	----	----	----
Decrements Recognised in Reserves	104,330	271,331	----	(1,088)	(135)	374,438
Depreciation Expense	----	(447,820)	(184,660)	(20,043)	(4,897)	(657,420)
Reclassifications	47,796	(108,650)	23,873	35,845	1,136	----
Net Carrying Amount at End of Year	2,195,534	10,847,800	1,069,385	380,717	31,839	14,525,275

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Net Carrying Amount at Start of Year	1,767,714	9,482,464	848,590	439,903	28,530	12,567,201
Additions	7,058	935,692	243,472	534	4,127	1,190,883
Reclassifications to Intangibles	----	----	(4,722)	----	----	(4,722)
Recognition of Assets Held for Sale	(4,052)	(2,674)	----	----	----	(6,726)
Disposals	(3,777)	(13,256)	(19,806)	----	(674)	(37,513)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	278,585	331,738	156	(19,846)	368	591,001
Depreciation Expense	----	(405,011)	(180,092)	(20,809)	(4,069)	(609,981)
Reclassifications	1,551	10,575	26,958	(39,265)	181	----
Net Carrying Amount at End of Year	2,047,079	10,339,528	914,556	360,517	28,463	13,690,143

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

NSW Ministry of Health
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		23. Intangible Assets		
		Intangibles		
1,044	200	Cost (Gross Carrying Amount)	798,470	728,283
200	200	Less: Accumulated Amortisation and Impairment	232,395	199,178
<u>844</u>	<u>-----</u>	Net Carrying Amount	<u>566,075</u>	<u>529,105</u>
<u>844</u>	<u>-----</u>	Total Intangible Assets at Net Carrying Amount	<u>566,075</u>	<u>529,105</u>

23. Intangibles - Reconciliation

PARENT

	Intangibles \$000	Total \$000
2016		
Net Carrying Amount at Start of Year	-----	-----
Additions (From Internal Development or Acquired Separately)	844	844
Net Carrying Amount at End of Year	844	844

	Intangibles \$000	Total \$000
2015		
Net Carrying Amount at Start of Reporting Period	-----	-----
Net Carrying Amount at End of Year	-----	-----

CONSOLIDATION

	Intangibles \$000	Total \$000
2016		
Net Carrying Amount at Start of Year	529,105	529,105
Additions (From Internal Development or Acquired Separately)	80,129	80,129
Reclassifications from Plant & Equipment	558	558
Disposals	(12)	(12)
Amortisation (Recognised in Depreciation and Amortisation)	(43,705)	(43,705)
Net Carrying Amount at End of Year	566,075	566,075

	Intangibles \$000	Total \$000
2015		
Net Carrying Amount at Start of Year	463,019	463,019
Additions (From Internal Development or Acquired Separately)	98,685	98,685
Reclassifications from Plant & Equipment	4,722	4,722
Disposals	(58)	(58)
Amortisation (Recognised in Depreciation and Amortisation)	(37,263)	(37,263)
Net Carrying Amount at End of Year	529,105	529,105

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		24. Other Assets		
		Non-Current		
-----	-----	Emerging Rights to Assets	50,495	45,177
-----	-----		50,495	45,177
=====	=====		-----	-----
		25. Non-Current Assets (or Disposal Groups) Held for Sale		
		Assets Held for Sale		
-----	-----	Land and Buildings	7,265	12,859
-----	-----	Infrastructure Systems	46	6
-----	-----		7,311	12,865
=====	=====		-----	-----

Further details regarding the fair value measurement are disclosed in Note 26.

PARENT & CONSOLIDATION

26. Fair Value Measurement of Non-Financial Assets

(a) Fair Value Hierarchy

Property, Plant and Equipment (Note 22)*

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Land and Buildings	----	79,250	44,957	124,207
Infrastructure Systems	----	----	800	800
	----	79,250	45,757	125,007

There were no transfers between level 1 and 2 during the year ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
PARENT				
Land and Buildings	----	55,871	61,774	117,645
	----	55,871	61,774	117,645

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

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
CONSOLIDATION				
Land and Buildings	----	1,875,450	10,062,551	11,938,001
Infrastructure Systems	----	----	380,763	380,763
Non-Current Assets (or Disposal Groups) Held for Sale (Note 25)	----	7,311	----	7,311
	----	1,882,761	10,443,314	12,326,075

There were no transfers between level 1 and 2 during the year ended 30 June 2016.

2015	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
CONSOLIDATION				
Land and Buildings	----	2,532,303	8,823,146	11,355,449
Infrastructure Systems	----	----	360,517	360,517
Non-Current Assets (or Disposal Groups) Held for Sale (Note 25)	----	12,865	----	12,865
	----	2,545,168	9,183,662	11,728,831

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

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

PARENT & CONSOLIDATION

26. Fair Value Measurement of Non-Financial Assets

(b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems the Ministry and its controlled health entities obtain external valuations by independent valuers every three years. The valuer used by each health entity is an independent person and is not an employee of the respective entities.

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

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

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

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

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

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

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

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

PARENT & CONSOLIDATION

26. Fair Value Measurement of Non-Financial Assets

(b) Valuation Techniques, Inputs and Processes

Level 3 disclosures:

The fair value of buildings 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 Techniques	Valuation Inputs
Land under specialised building(s)	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).
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.
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.
Infrastructure systems	Depreciated replacement cost approach	This valuation method involves establishing the current replacement cost of the modern equivalent infrastructure asset on a rate per square metre basis; depreciated to reflect the assets remaining useful life.

26. Fair Value Measurement of Non-Financial Assets

(c) Reconciliation of Recurring Level 3 Fair Value Measurements

PARENT	Land and Buildings \$000	Infrastructure Systems \$000	Level 3 Recurring Total \$000
2016			
Fair value as at 1 July 2015	61,774	----	61,774
Additions	----	----	----
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment asset revaluation surplus'	(12,505)	----	(12,505)
Disposals	(280)	----	(280)
Depreciation	(2,716)	(30)	(2,746)
Reclassification	(1,316)	830	(486)
Fair value as at 30 June 2016	<u><u>44,957</u></u>	<u><u>800</u></u>	<u><u>45,757</u></u>
2015			
Fair value as at 1 July 2014	64,462	----	64,462
Depreciation	(2,688)	----	(2,688)
Fair value as at 30 June 2015	<u><u>61,774</u></u>	<u><u>----</u></u>	<u><u>61,774</u></u>

NSW Ministry of Health
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26. Fair Value Measurement of Non-Financial Assets

(c) Reconciliation of Recurring Level 3 Fair Value Measurements

CONSOLIDATION	Land and Buildings \$000	Infrastructure Systems \$000	Level 3 Recurring Total \$000
2016			
Fair value as at 1 July 2015	8,823,146	360,517	9,183,663
Additions	548,505	5,532	554,037
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment asset revaluation surplus'	337,138	(1,088)	336,050
Transfers from Level 2	751,626	----	751,626
Transfers to Level 2	(37,627)	----	(37,627)
Disposals	(4,271)	----	(4,271)
Depreciation	(413,582)	(20,043)	(433,625)
Reclassification	57,616	35,845	93,461
Fair value as at 30 June 2016	<u><u>10,062,551</u></u>	<u><u>380,763</u></u>	<u><u>10,443,314</u></u>
2015			
Fair value as at 1 July 2014	9,126,287	439,903	9,566,190
Additions	146,024	534	146,558
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment asset revaluation surplus'	412,394	(19,846)	392,548
Transfers from Level 2	301,818	----	301,818
Disposals	(11,067)	----	(11,067)
Depreciation	(378,914)	(20,809)	(399,723)
Reclassification	12,308	(39,265)	(26,958)
Fair value as at 30 June 2015	<u><u>8,823,146</u></u>	<u><u>360,517</u></u>	<u><u>9,183,663</u></u>

NSW Ministry of Health
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PARENT		CONSOLIDATION	
2016 \$000	2015 \$000	2016 \$000	2015 \$000
27. Restricted Assets			
<p>The Ministry's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>			
Category			
----	----		
	Specific Purposes	405,754	386,951
----	----		
	Perpetually Invested Funds	10,948	10,004
----	----		
	Research Grants	171,121	174,918
----	----		
	Private Practice Funds	388,955	373,517
----	----		
	Other	64,936	70,726
-----	-----		
-----	-----	1,041,714	1,016,116

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016	2015		2016	2015
\$000	\$000		\$000	\$000
		28. Payables		
		Current		
56	1,932	Accrued Salaries, Wages and On-Costs	223,854	293,897
890	59,425	Taxation and Payroll Deductions	60,233	83,162
175,970	107,725	Trade Operating Creditors	696,927	553,034
----	----	Interest	30	25
----	----	Other Creditors		
		- Capital Works	104,820	68,014
77,196	66,648	- Intra Health Liability	----	----
27,917	11,093	- Other	287,203	298,651
282,029	246,823		1,373,067	1,296,783

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

		29. Borrowings		
		Current		
----	----	Other Loans and Deposits	2,272	1,535
----	----	Finance Leases	588	2,431
		Public, Private Partnerships		
----	----	- Long Bay Forensic Hospital	1,620	1,464
----	----	- Calvary Mater Newcastle Hospital	12,050	10,660
		- Orange Hospital and Associated Health Services	164	----
		- Royal North Shore Hospital Redevelopment	55	----
----	----		16,749	16,090
		Non-Current		
----	----	Other Loans and Deposits	12,214	4,946
----	----	Finance Leases	34,905	213
		Public, Private Partnerships		
----	----	- Long Bay Forensic Hospital	75,366	76,986
----	----	- Calvary Mater Newcastle Hospital	92,463	104,513
----	----	- Orange Hospital and Associated Health Services	161,927	162,091
----	----	- Royal North Shore Hospital Redevelopment	721,607	721,662
----	----		1,098,482	1,070,411

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

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
30. Provisions				
Current				
8,633	5,822	Annual Leave - Short Term	1,123,627	1,014,046
809	3,105	Annual Leave - Long Term	436,879	498,027
----	----	Death and Disability (Ambulance Officers)	16,600	7,777
----	----	Sick Leave	338	341
4,290	3,810	Long Service Leave Consequential On-Costs	256,124	223,782
----	----	Other	22,110	22,128
13,732	12,737	Total Current Provisions	1,855,678	1,766,101
Non-Current				
----	----	Death and Disability (Ambulance Officers)	14,600	11,986
373	331	Long Service Leave Consequential On-Costs	22,271	19,459
----	----	Other	5,226	4,750
373	331	Total Non-Current Provisions	42,097	36,195
Aggregate Employee Benefits and Related On-Costs				
13,732	12,737	Provisions - Current	1,833,568	1,743,973
373	331	Provisions - Non-Current	36,871	31,445
946	61,357	Accrued Salaries, Wages and On-Costs (Note 28)	284,087	377,059
15,051	74,425		2,154,526	2,152,477
31. Other Liabilities				
Current				
2,427	2,525	Income in Advance	39,016	22,148
----	----	Other	413	413
2,427	2,525		39,429	22,561
Non-Current				
50,976	53,404	Income in Advance	85,420	89,692
----	----	Other	673	1,097
50,976	53,404		86,093	90,789

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
		32. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
----	----	Not later than one year	621,548	552,704
----	----	Later than one year and not later than five years	291,874	323,883
----	----	Later than five years	----	----
-----	-----	Total Capital Expenditure Commitments (Including GST)	<u>913,422</u>	<u>876,587</u>
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
7,697	7,489	Not later than one year	211,620	174,981
25,110	24,441	Later than one year and not later than five years	696,768	308,090
----	----	Later than five years	748,285	84,658
-----	-----	Total Operating Lease Commitments (Including GST)*	<u>1,656,673</u>	<u>567,729</u>
		* The significant increase in current year commitments compared to last year relates to the signing of aeromedical contracts for helicopter services at NSW Ambulance.		
		(c) Input Tax recoverable related to Commitments for expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$2,570 million as at 30 June 2016 includes input tax credits of \$233.6 million that are expected to be recoverable from the Australian Taxation Office (2015 \$131.3M).		
		(d) Finance Lease Commitments		
		Minimum lease payment commitments in relation to finance leases are payable as follows:		
----	----	Not later than one year	125,452	124,818
----	----	Later than one year and not later than five years	490,734	490,679
----	----	Later than five years	2,205,310	2,281,762
-----	-----	Minimum Lease Payments	<u>2,821,496</u>	<u>2,897,259</u>
----	----	Less: Future Finance Charges	<u>1,720,751</u>	<u>1,817,239</u>
-----	-----	Present Value of Minimum Lease Payments	<u>1,100,745</u>	<u>1,080,020</u>
		The present value of finance lease commitments is as follows:		
----	----	Not later than one year	14,477	14,555
----	----	Later than one year and not later than five years	46,995	48,851
----	----	Later than five years	1,039,273	1,016,614
-----	-----	Present Value of Minimum Lease Payments	<u>1,100,745</u>	<u>1,080,020</u>
		Classified as:		
----	----	(a) Current (Note 29)	14,477	14,555
----	----	(b) Non-Current (Note 29)	1,086,268	1,065,465
-----	-----		<u>1,100,745</u>	<u>1,080,020</u>

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CONSOLIDATION

33. Trust Funds

The Ministry holds money in trust in relation to patents, refundable deposits and Private Practice Trust Funds. As the Ministry performs only custodial role in respect of trust monies, they are excluded from the financial statements as the Ministry cannot use them for the achievement of its own objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Balance at the beginning of the financial year	5,477	5,078	9,867	9,478	58,476	50,737	73,820	65,293
Receipts	13,873	9,555	12,118	11,943	649,517	637,379	675,508	658,877
Expenditure	(10,489)	(9,156)	(13,206)	(11,554)	(652,071)	(629,640)	(675,766)	(650,350)
Balance at the end of the financial year	8,861	5,477	8,779	9,867	55,922	58,476	73,562	73,820

The Parent entity does not administer any trust funds on behalf of others.

PARENT AND CONSOLIDATION

34. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund workers compensation insurance hindsight adjustments are calculated 3 years (interim) and 5 years (final) after the start of each policy year. Hindsight (payments/refunds) adjust insurance contributions paid to reflect actual claims experience. iCare Self Insurance (manager of the Treasury Managed Fund) calculates hindsight adjustments after the 'hindsight date' has past. At 30 June 2016, hindsight adjustments were due for the 2011/12 (final) and 2013/14 (interim) policy years. Adjustments for the 30 June 2016 'hindsight date' have not been provided by the Treasury Managed Fund. It is not possible for the Ministry to reliably quantify the hindsight benefit to be received or amount payable.

b) Public, Private Partnerships

i) Calvary Mater Newcastle Hospital Public, Private Partnership

The liability to pay Novacare for the redevelopment of the Mater Hospital is based on a financing arrangement involving Consumer Price Index (CPI)-linked finance and fixed finance. An interest rate adjustment will be made as appropriate for the CPI-linked interest component over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

ii) Royal North Shore Hospital Redevelopment Public, Private Partnership

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the Public Private Partnership (PPP) capital financing payment will be made in accordance with CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

iii) Orange Hospital and Associated Health Services Public, Private Partnership

The liability to pay Pinnacle Healthcare is based on a financing arrangement involving a CPI indexed annuity bond, the capital financing payment will be adjusted in accordance with a CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

iv) Long Bay Forensic Hospital Public, Private Partnership

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.

NSW Ministry of Health
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PARENT			CONSOLIDATION	
2016 \$000	2015 \$000		2016 \$000	2015 \$000
35. Reconciliation of Cash Flows from Operating Activities to Net Result				
51,615	(115,652)	Net Cash Flows from Operating Activities	1,023,845	1,158,906
(3,457)	(3,404)	Depreciation and Amortisation	(701,125)	(647,244)
----	----	Allowance for Impairment	(25,495)	(58,286)
2,526	2,508	(Increase)/ Decrease Income in Advance	(12,596)	22,259
(1,038)	(1,769)	(Increase)/ Decrease in Provisions	(95,478)	(117,814)
113,877	33,805	Increase / (Decrease) in Prepayments and Other Assets	231,651	105,962
(37,411)	75,773	(Increase)/ Decrease in Payables from Operating Activities	(83,059)	87,050
----	----	Rights to Emerging Asset	711	----
(316)	(9)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(15,761)	(32,102)
----	----	Assets Donated or Brought to Account	559	9,809
125,796	(8,748)	Net Result	323,252	528,540
36. Non-Cash Financing and Investing Activities				
----	----	Assets Donated or Brought to Account	559	12,892
----	----	Property, Plant and Equipment Acquired by Finance Lease	34,905	29,263
----	----		35,464	42,155

37. 2015/16 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to the Ministry. Services received free of charge, or for nominal consideration. Services provided include:

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

38. Unclaimed Monies

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

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.

39. Budget Review - Consolidation

The 2015-16 budget represents the initial budget as allocated by Government at the time of the 2015-16 State Budget, presented to Parliament on 23 June 2015.

NET RESULT \$'000

The actual Net Result was \$56M greater than the Statement of Comprehensive Income budget result for the 2015-16 year.

A reconciliation of the movements between actual and budgeted net result follows:

Net impact arising from Treasury Managed Fund hindsight adjustments based on advice received from iCare NSW in July 2016	61,000
--	--------

Loss on disposal of assets for \$8 million due to the expensing of NSW Health's contribution to historical works on the Westmead Hospital campus.	(8,000)
---	---------

Other (including variation for Long Service Leave actuarial movement in the provision of \$341 million, which is offset by a corresponding \$341 million adjustment to Crown receipts)	3,000
--	-------

Variation from budgeted Net Result	<u>56,000</u>
---	----------------------

ASSETS AND LIABILITIES

Net assets exceed budget by \$368M. The contributing factors are:

An increase in property, plant and equipment as a result of higher than expected asset revaluation increments due to changes in land and building values across NSW	350,000
---	---------

Other	12,000
-------	--------

Increase above Budgeted Net Assets	<u>368,000</u>
---	-----------------------

STATEMENT OF CASH FLOWS

The actual Net Cash Flows from Operating Activities varied from the budget by \$173M. This is primarily due to receipts from capital appropriation being lower than budget (\$67M) reflecting approved capital program reductions, previous year accruals for cross border patient flows which are yet to be settled with other states (\$62M) and cash received in advance for service provisions (\$34M)	173,000
--	---------

The Net Cash Flows from Investing Activities were lower than expected by \$87M. This is primarily attributable to approved decreases in the cash required to fund Health's capital program in-year (\$34M) and a higher than budgeted portion of capital spend being expensing (\$56M) rather than increasing Health's asset base	87,000
---	--------

40. Financial Instruments

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

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

The Secretary of the Ministry of Health 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 Ministry, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Risk Management & Audit Committee and the internal auditors on a continuous basis.

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2016 \$000	2015 \$000
Cash and Cash Equivalents (note 17)	N/A	199,277	148,954
Receivables (note 18)	Loans and receivables (at amortised cost)	203,588	109,462
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	32,027	35,895
Total Financial Assets		<u>434,892</u>	<u>294,311</u>
Financial Liabilities			
Payables (note 28)	Financial liabilities measured at amortised cost	281,139	187,398
Total Financial Liabilities		<u>281,139</u>	<u>187,398</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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40. Financial Instruments

CONSOLIDATION		Carrying Amount 2016 \$000	Carrying Amount 2015 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 17)	N/A	1,396,326	1,548,230
Receivables (note 18)*	Loans and receivables (at amortised cost)	565,011	409,360
Financial Assets at Fair Value (note 20)	At fair value through profit or loss (designated as such upon initial recognition)	76,000	99,462
Total Financial Assets		<u><u>2,037,337</u></u>	<u><u>2,057,052</u></u>
Financial Liabilities			
Borrowings (note 29)	Financial liabilities	1,115,231	1,086,501
Payables (note 28)**	measured at	1,312,834	1,213,620
Other (note 31)	amortised cost	1,086	1,510
Total Financial Liabilities		<u><u>2,429,151</u></u>	<u><u>2,301,631</u></u>

Notes

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

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

(b) Credit Risk

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

Credit risk associated with the Ministry'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 within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hour Glass cash facility is discussed in paragraph (d) below.

40. Financial Instruments

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at reporting 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 Ministry 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 Ministry and controlled entities are 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 (2016: \$403.786 million; 2015: \$303.765 million) and not more than 3 months past due (2016: \$53.839 million; 2015: \$66.075 million) are not considered impaired and together these represent 83% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Ministry's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

PARENT

2016	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	1,278	1,278	----
3 months - 6 months overdue	24,986	24,986	----
> 6 months overdue	1,339	1,339	----
2015			
<3 months overdue	1,721	1,721	----
3 months - 6 months overdue	6	6	----
> 6 months overdue	13	13	----

CONSOLIDATION

2016	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	62,491	53,839	8,653
3 months - 6 months overdue	49,552	36,523	13,029
> 6 months overdue	33,668	7,448	26,220
2015			
<3 months overdue	73,355	66,075	7,280
3 months - 6 months overdue	31,299	20,644	10,655
> 6 months overdue	82,970	18,876	64,094

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 agree to the receivables total recognised in the statement of financial position.

40. Financial Instruments

Authority Deposits

The Ministry has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Ministry will be unable to meet its payment obligations when they fall due. The Ministry 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 Ministry has negotiated no loan outside of arrangements with the Crown Entity. During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

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

NSW Ministry of Health
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40. Financial Instruments

Maturity Analysis and interest rate exposure of financial liabilities

PARENT	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs		56	----	----	56	56	----	----
- Creditors		281,083	----	----	281,083	281,083	----	----
		<u>281,139</u>	----	----	<u>281,139</u>	<u>281,139</u>	----	----
2015								
Payables:								
- Accrued Salaries Wages, On-Costs		1,932	----	----	1,932	1,932	----	----
- Creditors		185,466	----	----	185,466	185,466	----	----
		<u>187,398</u>	----	----	<u>187,398</u>	<u>187,398</u>	----	----
CONSOLIDATION								
	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016								
Payables:								
- Accrued Salaries Wages, On-Costs		223,854	----	----	223,854	223,854	----	----
- Creditors		1,088,980	----	----	1,088,980	1,088,980	----	----
Borrowings:								
- Loans and Deposits	3.85%	24,458	17,315	7,071	----	3,938	15,351	5,096
- Finance Leases	1.69%	49,293	240	49,053	----	1,183	3,966	44,143
- Service Concession Arrangements	10.22%	2,772,203	191,923	2,580,280	----	124,269	486,768	2,161,166
- Other	2.51%	164	164	----	----	57	107	----
		<u>4,158,952</u>	<u>209,642</u>	<u>2,636,404</u>	<u>1,312,834</u>	<u>1,442,282</u>	<u>506,192</u>	<u>2,210,405</u>
2015								
Payables:								
- Accrued Salaries Wages, On-Costs		293,897	----	----	293,897	293,897	----	----
- Creditors		919,724	----	----	919,724	919,724	----	----
Borrowings:								
- Loans and Deposits	4.63%	6,481	6,481	----	----	1,535	4,946	----
- Finance Leases	6.72%	2,644	2,644	----	----	2,431	213	----
- Service Concession Arrangements	9.55%	2,894,615	2,894,615	----	----	122,387	490,466	2,281,762
		<u>4,117,361</u>	<u>2,903,740</u>	----	<u>1,213,621</u>	<u>1,339,974</u>	<u>495,625</u>	<u>2,281,762</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 Ministry can be required to pay. The tables include both interest and principal cash flows and therefore will not agree to the Statement of Financial Position.

40. Financial Instruments

d) Market Risk

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

The effect on net result 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 Ministry operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

Both NSW Treasury and Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Ministry does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

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

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

PARENT	Carrying Amount \$'000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	199,277	(1,993)	(1,993)	1,993	1,993
Receivables	203,588	----	----	----	----
Other Financial Assets	32,027	(320)	(320)	320	320
Financial Liabilities					
Payables	281,139	----	----	----	----
2015					
Financial Assets					
Cash and Cash Equivalents	148,954	(1,490)	(1,490)	1,490	1,490
Receivables	109,462	----	----	----	----
Other Financial Assets	35,895	(359)	(359)	359	359
Financial Liabilities					
Payables	187,398	----	----	----	----

40. Financial Instruments

CONSOLIDATED	Carrying Amount \$'000	-1% Net Result	Equity	+1% Net Result	Equity
2016					
Financial Assets					
Cash and Cash Equivalents	1,396,326	(13,963)	(13,963)	13,963	13,963
Receivables	565,011	----	----	----	----
Financial Assets at Fair Value	76,000	(760)	(760)	760	760
Financial Liabilities					
Payables	1,312,834	----	----	----	----
Borrowings	1,115,231	11,152	11,152	(11,152)	(11,152)
Other	1,086	11	11	(11)	(11)
2015					
Financial Assets					
Cash and Cash Equivalents	1,548,230	(15,482)	(15,482)	15,482	15,482
Receivables	409,360	----	----	----	----
Financial Assets at Fair Value	99,462	(995)	(995)	995	995
Financial Liabilities					
Payables	1,213,620	----	----	----	----
Borrowings	1,086,501	10,865	10,865	(10,865)	(10,865)
Other	1,510	15	15	(15)	(15)

Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2016 \$'000	2015 \$'000
Cash facility	Cash and money market instruments	Up to 1.5 years	271	247
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	----	9,032
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	9,387	22,719
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	63,342	59,375

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily. NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

40. Financial Instruments

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

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

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

	Change in unit price	Impact on Net Result	
		2016 \$'000	2015 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	3	2
Hour-Glass Investment - Strategic cash facility	+/- 1 to 5%	----	181
Hour-Glass Investment - Medium-term growth facility	+/- 6 to 24%	563	1,363
Hour-Glass Investment - Long-term growth facility	+/- 15 to 22%	9,501	8,906

(e) Fair Value Measurement

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

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

Fair Value recognised in the Statement of Financial Position

The Ministry uses the below hierarchy for disclosing the fair value of financial instruments by valuation technique:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2016 Total \$'000
TCorp Hour-Glass Invt.Facility	----	73,000	----	73,000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 Total \$'000
TCorp Hour-Glass Invt.Facility	----	91,373	----	91,373

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

There were no transfers between level 1 and 2 during the year ended 30 June 2016.

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

41. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS