

CHAPTER V

FINANCIAL REPORT





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 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 2017, 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 *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 the standards are 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 requirements of the:

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

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing 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 the preparation and fair presentation of the financial statements 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 and fair presentation of financial statements that 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 except where operations will be dissolved by an Act of Parliament or otherwise cease. The assessment must, disclose, as applicable, matters related to going concern and the appropriateness of 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, and
- 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. 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
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford
Auditor-General of NSW

26 September 2017
SYDNEY

Ministry of Health
Certification of Financial Statements
for the year ended 30 June 2017

We 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 2017 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 Regulation 2015*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position for the Ministry of Health as at 30 June 2017 and the financial performance for the year then ended.
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Elizabeth Koff
Secretary, NSW Health

25 September 2017



John Roach PSM
Chief Financial Officer and Deputy Secretary
Financial Services and Asset Management

25 September 2017

Ministry of Health
Statement of Comprehensive Income for the year ended 30 June 2017

PARENT		CONSOLIDATION			
Actual 2017 \$'000	Actual 2016 \$'000	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
Expenses excluding losses					
Operating expenses					
136,195	131,411	3	12,413,098	12,419,566	12,207,484
808,146	765,697	4	6,211,879	6,051,456	5,631,007
4,240	3,457	5	751,226	731,365	701,125
16,667,757	15,664,884	6	1,365,791	1,444,335	1,319,198
-	-	7	102,189	105,375	107,449
17,616,338	16,565,449		20,844,183	20,752,097	19,966,263
Revenue					
11,705,694	10,767,970	8	11,705,694	11,794,455	10,767,970
6,365	10,540	12	311,956	391,705	694,709
190,153	246,733	9	2,800,830	2,768,029	2,602,679
4,067	5,881	10	36,036	39,192	35,311
5,840,736	5,616,843	11	6,233,784	6,149,598	5,961,659
84,516	43,595	13	207,292	174,834	267,732
17,831,531	16,691,562		21,295,592	21,317,813	20,330,060
(18)	(317)	14	(8,429)	155,000	(15,761)
743	-	15	(35,592)	(10,283)	(24,784)
215,918	125,796	37	407,388	710,433	323,252
Other comprehensive income					
Items that will not be reclassified to net result					
-	15,314		306,982	-	374,438
-	15,314		306,982	-	374,438
215,918	141,110		714,370	710,433	697,690

The accompanying notes form part of these financial statements.

Ministry of Health
Statement of Financial Position as at 30 June 2017

PARENT		CONSOLIDATION				
Actual 2017 \$'000	Actual 2016 \$'000	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000	
ASSETS						
Current assets						
603,427	199,277	18	1,808,201	1,279,232	1,396,326	
179,026	211,291	19	679,913	659,999	737,775	
59,261	52,291	20	193,526	148,200	182,419	
-	-	21	24,769	25,545	20,118	
6,560	6,639	22	-	-	-	
<u>848,274</u>	<u>469,498</u>		<u>2,706,409</u>	<u>2,112,976</u>	<u>2,336,638</u>	
-	-	26	6,734	-	7,311	
848,274	469,498		2,713,143	2,112,976	2,343,949	
Non-current assets						
-	-	19	10,799	11,791	12,937	
-	-	21	54,344	51,675	55,882	
21,047	25,388	22	-	-	-	
Property, plant and equipment						
126,442	129,271	23	13,547,046	13,987,141	13,043,334	
2,734	2,633	23	1,171,574	981,337	1,069,385	
740	800	23	403,918	315,684	380,717	
1,639	2,532	23	32,589	-	31,839	
<u>131,555</u>	<u>135,236</u>		<u>15,155,127</u>	<u>15,284,162</u>	<u>14,525,275</u>	
1,062	844	24	622,937	658,619	566,075	
-	-	25	56,055	56,604	50,495	
<u>153,664</u>	<u>161,468</u>		<u>15,899,262</u>	<u>16,062,851</u>	<u>15,210,664</u>	
1,001,938	630,966		18,612,405	18,175,827	17,554,613	
LIABILITIES						
Current liabilities						
284,144	282,029	29	1,531,076	1,460,271	1,373,067	
-	-	30	21,470	37,461	16,749	
14,696	13,732	31	2,008,988	1,740,484	1,855,678	
2,427	2,427	32	34,546	39,971	39,429	
<u>301,267</u>	<u>298,188</u>		<u>3,596,080</u>	<u>3,278,187</u>	<u>3,284,923</u>	
Non-current liabilities						
-	-	30	1,096,100	1,025,412	1,098,482	
363	373	31	37,941	37,231	42,097	
48,548	50,976	32	120,842	105,148	86,093	
<u>48,911</u>	<u>51,349</u>		<u>1,254,883</u>	<u>1,167,791</u>	<u>1,226,672</u>	
<u>350,178</u>	<u>349,537</u>		<u>4,850,963</u>	<u>4,445,978</u>	<u>4,511,595</u>	
651,760	281,429		13,761,442	13,729,849	13,043,018	
EQUITY						
121,064	121,064		4,277,084	4,230,869	4,114,133	
530,696	160,365		9,484,358	9,498,980	8,928,885	
<u>651,760</u>	<u>281,429</u>		<u>13,761,442</u>	<u>13,729,849</u>	<u>13,043,018</u>	

The accompanying notes form part of these financial statements.

Ministry of Health
Statement of Changes in Equity for the year ended 30 June 2017

PARENT	Notes	Accumulated Funds \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance at 1 July 2016		160,365	121,064	281,429
Net result for the year		215,918	-	215,918
Total comprehensive income for the year		215,918	-	215,918
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	42	154,413	-	154,413
Balance at 30 June 2017		530,696	121,064	651,760
Balance at 1 July 2015				
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 and equipment revaluation surplus		-	15,314	15,314
Reclassification of revaluation increments to accumulated funds on disposal of assets		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
CONSOLIDATION				
CONSOLIDATION	Notes	Accumulated Funds \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance at 1 July 2016		8,928,885	4,114,133	13,043,018
Net result for the year		407,388	-	407,388
Other comprehensive income:				
Net increase in property, plant and equipment revaluation surplus		-	306,982	306,982
Reclassification of revaluation increments to accumulated funds on disposal of assets		144,031	(144,031)	-
Total other comprehensive income		144,031	162,951	306,982
Total comprehensive income for the year		551,419	162,951	714,370
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	42	4,054	-	4,054
Balance at 30 June 2017		9,484,358	4,277,084	13,761,442
Balance at 1 July 2015				
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 in property, plant and equipment revaluation surplus		-	374,438	374,438
Reclassification of revaluation increments to accumulated funds on disposal of assets		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

The accompanying notes form part of these financial statements.

Ministry of Health
Statement of Cash Flows for the year ended 30 June 2017

PARENT		CONSOLIDATION				
Actual 2017 \$'000	Actual 2016 \$'000		Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(136,888)	(184,785)	Employee related		(12,135,258)	(11,989,256)	(11,712,055)
(16,731,990)	(15,664,884)	Grants and subsidies		(1,527,380)	(1,444,335)	(1,319,198)
-	-	Finance costs		(101,854)	(105,375)	(104,866)
(867,518)	(787,112)	Other		(6,829,698)	(7,103,249)	(6,322,569)
<u>(17,736,396)</u>	<u>(16,636,781)</u>	Total payments		<u>(20,594,190)</u>	<u>(20,642,215)</u>	<u>(19,458,688)</u>
Receipts						
11,705,694	10,767,970	Appropriations		11,705,694	11,794,455	10,767,970
6,812	4,560	Reimbursements from the Crown Entity		209,708	-	203,265
194,651	226,548	Sale of goods and services		2,821,701	2,737,079	2,724,874
4,067	5,881	Interest received		29,422	39,192	34,283
5,844,991	5,616,843	Grants and contributions		6,483,221	5,937,342	6,056,077
224,694	66,594	Other		894,932	1,472,048	696,064
<u>17,980,909</u>	<u>16,688,396</u>	Total receipts		<u>22,144,678</u>	<u>21,980,116</u>	<u>20,482,533</u>
244,513	51,615	NET CASH FLOWS FROM OPERATING ACTIVITIES	37	1,550,488	1,337,901	1,023,845
CASH FLOWS FROM INVESTING ACTIVITIES						
155,126	16	Proceeds from sale of property, plant and equipment and intangibles		189,525	170,723	20,036
-	-	Proceeds from sale of investments		45,900	-	23,462
(487)	(5,176)	Purchases of property, plant and equipment and intangibles		(1,330,780)	(1,457,278)	(1,210,488)
-	-	Purchases of investments		(49,013)	-	-
<u>154,639</u>	<u>(5,160)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(1,144,368)</u>	<u>(1,286,555)</u>	<u>(1,166,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
4,417	3,868	Proceeds from borrowings and advances		7,588	14,028	7,070
-	-	Repayment of borrowings and advances		(5,585)	(31,552)	(15,829)
<u>4,417</u>	<u>3,868</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>2,003</u>	<u>(17,524)</u>	<u>(8,759)</u>
403,569	50,323	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		408,123	33,822	(151,904)
199,277	148,954	Opening cash and cash equivalents		1,396,326	1,245,410	1,548,230
581	-	Cash transferred in as a result of administrative restructuring	42	3,752	-	-
<u>603,427</u>	<u>199,277</u>	CLOSING CASH AND CASH EQUIVALENTS	18	<u>1,808,201</u>	<u>1,279,232</u>	<u>1,396,326</u>

The accompanying notes form part of these financial statements.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. The reporting entity

NSW Ministry of Health (the Ministry) is the reporting entity which is a NSW government entity. The reporting entity is controlled by the State of New South Wales, which is the ultimate parent.

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 the Local Health Districts established from 1 January 2011 as well as the following entities constituted under the *Health Services Act 1997* which include the;

- Sydney Children's Hospitals Network
- Justice Health and Forensic Mental Health Network
- Clinical Excellence Commission
- Bureau of Health Information
- Agency for Clinical Innovation
- Health Administration Corporation
- Cancer Institute NSW
- Health Education and Training Institute
- Albury Wodonga Health Employment Division
- Graythwaite Trust (per Supreme Court order)
- Albury Base Hospital

The Health Administration Corporation includes the operations of the;

- NSW Ambulance
- HealthShare NSW
- Health Infrastructure
- NSW Health Pathology
- eHealth NSW
- Health System Support Group

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 2017 have been authorised for issue by the Secretary on 25 September 2017.

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*, the *Public Finance and Audit Regulation 2015*, and financial reporting directions mandated by the Treasurer.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit and loss' 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.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

a) Employee Benefits and Other Provisions

i) Salaries and 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, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 15.8% to 21.1% are applied to the value of leave payable at e.g. 30 June 2017 (comparable on-costs for 30 June 2016 were 15.3% to 20.6%). The Ministry has assessed the actuarial advice based on the entity's operational 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, which is an entity controlled by the ultimate parent.

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 31.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date. This approach is consistent with NSW Treasury Circular 15/09 Accounting for Long Service Leave and Annual Leave.

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 29, '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.

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.

When some or all of a provision is to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

b) Insurance

The Ministry's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for Government entities. The expense (premium) is determined by the fund manager based on past claim experience. The TMF is managed by icare Self Insurance, an entity controlled by the ultimate parent.

c) Finance costs

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW General Government Sector entities (NSWTC 17-04).

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.

Highly specialised 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 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 including service charges where applicable 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.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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.

Appropriations

Appropriations are received from the Consolidated Fund (within the Crown Entity), an entity controlled by the ultimate parent. 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.

Revenues/expenses of Affiliated Health Organisations

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 NSW State Pool Account, 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 9.

The cost of NSW residents treated in other States and Territories is similarly calculated and disclosed in Note 4.

g) Acquisition of property, plant and equipment

Property, plant and equipment 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(y)).

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

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

Land and buildings which are owned by the Health Administration Corporation or the State and operated by the Ministry or its controlled entities are deemed to be controlled by the Ministry and its controlled entities and are recognised as such in the financial statements.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

h) Capitalisation thresholds

Individual items of property, plant & equipment and intangibles are capitalised where the 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:

	2017
Buildings	2.5%
Electro medical equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer equipment	20.0%
Infrastructure systems	2.5%
Leasehold improvements	10% - 33.3%
Motor vehicle sedans	12.5%
Motor vehicles, trucks and vans	20.0%
Office equipment	10.0%
Plant and machinery	10.0%
Linen	25.0%
Furniture, fittings and furnishings	5.0%
PODS	25.0%

"Infrastructure systems" comprises public facilities which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems. PODS are a detachable or self-contained unit on ambulances used for patient treatment.

Depreciation rates are assessed annually and adjusted if appropriate.

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 (NSW 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.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The consolidated entity conducts a comprehensive revaluation at least every three years on a rotational basis for its land and buildings and infrastructure.

The last comprehensive revaluation for assets recognised by the parent entity was completed in the 30 June 2016 financial year and was based on an independent assessment. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, land and buildings and infrastructure not subject to a comprehensive revaluation. The entity uses an external professionally qualified valuer to conduct the interim revaluation.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

j) Revaluation of non-current assets (continued)

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.

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 present value of the estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, if the recognition criteria of a provision is met.

m) Non-current assets held for sale

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

Non-current assets 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) 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.

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.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

o) 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.

p) 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 in the Statement of Comprehensive Income.

Lease incentives

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.

q) Inventories

Inventories held for distribution 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.

r) 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.

s) 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, which are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent, 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.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

t) 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 certain categories of financial assets, such as trade receivables, the entity first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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.

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.

u) 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.

v) 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.

w) 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.

x) 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 27 for further disclosures regarding fair value measurements of financial and non-financial assets.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

y) Equity transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent 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 Ministry does not recognise that asset.

z) 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).

aa) Trust funds

The Ministry receives monies in a trustee capacity for various trusts as set out in Note 34.

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, these funds are not brought to account in the financial statements.

ab) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained in Note 41.

ac) Emerging asset

The Ministry of Health's emerging interest in certain assets has been valued in accordance with 'Accounting for Privately Financed Projects' (NSW 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.

ad) 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 2016-17 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.

Ministry of Health
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

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

(i) Effective for the first time in 2016-17

The accounting policies applied in 2016-17 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 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* extends the scope of AASB 124 *Related Party Disclosures* to include application by not-for-profit public sector entities. The application of this standard resulted in increased disclosures in the financial statements in regards to related party transactions and Key Management Personnel compensation.

(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 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 *Statement of Cash Flows* to require additional disclosures for financing activities in the Statement of Cash Flows. The change is to materially impact these financial statements.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* are applicable for reporting period on or after 1 January 2018. AASB 9 will replace AASB 139 *Financial Instruments: Recognition and Measurement* and establishes new principles for the financial reporting of financial assets, financial liabilities and hedge accounting. AASB 9 also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

AASB 16 *Leases* applies to annual periods beginning on or after 1 January 2019. The standard introduces a new approach to lease accounting which requires lessees to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard will have a significant transitional impact as all leases, except short term (<12 months) and low value leases, brought to account on the balance sheet.

AASB 15 *Revenue from Contracts with Customers* (and associated amending standards AASB 2014-5, AASB 2015-8, AASB 2016-3, AASB 2016-7 and AASB 2016-8) applies to annual periods beginning on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a contract-based five-step analysis of transactions to determine the nature, amount and timing of revenue arising from contracts with customers. This new standard requires revenue to be recognised at the transaction price when control of the goods or services are transferred to the customer. This may impact the timing of recognising certain revenue which is currently recognised by reference to the stage of completion of the transaction.

AASB 1058 *Income of Not-for-Profit Entities* applies to not-for-profit entities and is effective for annual periods beginning on or after 1 January 2019. This standard requires entities to recognise income where the consideration to acquire an asset, including cash, is significantly less than the fair value principally to enable the entity to further its objectives. Under this standard, the timing of income recognition may be impacted depending on whether there is a liability or other performance obligation associated with the acquired asset, including cash. AASB 1058 also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 *Contributions* and is not expected to materially impact these financial statements.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
3. Employee related				
110,138	98,005	Salaries and wages (including annual leave)	10,963,062	10,380,546
1,227	1,343	Superannuation - defined benefit plans	110,561	118,085
8,662	13,618	Superannuation - defined contribution plans	939,190	888,574
4,947	9,776	Long service leave	200,801	611,431
3,563	2,229	Redundancies	22,734	24,250
545	290	Workers' compensation insurance	167,748	176,925
7,113	6,150	Payroll tax and fringe benefits tax	9,002	7,673
136,195	131,411		12,413,098	12,207,484
<p>The majority of 'Payroll tax and fringe benefits tax' was paid to the Department of Finance, Services and Innovation, an entity controlled by the ultimate parent.</p> <p>The following employee related costs were capitalised, and therefore excluded from the above:</p>				
-	-	Employee related expenses capitalised - land and buildings	13,634	11,375
-	-	Employee related expenses capitalised - plant and equipment	44	378
-	-	Employee related expenses capitalised - intangibles	6,859	11,391
4. Other operating expenses				
6,850	6,605	Advertising	26,061	21,608
664	558	Auditor's remuneration	4,559	4,245
21,577	21,341	Blood and blood products	130,579	130,136
1,770	1,503	Consultants	18,034	18,121
578	600	Domestic supplies and services	114,809	106,932
141,978	116,228	Drug supplies	983,174	794,187
-	-	Food supplies	100,956	96,016
586	627	Fuel, light and power	118,577	108,846
-	-	Hospital ambulance transport costs	14,932	13,782
18,633	12,824	Information management expenses	223,475	204,679
248,732	245,458	Insurance	269,210	267,843
263,144	268,655	Interstate patient outflows	263,144	268,655
5,303	5,233	Maintenance (see (b) below)	549,054	504,011
1,721	1,108	Medical and surgical supplies	838,991	796,259
137	105	Motor vehicle expenses	42,194	39,097
1,837	2,259	Postal and telephone costs	50,854	50,776
2,925	2,400	Printing and stationery	47,371	47,967
1,489	1,374	Rates and charges	25,168	26,498
6,460	6,419	Rental	78,749	71,244
5	-	Hosted services purchased from other Local Health Districts	-	-
581	22	Specialised services (Dental, Radiology, Pathology, Allied Health)	378,611	348,663
8,979	3,937	Staff related costs	150,583	122,498
1,848	1,614	Travel related costs	98,001	91,397
-	-	Visiting medical officers	762,871	742,502
72,349	66,827	Other expenses (see (a) below)	921,922	755,045
808,146	765,697		6,211,879	5,631,007

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
4. Other operating expenses (continued)				
(a) Other expenses Includes				
-	-	Ambulance fixed wing and rotor wing transport	107,797	90,583
-	-	Contract for patient services	140,889	132,152
2,805	2,098	Courier and freight	22,466	17,472
-	-	Isolated patient travel and accommodation assistance scheme	20,328	18,416
906	696	Legal services	7,622	14,021
43	58	Membership/professional fees	10,313	11,391
-	-	Motor vehicle operating lease expense - minimum lease payments	50,302	53,494
-	-	Public private partnership - operating facility payments	53,080	84,109
-	-	Other operating lease expense - minimum lease payments	22,735	22,011
-	-	Quality assurance/accreditation	5,284	5,363
353	369	Security services	15,718	14,088
16,287	13,906	Contract health services	113,433	99,855
32,791	29,401	Other management services	73,366	50,175
1,644	1,659	Goods and services component of capital projects	84,343	53,340
17,520	18,640	Other	194,246	88,574
<u>72,349</u>	<u>66,827</u>		<u>921,922</u>	<u>755,044</u>
(b) Reconciliation of total maintenance				
1,614	1,259	Maintenance contracts	178,883	162,435
2,700	3,143	New/replacement equipment under \$10,000	248,073	234,028
989	831	Repairs maintenance/non contract	121,558	106,755
-	-	Other	540	793
5,303	5,233	Maintenance expense - contracted labour and other (Non-employee related in Note 4)	549,054	504,011
-	-	Employee related expense included in Note 3	59,310	58,691
<u>5,303</u>	<u>5,233</u>	Total maintenance expenses	<u>608,364</u>	<u>562,702</u>

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

4. Other operating expenses (continued)

Related Parties Disclosures:

CONSOLIDATED

'Auditor's remuneration' was paid to the Audit Office of New South Wales, an entity controlled by the ultimate parent.

The majority of 'Domestic supplies and services' expenses were paid to Property NSW, an entity controlled by the ultimate parent.

The majority of 'Legal services' expenses were paid to the Crown Solicitors Office NSW, an entity controlled by the ultimate parent.

The majority of 'Other' expenses within 'Other expenses' (Note 4(a)) were paid to controlled entities. Some 'Other' expenses were also paid to the Department of Education, an entity controlled by the ultimate parent.

The majority of 'Rental' expense was paid to Property NSW, an entity controlled by the ultimate parent.

Some 'Staff related expenses' were also paid to TAFE NSW an entity controlled by the ultimate parent.

PARENT

Some 'Drugs supplies' expenses were paid to Justice Health and Forensic Mental Health Network, a controlled entity.

The majority of 'Information management expenses' were paid to the Department of Finance, Services and Innovation, an entity controlled by the ultimate parent. Some expenses were also paid to eHealth NSW, a division of Health Administration Corporation which is a controlled entity.

Some 'Specialised services' expenses were paid to NSW Health Pathology, a division of Health Administration Corporation, which is a controlled entity.

Some 'Staff related expenses' expenses were paid to Health Infrastructure, a division of Health Administration Corporation, which is a controlled entity.

Ministry of Health
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for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
5. Depreciation and amortisation				
2,750	2,716	Depreciation - buildings	468,837	447,820
481	711	Depreciation - plant and equipment	201,494	184,660
60	30	Depreciation - infrastructure systems	21,050	20,043
796	-	Depreciation - leasehold improvements	7,140	4,897
153	-	Amortisation - intangible assets	52,705	43,705
<u>4,240</u>	<u>3,457</u>		<u>751,226</u>	<u>701,125</u>
6. Grants and subsidies				
15,776,919	14,862,042	Payments to entities controlled by the Ministry of Health	-	-
413,186	357,942	Payments to other Affiliated Health Organisations	722,050	670,199
		Grants -		
-	-	Community packages	22,492	23,191
86,840	82,176	Grants to research organisations	129,201	118,721
77,575	66,977	Non-Government organisations	154,636	148,316
51,837	3,180	Grants paid to entities controlled by the ultimate parent	51,905	3,020
		Grant payments to NSW Health entities -		
63,069	99,714	Albury Wodonga Health	63,069	99,714
75,550	54,366	Mental health housing accommodation and support initiative	75,550	54,366
122,781	138,487	Other grants	146,888	201,671
<u>16,667,757</u>	<u>15,664,884</u>		<u>1,365,791</u>	<u>1,319,198</u>
<p>The majority of 'Grants paid to entities controlled by the ultimate parent' were paid to the Department of Justice and Department of Family and Community Services. Both of these entities are controlled by the ultimate parent.</p>				
7. Finance costs				
-	-	Finance lease interest charges	101,669	104,610
-	-	Interest on loans	335	2,583
-	-	Other interest charges	185	256
<u>-</u>	<u>-</u>		<u>102,189</u>	<u>107,449</u>

Ministry of Health
Notes to and forming part of the financial statements
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PARENT AND CONSOLIDATION

8. Summary of compliance

	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
	Appropriations	Expenditure	Appropriations	Expenditure
Original budget per Appropriation Act	11,794,455	11,705,694	11,111,313	10,767,970
Other appropriations / expenditure				
- Section 24 PFAA – transfers of functions between entities	(19,320)	-	-	-
- Transfers to / from another entity (per Section 27 of the Appropriation Act)	-	-	(148,600)	-
Total appropriations / expenditure / net claim on consolidated fund (includes transfer payments)	11,775,135	11,705,694	10,962,713	10,767,970
Appropriation drawn down*		<u>11,705,694</u>		<u>10,767,970</u>
Liability to consolidated fund		<u>-</u>		<u>-</u>
* Comprising :				
Appropriations (per Statement of Comprehensive Income)**		<u>11,705,694</u>		<u>10,767,970</u>
		11,705,694		10,767,970
**Appropriations :				
Recurrent		10,753,049		9,829,991
Capital		952,645		937,979
		<u>11,705,694</u>		<u>10,767,970</u>

Notes :

1. The summary of compliance is based on the assumption that consolidated fund monies are spent first (except where otherwise identified or prescribed).
2. The "liability to consolidated fund" represents the difference between the "amount drawn down against appropriation" and the "total expenditure / net claim on consolidated fund".

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000
9. Sale of goods and services				
(a) Sale of goods comprise the following:-				
-	-	Sale of prosthesis	66,904	64,743
-	-	Pharmacy sales	5,763	5,042
540	691	Other	14,816	11,575
(b) Rendering of services comprise the following:-				
		Patient fees		
1,600	-	- Inpatient fees	786,577	756,272
-	-	- Nursing home fees	19,040	17,497
-	-	- Non inpatient fees	38,074	39,152
78,211	94,512	Department of Veterans' Affairs	324,432	333,811
-	-	Staff meals and accommodation	3,066	2,927
-	-	Infrastructure fees - Monthly facility charge [see note 2(d)]	350,128	323,706
-	-	- Annual charge	93,818	80,561
-	-	Cafeteria/kiosk	6,429	10,083
-	-	Car parking	40,179	38,758
-	-	Child care fees	11,104	13,628
-	-	Clinical services (excluding clinical drug trials)	51,908	48,028
-	-	Commercial activities	25,502	24,215
-	-	Fees for medical records	2,453	2,378
-	-	Highly specialised drugs	502,906	337,492
-	-	Linen service revenue	5,767	6,028
-	-	Meals on Wheels	699	761
-	-	Motor Accident Third Party	151,485	156,694
-	-	Disability appliance programs - patient co-payments	945	1,584
91,818	132,299	Patient inflows from interstate	91,819	132,299
-	-	Patient transport fees	48,337	37,783
-	-	Private use of motor vehicles	2,331	2,662
-	-	Salary packaging fee	4,959	6,824
-	-	Services provided to non NSW Health organisations	22,386	24,577
-	-	Use of ambulance facilities	6,419	5,951
17,984	19,231	Other	122,584	117,648
<u>190,153</u>	<u>246,733</u>		<u>2,800,830</u>	<u>2,602,679</u>

CONSOLIDATED

Some of the 'Clinical services' revenue was earned from the NSW Police Force, an entity controlled by the ultimate parent.

PARENT

Some of the 'Other' revenue from the rendering of services was received from HealthShare NSW, a division of Health Administration Corporation, which is a controlled entity.

The majority of 'Motor Accident Third Party' revenue was received from the State Insurance Regulatory Authority, an entity controlled by the ultimate parent.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
10. Investment revenue				
		Interest		
-	-	- T Corp Hour Glass Investment facilities designated at fair value through profit or loss	3,429	2,871
4,067	5,881	- Bank	25,993	31,412
-	-	Royalties	239	324
-	-	Other	6,375	704
<u>4,067</u>	<u>5,881</u>		<u>36,036</u>	<u>35,311</u>

11. Grants and contributions				
-	-	Clinical drug trials	33,587	26,409
5,730,140	5,509,669	Commonwealth National Health Reform Funding	5,730,140	5,509,669
104,331	101,452	Commonwealth Government grants	242,975	238,442
-	-	Industry contributions/donations	81,112	71,752
200	211	Grants from entities controlled by the ultimate parent	59,266	26,639
5,500	5,500	Grants received from entities controlled by the Ministry of Health	-	-
-	-	Research grants	22,676	24,338
565	11	Other grants	64,028	64,410
<u>5,840,736</u>	<u>5,616,843</u>		<u>6,233,784</u>	<u>5,961,659</u>

CONSOLIDATED

The majority of the grants received from entities controlled by the ultimate parent were received from:

- Department of Family and Community Services
- The Crown Finance Entity; and
- Department of Justice

PARENT

All 'grants received from entities controlled by the Ministry of Health' were received from the Cancer Institute NSW.

12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
1,227	1,341	Superannuation-defined benefit	110,585	117,637
5,071	9,122	Long service leave	201,304	576,995
67	77	Payroll tax	67	77
<u>6,365</u>	<u>10,540</u>		<u>311,956</u>	<u>694,709</u>

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
		13. Other revenue		
		Other revenue comprises the following:-		
-	-	Ambulance death and disability employee contributions	1,037	5,323
1	2	Commissions	4,014	4,784
-	10	Conference and training fees	12,423	10,608
1,843	2,042	Discounts	3,471	4,746
25	25	Insurance refunds	30,389	5,825
2,093	2,225	Lease and rental income	32,880	31,990
-	-	Property not previously recognised	3,867	448
-	-	Sale of merchandise, old wares and books	796	1,032
138	33	Sponsorship income	2,075	1,583
1,130	603	Treasury Managed Fund hindsight adjustment	62,014	131,525
79,286	38,655	Other	54,326	69,868
<u>84,516</u>	<u>43,595</u>		<u>207,292</u>	<u>267,732</u>

CONSOLIDATED

Some 'lease and rental income' was received from the Mental Health Commission of NSW, an entity controlled by the ultimate parent.

Insurance refunds' are receivable from iCare self insurance, an entity controlled by the ultimate parent. Refer Note 31.

PARENT

The majority of 'lease and rental income' was received from eHealth, a division of the Health Administration Corporation, and Health Education Training Institute which are both controlled entities.

'Other' includes an amount of \$60,175k payable to Health Infrastructure (a controlled entity) that was written off during the year, as it is no longer due and payable. It represented balances unpaid relating to subsidy amounts accrued on projects undertaken in the 2011/12 financial year.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
		14. Gain / (loss) on disposal		
155,844	4,059	Property, plant and equipment	389,870	217,312
525	3,727	Less: accumulated depreciation	203,455	187,249
155,319	332	Written down value	186,415	30,063
155,301	15	Less: proceeds from disposal	179,421	10,023
(18)	(317)	Gain/(loss) on disposal of property, plant and equipment	(6,994)	(20,040)
-	-	Intangible assets	7	12
-	-	Less: proceeds from disposal	-	-
-	-	Gain/(loss) on disposal of intangible assets	(7)	(12)
-	-	Assets held for sale	6,928	8,953
-	-	Less: proceeds from disposal	5,500	13,244
-	-	Gain/(loss) on disposal of assets held for sale	(1,428)	4,291
(18)	(317)	Total gain/(loss) on disposal	(8,429)	(15,761)
		15. Other gains / (losses)		
-	-	Emerging asset gain / (loss)	(587)	711
-	-	Impairment of receivables	(35,005)	(25,495)
743	-	Other	-	-
743	-		(35,592)	(24,784)

CONSOLIDATION

16. 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 year for which expenditure in the manner specified had not occurred as at reporting date	40,927	121,080	57,913	219,920
Contributions recognised in previous years which were not expended in the current reporting period	193,704	528,150	134,039	855,893
Total amount of unexpended contributions as at reporting date	234,631	649,230	191,952	1,075,813

The parent entity has no items that are captured under this disclosure.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

CONSOLIDATION
17. Service groups of the Ministry of Health

(a) Service group statements of the Ministry

	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		Service Group 7.1 ** Specialist Domestic and Family Violence and Sexual Assault Services and Women's Policy		Not Attributable ***		Total						
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016			
MINISTRY EXPENSES AND INCOME																													
Expenses excluding losses																													
Operating expenses																													
Employee related	542,252	546,694	45,114	44,852	1,493,888	1,463,414	1,788,454	1,771,042	5,616,095	5,488,774	1,236,019	1,222,538	1,039,685	1,031,946	255,154	248,312	392,538	389,912	3,699	-	-	-	-	-	-	-	-	-	
Other operating expenses	245,333	237,087	16,392	16,316	1,169,246	1,064,619	812,564	735,919	2,721,370	2,445,358	394,516	355,698	405,472	376,725	244,892	215,631	198,795	183,654	3,299	-	-	-	-	-	-	-	-	-	
Depreciation and amortisation	28,282	26,405	2,044	1,910	130,386	122,005	103,002	96,344	322,643	300,216	67,746	63,348	64,000	59,893	12,602	11,798	20,541	19,206	-	-	-	-	-	-	-	-	-	-	
Grants and subsidies	110,260	119,716	20,270	22,658	174,809	176,371	55,267	53,330	417,448	414,845	120,922	108,090	161,936	166,082	66,547	73,910	144,224	184,206	71,982	-	-	-	-	-	-	-	-	-	
Finance costs	5,243	5,712	142	154	13,055	14,225	8,559	9,326	39,416	39,054	25,833	28,147	6,251	6,811	965	1,051	2,725	2,969	-	-	-	-	-	-	-	-	-	-	
Total expenses excluding losses	931,350	935,614	83,962	85,890	2,991,384	2,840,634	2,768,946	2,665,961	9,116,672	8,688,247	1,845,036	1,777,811	1,677,344	1,641,457	579,160	550,702	758,823	779,947	79,180	-	-	-	-	-	-	-	-	-	
Revenue																													
Appropriations **																													
Acceptance by the Crown Entity																													
of employee benefits	15,063	35,505	1,275	2,838	35,293	78,596	45,019	100,255	137,735	306,730	31,486	70,117	28,295	63,010	5,751	12,808	11,159	24,850	880	-	-	-	-	-	-	-	-	-	
Sale of goods and services	110,617	21,036	7,391	3,384	527,193	519,533	366,371	313,563	1,227,021	1,183,216	177,880	110,932	182,820	376,387	110,418	43,712	89,632	30,896	-	-	-	-	-	-	-	-	-	-	
Investment revenue	1,849	635	50	29	4,604	7,099	3,018	1,733	13,899	18,332	9,110	1,533	2,204	3,867	340	849	962	1,234	-	-	-	-	-	-	-	-	-	-	
Grants and contributions	502,251	485,005	92,516	11,826	79,769	825,974	256,817	503,883	1,903,952	2,790,038	551,915	916,126	739,115	260,857	299,172	123,065	688,272	344,885	102,359	-	-	-	-	-	-	-	-	-	
Other revenue	-	6,410	-	621	17,369	45,442	8,819	22,918	181,104	121,100	-	18,339	-	33,848	-	12,178	-	6,876	-	-	-	-	-	-	-	-	-	-	
Total revenue	630,780	246,591	101,232	16,698	1,362,228	1,476,644	680,044	942,372	3,463,711	4,419,416	770,391	1,117,047	952,434	737,989	415,881	192,612	780,025	408,741	103,239	-	-	-	-	-	-	-	-	-	
Gain/(loss) on disposal	(95)	(185)	(6)	(13)	(496)	(928)	(403)	(753)	(4,598)	(8,597)	(1,260)	(2,357)	(824)	(1,540)	(99)	(184)	(644)	(1,204)	(4)	-	-	-	-	-	-	-	-	-	
Other gains/(losses)	(241)	(193)	(17)	(12)	(1,689)	(1,176)	(25,112)	(17,666)	(4,865)	(3,888)	(1,112)	(774)	(1,546)	(1,078)	(99)	(89)	(874)	(608)	(35)	-	-	-	-	-	-	-	-	-	
Net result	(300,906)	(687,401)	17,247	(67,217)	(1,601,241)	(1,366,094)	(2,114,317)	(1,741,828)	(5,662,424)	(4,280,816)	(1,077,017)	(663,895)	(727,282)	(906,106)	(163,677)	(358,343)	(316)	(373,018)	24,020	-	-	-	-	-	-	-	-	-	
Other comprehensive income																													
Increase/(decrease) in revaluation surplus	14,153	17,904	1,960	2,392	37,601	45,863	35,045	42,745	139,235	169,830	29,158	35,565	42,147	51,409	4,255	5,169	2,903	3,541	527	-	-	-	-	-	-	-	-	-	
Total other comprehensive income	14,153	17,904	1,960	2,392	37,601	45,863	35,045	42,745	139,235	169,830	29,158	35,565	42,147	51,409	4,255	5,169	2,903	3,541	527	-	-	-	-	-	-	-	-	-	
Total comprehensive income	(286,753)	(669,497)	19,207	(64,825)	(1,563,640)	(1,320,231)	(2,079,272)	(1,699,083)	(5,523,189)	(4,110,986)	(1,047,859)	(628,330)	(685,135)	(854,697)	(159,422)	(353,174)	2,387	(889,477)	24,547	-	-	-	-	-	-	-	-	-	

* The name and purpose of each service group is summarised in Note 17 (b).

** On 1 April 2017 Specialist Domestic and Family Violence and Sexual Assault Services and Women's Policy was transferred to Family and Community Services via an administrative transfer. Refer to Note 42.

*** Appropriations are made on an entity basis and not to individual service groups. Consequently, appropriations must be included in the 'Not Attributable' column. Cluster grant funding is also unlikely to be attributable to individual service groups.

Ministry of Health
Service group statements (continued)
for the year ended 30 June 2017

CONSOLIDATION
17. Service group statements of the Ministry of Health (continued)
(a) Service group statements of the Ministry (continued)

MINISTRY ASSETS AND LIABILITIES	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		Service Group 7.1 ** Specialist Domestic and Family Violence and Sexual Assault Services and Women's Policy		Not Attributable ***		Total					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017			
ASSETS																												
Current assets																												
Cash and cash equivalents	59,472	49,230	14,879	11,430	215,439	166,366	165,273	127,627	779,145	601,670	93,077	71,876	82,291	63,547	73,051	56,412	321,293	248,108	5,279	-	-	-	-	-	1,808,201	1,396,326		
Receivables	12,555	14,865	8,235	8,935	144,467	156,762	88,627	96,169	252,290	273,762	25,835	29,034	49,506	53,719	9,042	9,811	88,211	95,718	1,134	-	-	-	-	-	679,913	737,775		
Inventories	4,903	5,039	1,727	1,628	30,026	29,057	15,160	14,290	61,097	57,591	5,795	5,462	6,874	6,480	44,491	42,032	22,109	20,840	444	-	-	-	-	-	193,526	182,419		
Financial assets at fair value	663	587	131	106	4,032	3,275	2,461	1,999	10,762	8,743	1,741	1,414	2,394	1,944	270	219	2,255	1,831	60	-	-	-	-	-	24,769	20,118		
Non-current assets held for sale	265	313	27	30	711	772	1,498	1,626	2,568	2,796	662	718	903	980	63	69	16	18	22	-	-	-	-	-	6,734	7,311		
Total current assets	76,888	70,034	24,999	22,189	395,675	356,232	273,019	241,711	1,105,962	944,552	127,110	107,504	141,988	126,670	127,017	108,542	433,884	366,515	6,939	-	-	-	-	-	2,713,143	2,345,949		
Non-current assets																												
Receivables	74	97	44	52	2,080	2,492	665	833	4,662	5,584	338	405	2,241	2,685	160	191	498	598	7	-	-	-	-	-	10,799	12,937		
Financial assets at fair value	853	956	8	8	8,671	8,916	3,201	3,292	23,250	23,909	1,573	1,618	1,110	1,141	2,039	2,097	13,652	13,945	77	-	-	-	-	-	54,344	55,892		
Property, plant and equipment																												
- Land and buildings	429,123	450,469	36,191	34,845	2,328,033	2,241,471	1,589,152	1,530,063	6,131,553	5,803,568	1,316,491	1,267,540	1,083,372	1,043,090	176,450	169,889	417,839	402,399	38,743	-	-	-	-	-	13,547,046	13,043,334		
- Plant and equipment	34,980	34,811	11,658	10,640	225,048	205,419	151,178	137,992	462,345	412,890	77,058	70,337	68,177	62,230	15,646	14,281	132,226	120,765	3,158	-	-	-	-	-	1,171,574	1,069,395		
- Infrastructure systems	12,519	12,895	1,317	73,063	68,656	38,307	36,106	186,229	175,530	38,138	36,890	34,983	32,983	32,983	5,306	5,002	11,927	11,243	1,130	-	-	-	-	-	403,918	380,717		
- Leasehold improvements	1,321	1,407	417	407	6,003	5,865	2,910	2,843	12,640	12,349	1,732	1,692	2,270	2,218	575	562	4,602	4,496	119	-	-	-	-	-	32,989	31,839		
Intangible assets	43,871	43,465	31,281	28,426	152,287	138,366	27,646	25,122	31,972	29,055	5,514	5,011	6,491	5,898	1,033	938	318,881	289,774	3,961	-	-	-	-	-	622,937	566,075		
Other	4,316	3,877	3,195	2,536	14,070	12,344	2,659	2,241	3,139	2,592	953	447	1,009	526	504	84	25,617	25,948	392	-	-	-	-	-	56,055	50,495		
Total non-current assets	527,057	547,947	84,111	78,156	2,809,445	2,683,749	1,815,948	1,738,492	6,845,790	6,565,477	1,442,797	1,383,940	1,199,683	1,150,771	201,713	193,044	925,352	869,088	47,957	-	-	-	-	-	15,899,362	15,210,664		
TOTAL ASSETS	603,925	617,981	109,110	100,345	3,204,720	3,039,981	2,088,967	1,980,203	7,951,652	7,510,029	1,569,907	1,491,444	1,341,631	1,277,441	328,730	301,586	1,359,238	1,235,603	54,526	-	-	-	-	-	18,612,405	17,554,613		
LIABILITIES																												
Current liabilities																												
Payables	55,545	54,310	15,711	14,090	290,688	260,688	188,590	169,128	584,265	523,969	84,295	75,596	79,669	71,447	68,684	61,895	158,613	142,244	5,016	-	-	-	-	-	1,531,076	1,373,067		
Borrowings	2,063	1,755	124	96	2,989	2,331	1,957	1,527	8,216	6,409	3,903	3,045	1,365	1,065	327	255	340	266	186	-	-	-	-	-	21,470	16,749		
Provisions	84,532	85,130	11,378	10,509	280,082	288,709	303,505	280,344	820,941	758,294	183,244	169,294	147,578	136,316	40,485	37,396	129,611	119,720	7,632	-	-	-	-	-	2,008,988	1,855,678		
Other	1,475	1,835	228	259	4,674	5,534	3,368	3,844	15,078	17,209	3,574	4,079	3,366	3,842	806	920	1,946	2,107	132	-	-	-	-	-	34,546	39,429		
Total current liabilities	143,615	143,030	27,441	24,954	578,433	527,062	497,420	454,843	1,428,500	1,305,881	275,016	251,900	231,978	212,670	110,302	100,166	290,410	264,337	12,966	-	-	-	-	-	3,596,080	3,284,923		
Non-current liabilities																												
Borrowings	66,444	74,785	2,873	2,879	146,843	147,162	90,250	90,446	437,527	438,478	162,920	163,274	111,513	111,513	16,140	16,175	53,653	53,770	6,179	-	-	-	-	-	1,086,100	1,099,482		
Provisions	1,524	1,844	532	590	4,593	5,096	10,000	11,096	9,765	10,835	2,145	2,300	1,733	1,922	1,997	2,216	55,14	6,118	138	-	-	-	-	-	37,941	42,097		
Other	2,016	1,566	211	150	7,979	5,695	4,620	3,291	88,763	63,238	3,751	3,751	3,785	3,785	2,548	2,548	3,947	2,812	182	-	-	-	-	-	120,842	86,053		
Total non-current liabilities	71,984	78,195	3,616	3,619	159,415	157,943	104,870	104,633	536,055	512,551	170,330	169,405	116,317	117,220	20,885	20,206	63,114	62,700	6,499	-	-	-	-	-	1,254,983	1,226,672		
TOTAL LIABILITIES	215,599	221,225	31,057	28,573	737,848	685,005	602,290	559,676	1,964,555	1,818,432	445,346	421,305	350,295	329,890	130,887	120,372	353,524	327,037	19,465	-	-	-	-	-	4,850,063	4,511,595		
NET ASSETS	388,326	396,756	78,053	71,772	2,466,872	2,354,976	1,486,677	1,420,527	5,987,097	5,691,597	1,124,561	1,070,099	991,336	947,551	197,743	181,214	1,005,712	908,566	35,061	-	-	-	-	-	13,761,442	13,043,018		

* The name and purpose of each service group is summarised in Note 17 (b).

** On 1 April 2017 Specialist Domestic and Family Violence and Sexual Assault Services and Women's Policy was transferred to Family and Community Services via an administrative transfer. Refer to Note 42.

*** Appropriations are made on an entity basis and not to individual service groups. Consequently, appropriations must be included in the 'Not Attributable' column. Cluster grant funding is also unlikely to be attributable to individual service groups.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

17. Service groups of the Ministry of Health (continued)

(b) Service Group Name and Purpose 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. 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.

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.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

17. Service groups of the Ministry of Health (continued)

(b) Service Group Name and Purpose of the Ministry (continued)

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.

Service Group 7.1 - Specialist Domestic and Family Violence and Sexual Assault Services and Women's Policy

Service Description: This service group covers the coordination of the whole of government strategy for domestic and family violence (DFV) and sexual assault, including specialist service delivery through the Justice, Family and Community Services and Health clusters. It excludes mainstream services responding to domestic violence and sexual assault. It also includes Women's Policy.

Objective: This service group contributes to achieving gender equality for women in NSW, and covers the whole-of-government response to the NSW Domestic and Family Violence Blueprint for Reform, including activities to prevent domestic and family violence, intervene early with vulnerable communities, supporting victims, holding perpetrators accountable, delivering quality services and improving the service system. This service group also contributes to the economic empowerment of women in NSW.

Ministry of Health
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for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
18. Cash and cash equivalents				
603,427	199,277	Cash at bank and on hand	1,174,035	775,118
-	-	Short term deposits	634,166	621,208
<u>603,427</u>	<u>199,277</u>		<u>1,808,201</u>	<u>1,396,326</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:				
603,427	199,277	Cash and cash equivalents (per Statement of Financial Position)	1,808,201	1,396,326
<u>603,427</u>	<u>199,277</u>	Closing cash and cash equivalents (per Statement of Cash Flows)	<u>1,808,201</u>	<u>1,396,326</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 43 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.				
19. Receivables				
Current				
4,096	29,414	Sale of goods and services	312,695	331,247
59,590	52,403	Intra health receivables	-	-
-	6,743	Goods and Services Tax	87,573	99,034
111,714	121,771	Other debtors	247,130	280,722
<u>175,400</u>	<u>210,331</u>	Sub total	<u>647,398</u>	<u>711,003</u>
-	-	Less: allowance for impairment	(40,404)	(47,257)
<u>175,400</u>	<u>210,331</u>	Sub total	<u>606,994</u>	<u>663,746</u>
3,626	960	Prepayments	72,919	74,029
<u>179,026</u>	<u>211,291</u>		<u>679,913</u>	<u>737,775</u>

PARENT

At reporting date there is an amount of \$54K receivable from the Crown, an entity controlled by the ultimate parent. The amount relates to payments of private licence fee renewals exceeding amounts owed. The amount receivable at reporting date will be recovered from the Crown in 2017/18.

'Intra health receivables' are amounts receivable from controlled entities. The majority of this receivable is due from South East Sydney Local Health District and Sydney Local Health District.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT		CONSOLIDATION	
2017	2016	2017	2016
\$'000	\$'000	\$'000	\$'000
19. Receivables (continued)			
(a) Movement in the allowance for impairment			
-	-		
-	-	(41,633)	(72,737)
-	-	38,029	55,915
-	-	(31,288)	(24,811)
-	-	(34,892)	(41,633)
(b) Movement in the allowance for impairment			
Other debtors			
-	-		
-	-	(5,624)	(8,104)
-	-	3,825	3,164
-	-	4	-
-	-	(3,717)	(684)
-	-	(5,512)	(5,624)
-	-	(40,404)	(47,257)
Non-current			
-	-		
-	-	629	657
-	-	249	287
-	-	878	944
Sub total			
-	-		
-	-	(634)	(645)
-	-	244	299
Sub total			
-	-		
-	-	10,555	12,638
-	-	10,799	12,937
(a) Movement in the allowance for impairment			
Sale of goods and services			
-	-		
-	-	(485)	(571)
-	-	(69)	86
-	-	(554)	(485)
(b) Movement in the allowance for impairment			
Other debtors			
-	-		
-	-	(160)	(617)
-	-	80	457
-	-	(80)	(160)
-	-	(634)	(645)
The current and non-current sale of goods and services balances above include the following patient fee receivables:			
-	-		
-	-	28,507	30,120
-	-	48,856	44,183
-	-	118,384	113,457
-	-	195,747	187,760

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 43.

Ministry of Health
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for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
20. Inventories				
55,325	47,864	Drug supplies	105,898	94,537
3,936	4,427	Medical and surgical supplies	80,943	77,558
-	-	Food and hotel supplies	1,928	1,103
-	-	Other	4,757	9,221
<u>59,261</u>	<u>52,291</u>		<u>193,526</u>	<u>182,419</u>
21. Financial assets at fair value				
Current				
-	-	T Corp - Hour-Glass Investment facilities	18,769	17,118
-	-	Other	6,000	3,000
<u>-</u>	<u>-</u>		<u>24,769</u>	<u>20,118</u>
Non-current				
-	-	T Corp- Hour-Glass Investment facilities	54,344	55,882
<u>-</u>	<u>-</u>		<u>54,344</u>	<u>55,882</u>
<i>Refer to note 43 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.</i>				
22. Other financial assets				
Current				
6,560	6,639	Advances receivable - intra health	-	-
<u>6,560</u>	<u>6,639</u>		<u>-</u>	<u>-</u>
Non-current				
21,047	25,388	Advances receivable - intra health	-	-
<u>21,047</u>	<u>25,388</u>		<u>-</u>	<u>-</u>

The majority of the 'Advances receivable - intra health' balances are receivable from South Western Sydney Local Health District (SWSLHD), a controlled entity and relates to a loan for the Liverpool car park. The loan was provided to SWSLHD on market terms.

Ministry of Health
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for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
23. Property, plant and equipment				
Land and buildings - fair value				
237,519	237,599	Gross carrying amount	22,464,612	21,604,023
111,077	108,328	Less: accumulated depreciation and impairment	8,917,566	8,560,689
<u>126,442</u>	<u>129,271</u>	Net carrying amount	<u>13,547,046</u>	<u>13,043,334</u>
Plant and equipment - fair value				
8,445	8,379	Gross carrying amount	2,488,973	2,315,168
5,711	5,746	Less: accumulated depreciation and impairment	1,317,399	1,245,783
<u>2,734</u>	<u>2,633</u>	Net carrying amount	<u>1,171,574</u>	<u>1,069,385</u>
Infrastructure systems - fair value				
3,075	3,075	Gross carrying amount	860,220	817,551
2,335	2,275	Less: Accumulated Depreciation and Impairment	456,302	436,834
<u>740</u>	<u>800</u>	Net carrying amount	<u>403,918</u>	<u>380,717</u>
Leasehold improvements - fair value				
14,659	14,756	Gross carrying amount	73,361	65,296
13,020	12,224	Less: accumulated depreciation and impairment	40,772	33,457
<u>1,639</u>	<u>2,532</u>	Net carrying amount	<u>32,589</u>	<u>31,839</u>
<u>131,555</u>	<u>135,236</u>	Total property, plant and equipment at net carrying amount	<u>15,155,127</u>	<u>14,525,275</u>

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT

23. 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 and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Leasehold improvements \$'000	Total \$'000
2017					
Net carrying amount at beginning of year	129,271	2,633	800	2,532	135,236
Additions	519	416	-	78	1,013
Disposals	(155,000)	(144)	-	(175)	(155,319)
Transfers to NSW Health entities	-	(288)	-	-	(288)
Administrative restructures	155,000	-	-	-	155,000
Net revaluation increment/(decrement) less revaluation increments/(decrements) recognised in reserves	830	-	(830)	-	-
Depreciation expense	(2,750)	(481)	(60)	(796)	(4,087)
Reclassifications	(1,428)	598	830	-	-
Net carrying amount at end of year	126,442	2,734	740	1,639	131,555

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Leasehold improvements \$'000	Total \$'000
2016					
Net carrying amount at beginning of year	117,645	1,736	-	-	119,381
Additions	659	3,738	-	2,532	6,929
Disposals	(315)	(18)	-	-	(333)
Transfers to NSW Health entities	-	(2,598)	-	-	(2,598)
Net revaluation increment less revaluation increments/(decrements) recognised in reserves	15,314	-	-	-	15,314
Depreciation expense	(2,716)	(711)	(30)	-	(3,457)
Reclassifications	(1,316)	486	830	-	-
Net carrying amount at end of year	129,271	2,633	800	2,532	135,236

(i) As part of a NSW Government decision to undertake a relocation project, a parcel of land and buildings at the Royal North Shore site has been sold by NSW Health for \$155 million (market value) to Property NSW, an entity controlled by the ultimate parent.

Ministry of Health
Notes to and forming part of the financial statements
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CONSOLIDATION

23. 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 and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Leasehold Improvements \$'000	Total \$'000
2017					
Net carrying amount at beginning of year	13,043,334	1,069,385	380,717	31,839	14,525,275
Additions	931,495	272,383	4,765	6,182	1,214,825
Reclassifications to intangibles	-	(565)	-	-	(565)
Reclassification of assets held for sale	(8,904)	-	(3)	-	(8,907)
Disposals	(173,100)	(13,103)	(27)	(211)	(186,441)
Administrative restructures	-	860	-	-	860
Net revaluation increment Less revaluation increments/(decrements) recognised in reserves	302,091	-	6,974	-	309,065
Impairment losses (recognised in "other gains/losses")	(464)	-	-	-	(464)
Depreciation expense	(468,837)	(201,494)	(21,050)	(7,140)	(698,521)
Other reclassifications within property, plant and equipment	(78,569)	44,108	32,542	1,919	-
Net carrying amount at end of year	13,547,046	1,171,574	403,918	32,589	15,155,127

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Leasehold Improvements \$'000	Total \$'000
2016					
Net carrying amount at beginning of year	12,386,607	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)
Reclassification of assets held for sale	(3,353)	-	(46)	-	(3,399)
Disposals	(14,381)	(15,376)	-	(306)	(30,063)
Net revaluation increment/(decrement) less revaluation increments/(decrements) recognised in reserves	375,661	-	(1,088)	(135)	374,438
Depreciation expense	(447,820)	(184,660)	(20,043)	(4,897)	(657,420)
Other reclassifications within property, plant and equipment	(60,854)	23,873	35,845	1,136	-
Net carrying amount at end of year	13,043,334	1,069,385	380,717	31,839	14,525,275

(i) Further details regarding fair value measurement of property, plant and equipment are disclosed in Note 27(b).

(ii) Further details regarding acquisitions made through administrative restructures are disclosed in Note 42.

(iii) As part of a NSW Government decision to undertake a relocation project, a parcel of land and buildings at the Royal North Shore site has been sold by NSW Health for \$155 million (market value) to Property NSW, an entity controlled by the ultimate parent.

Ministry of Health
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
		25. Other assets		
		Non-current		
-	-	Emerging rights to assets	56,055	50,495
<u>-</u>	<u>-</u>		<u>56,055</u>	<u>50,495</u>
		26. Non-current assets held for sale		
		Assets held for sale		
-	-	Land and buildings	6,734	7,265
-	-	Infrastructure systems	-	46
<u>-</u>	<u>-</u>		<u>6,734</u>	<u>7,311</u>

Further details regarding the fair value measurement are disclosed in Note 27.

Ministry of Health
Notes to and forming part of the financial statements
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27. Fair value measurement of non-financial assets

(a) Fair value hierarchy

Property, plant and equipment (Note 23)*

PARENT

2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	79,250	46,953	126,203
Infrastructure systems	-	-	740	740
	-	79,250	47,693	126,943

There were no transfers between Level 1 and 2 during the year ended 30 June 2017.

2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
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.

CONSOLIDATION

2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	1,081,904	10,588,850	11,670,754
Infrastructure systems	-	-	403,921	403,921
Non-current assets (or disposal groups) held for sale (Note 26)	-	6,734	-	6,734
	-	1,088,638	10,992,771	12,081,409

There were no transfers between Level 1 and 2 during the year ended 30 June 2017.

2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
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 26)	-	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.

* Work in progress and newly completed buildings are carried at cost, therefore excluded from figures above and as a result the balances in Note 23 will not reconcile with balances disclosed in the Statement of Financial Position.

Ministry of Health
Notes to and forming part of the financial statements
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PARENT & CONSOLIDATION

27. Fair value measurement of non-financial assets (continued)

(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 independent 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 23 reconciliation.

In accordance with AASB 13 *Fair Value Measurement*, assets are generally not 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 are a non-recurring item that is measured at the lesser of its carrying amount or fair value less cost to sell. These assets are categorised as 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.

(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 building 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 building 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.

Ministry of Health
Notes to and forming part of the financial statements
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27. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements

PARENT

2017	Land and buildings \$000	Infrastructure systems \$000	Level 3 Recurring total \$000
Fair value as at 1 July 2016	44,957	800	45,757
Additions	339	-	339
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment asset revaluation surplus'	4,407	-	4,407
Depreciation	(2,750)	(60)	(2,810)
Fair value as at 30 June 2017	46,953	740	47,693

2016	Land and buildings \$000	Infrastructure systems \$000	Level 3 Recurring total \$000
Fair value as at 1 July 2015	61,774	-	61,774
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	(12,505)	-	(12,505)
Disposals	(280)	-	(280)
Depreciation	(2,716)	(30)	(2,746)
Other	(1,316)	830	(486)
Fair value as at 30 June 2016	44,957	800	45,757

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

27. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements (continued)

CONSOLIDATION

2017	Land and buildings \$'000	Infrastructure systems \$'000	Level 3 Recurring total \$'000
Fair value as at 1 July 2016	10,062,551	380,763	10,443,314
Additions	320,380	4,765	325,145
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'net increase / (decrease) in property, plant and equipment asset revaluation surplus'	52,506	6,974	59,480
Transfers from Level 2	632,946	-	632,946
Transfers to Level 2	(6,110)	-	(6,110)
Disposals	(23,524)	(27)	(23,551)
Depreciation	(438,850)	(21,050)	(459,900)
Reclassification	(11,047)	32,496	21,449
Fair value as at 30 June 2017	<u>10,588,852</u>	<u>403,921</u>	<u>10,992,773</u>

2016	Land and buildings \$'000	Infrastructure systems \$'000	Level 3 Recurring total \$'000
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>10,062,551</u>	<u>380,763</u>	<u>10,443,314</u>

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT		CONSOLIDATION	
2017	2016	2017	2016
\$'000	\$'000	\$'000	\$'000
28. Restricted assets			
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.			
Category			
-	-	405,819	405,754
-	-	11,001	10,948
-	-	175,149	171,121
-	-	420,272	388,955
-	-	63,572	64,936
<u>-</u>	<u>-</u>	<u>1,075,813</u>	<u>1,041,714</u>
Grant Total			

29. Payables			
Current			
220	56	266,920	223,854
1,000	890	68,206	60,233
175,237	175,970	783,566	696,927
-	-	71	30
Other Creditors			
-	-	109,607	104,820
78,545	77,196	-	-
17,229	27,917	302,706	287,203
11,913	-	-	-
<u>284,144</u>	<u>282,029</u>	<u>1,531,076</u>	<u>1,373,067</u>

PARENT

Trade operating creditors' include some amounts owing to Department of Finance, Services and Innovation an entity controlled by the ultimate parent.

The majority of 'Payables to controlled health entities' are amounts owing to HealthShare NSW, a division of Health Administration Corporation, which is a controlled health entity.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 43.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT		CONSOLIDATION	
2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
30. Borrowings			
Current			
-	-	4,165	2,272
-	-	932	588
Public, Private Partnerships			
-	-	1,792	1,620
-	-	13,843	12,050
-	-	576	164
-	-	162	55
<u>-</u>	<u>-</u>	<u>21,470</u>	<u>16,749</u>
Non-Current			
-	-	27,309	12,214
-	-	33,745	34,905
Public, Private Partnerships			
-	-	73,574	75,366
-	-	78,621	92,463
-	-	161,351	161,927
-	-	721,500	721,607
<u>-</u>	<u>-</u>	<u>1,096,100</u>	<u>1,098,482</u>

CONSOLIDATED

Finance leases

South West Sydney Local Health District (SWSLHD) has entered into a collaborative relationship with the Ingham Institute (an associate entity of NSW Health) for Applied Medical Research to create a research precinct on the grounds of Liverpool Hospital. The goal is to undertake medical research that can be translated & applied to the needs of the local population and wider Australia. As part of the arrangement the Ingham Institute Building has been sub-leased to SWSLHD to allow its employees to conduct research across a number of streams. This arrangement has been classified as a Finance Lease. The final repayments for the Ingham Finance Lease are to be made during the year ending 30 June 2052.

Other loans and deposits

Other loans and deposits' represents amounts owing to NSW Treasury, an entity controlled by the ultimate parent.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 43.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
30. Borrowings (continued)				
(a) Finance lease commitments				
Minimum lease payment commitments in relation to finance leases are payable as follows:				
-	-	Not later than one year	124,890	125,452
-	-	Later than one year and not later than five years	481,887	490,734
-	-	Later than five years	<u>2,073,625</u>	<u>2,205,310</u>
-	-	Minimum lease payments	<u>2,680,402</u>	<u>2,821,496</u>
-	-	Less: Future Finance Charges	<u>1,594,306</u>	<u>1,720,751</u>
-	-	Present value of minimum lease payments	<u>1,086,096</u>	<u>1,100,745</u>
The present value of finance lease commitments is as follows:				
-	-	Not later than one year	17,305	14,477
-	-	Later than one year and not later than five years	45,387	46,995
-	-	Later than five years	<u>1,023,404</u>	<u>1,039,273</u>
-	-	Present value of minimum lease payments	<u>1,086,096</u>	<u>1,100,745</u>
Classified as:				
-	-	Current (Note 30)	17,305	14,477
-	-	Non-current (Note 30)	<u>1,068,791</u>	<u>1,086,268</u>
-	-		<u>1,086,096</u>	<u>1,100,745</u>

A finance lease arrangement exists for the sub-lease of the Ingham Institute (an associate entity of NSW Health) for Applied Medical Research building to South Western Sydney Local Health District.

This arrangement has a term of 40 years which ends in 2051/52 and is recognised as a non-cash financing activity. As such it is excluded from the Statement of Cash Flows.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$000		\$000	\$000
31. Provisions				
Current				
9,969	8,633	Annual leave - short term	1,185,060	1,103,769
552	809	Annual leave - long term	423,372	436,879
-	-	Death and disability (ambulance officers)	7,148	16,600
-	-	Sick leave	270	338
4,175	4,290	Long service leave consequential on-costs	254,895	256,124
-	-	Allocated days off	22,637	19,858
-	-	Other	115,606	22,110
<u>14,696</u>	<u>13,732</u>	Total current provisions	<u>2,008,988</u>	<u>1,855,678</u>
<p>In 2016/17 a judgement was handed down in regards to a legal matter. Final damages to be awarded to the claimant are yet to be determined by the Court. As per paragraph 92 of AASB 137, further information about this matter has not been reported as it may prejudice the position of the entity in relation to the dispute.</p>				
Non-current				
-	-	Death and disability (ambulance officers)	8,654	14,600
363	373	Long service leave consequential on-costs	22,166	22,271
-	-	Other	7,121	5,226
<u>363</u>	<u>373</u>	Total non-current provisions	<u>37,941</u>	<u>42,097</u>
Aggregate employee benefits and related on-costs				
14,696	13,732	Provisions - current	1,893,382	1,833,568
363	373	Provisions - non-current	30,820	36,871
1,220	946	Accrued salaries, wages and on-costs (Note 29)	335,126	284,087
<u>16,279</u>	<u>15,051</u>		<u>2,259,328</u>	<u>2,154,526</u>
32. Other liabilities				
Current				
2,427	2,427	Income in advance	34,133	39,016
-	-	Other	413	413
<u>2,427</u>	<u>2,427</u>		<u>34,546</u>	<u>39,429</u>
Non-current				
48,548	50,976	Income in advance	120,610	85,420
-	-	Other	232	673
<u>48,548</u>	<u>50,976</u>		<u>120,842</u>	<u>86,093</u>

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000
33. 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	762,288	621,548
-	-	Later than one year and not later than five years	242,934	291,874
-	-	Later than five years	4,012	-
<u>-</u>	<u>-</u>	Total capital expenditure commitments (including GST)	<u>1,009,234</u>	<u>913,422</u>
(b) Operating lease commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
8,646	7,697	Not later than one year	224,268	211,620
9,009	25,110	Later than one year and not later than five years	732,194	696,768
-	-	Later than five years	845,076	748,285
<u>17,655</u>	<u>32,807</u>	Total operating lease commitments (including GST)*	<u>1,801,538</u>	<u>1,656,673</u>

(c) Input tax recoverable related to commitments for expenditure

The total of 'commitments for expenditure' above, i.e. \$2,811 million as at 30 June includes input tax credits of \$255.5 million that are expected to be recoverable from the Australian Taxation Office (2016: \$233.6 million).

Some of the above commitments include non-cancellable lease commitments relating to Property NSW, an entity controlled by the ultimate parent.

Ministry of Health
Notes to and forming part of the financial statements
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CONSOLIDATION

34. Trust funds

The consolidated entity holds money in trust in relation to patents, refundable deposits and Private Practice Trust Funds. As the consolidated entity performs only custodial role in respect of trust monies, they are excluded from the financial statements as the consolidated entity 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash Balance at the beginning of the financial year	8,861	5,477	8,779	9,867	55,922	58,476	73,562	73,820
Administrative Transfer	9	-	-	-	-	-	9	-
Add : Receipts	11,270	13,873	14,965	12,118	759,834	649,517	786,069	675,508
Less : Expenditure	(5,022)	(10,489)	(17,407)	(13,206)	(761,315)	(652,071)	(783,743)	(675,766)
Cash Balance at the end of the financial year	15,118	8,861	6,338	8,779	54,441	55,922	75,897	73,562

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

35. Contingent liabilities and assets

a) The Sydney Children's Hospital Network sometimes receive bequests. As at 30 June 2017 the estimated value of contingent assets arising from potential bequests approximates \$9 million. This relates to notified bequests awaiting granting of probate and bequests being contested.

b) The Central Coast Local Health District compulsorily acquired land as part of Gosford Hospital Redevelopment pursuant to section 10 of the *Health Administration Act 1982* and section 19(1) of the *Land Acquisition (Just Terms Compensation) Act 1991*. Negotiations on the compensation for compulsorily acquired land are ongoing with the prior landowner. No provision has been made in these financial statements as management considers no compensation is payable.

c) 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) 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.

Ministry of Health
Notes to and forming part of the financial statements
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PARENT AND CONSOLIDATION

36. Interests in associates

Set out below are the associates of Hunter New England Local Health District (HNELHD) as at 30 June 2017 which, in the opinion of management at HNELHD, are material to the group. The proportion of ownership interest held by the group equals the voting rights held by the group.

Name of entity	Place of business and country of incorporation	Class of shares	Ownership interest		Nature of relationship	Measurement method	Carrying amount	
			2017 %	2016 %			2017 \$'000	2016 \$'000
Hunter Medical Research Institute	Australia	Not applicable	25	25	Associate	Equity method	-	-

Hunter Medical Research Institute is a company limited by guarantee, whose constitution prohibits the distribution of funds to its members. Accordingly the carrying amount has been equity accounted at nil value and as such no financial information has been disclosed. Hunter Medical Research Institute has a 30 June reporting period.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$'000	\$'000		\$'000	\$'000
37. Reconciliation of cash Flows from operating activities to net result				
Reconciliation of cashflow from operating activity to net results as reported in the Statement of Comprehensive Income as follows:				
244,513	51,615	Net cash flows from operating activities	1,550,488	1,023,845
(4,240)	(3,457)	Depreciation and amortisation	(751,227)	(701,125)
-	-	Allowance for impairment	(35,001)	(25,495)
2,427	2,526	(Increase)/ decrease in income in advance	(30,192)	(12,596)
(160)	(1,038)	(Increase)/ decrease in provisions	(148,134)	(95,478)
(20,480)	113,877	Increase / (Decrease) in prepayments and other assets	13,531	231,651
(6,868)	(37,411)	(Increase)/ decrease in payables from operating activities	(183,998)	(83,059)
-	-	Rights to emerging assets	(582)	711
726	(316)	Gain/ (loss) on sale of property, plant and equipment	(8,429)	(15,761)
-	-	Assets donated or brought to account	932	559
<u>215,918</u>	<u>125,796</u>	Net result	<u>407,388</u>	<u>323,252</u>
38. Non-cash financing and investing activities				
-	-	Assets donated or brought to account	932	559
-	-	Property, plant and equipment acquired by finance lease	33,745	34,905
<u>-</u>	<u>-</u>		<u>34,677</u>	<u>35,464</u>
39. 2016/17 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		- Patient & Family Support		
- Hospital Auxiliaries		- Patient Services, Fund Raising		
- Patient Support Groups		- Practical Support to Patients and Relatives		
- Community Organisations		- Counselling, Health Education, Transport, Home Help & Patient Activities		
40. 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.				

Ministry of Health
Notes to and forming part of the financial statements
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41. Budget Review - Consolidation

The 2016-17 budget represents the initial budget as allocated by the NSW Government at the time of the 2016-17 State Budget, which was presented to Parliament on 21 June 2016.

NET RESULT **\$'000**

The actual net result (\$407 million) is lower than the budgeted net result (\$710 million) by \$307 million for the 2016-17 financial year.

A reconciliation of the movements between actual and budgeted net result is presented below:

Net result - actual	407,388
Expected gain on disposal of property to Government Property NSW did not eventuate as carrying value of land was revalued to fair value before transfer therefore sale proceeds matched disposal value	155,000
Increase in capital expensing as a result of a higher amount than anticipated of capital works program spend being expensed as opposed to resulting in an increase in Health's asset base	43,400
Carry forward of capital appropriation to 2017/18 due to reprofiling the timing of capital program expenditure	128,805
Other minor variations	(24,160)
Net result - budget	<u>710,433</u>

ASSETS AND LIABILITIES

The actual net assets (\$13,761 million) is greater than the budgeted net assets (\$13,730 million) by \$31 million for the 2016-17 financial year.

A reconciliation of the movements between significant assets and liabilities is presented below:

Net assets - actual	13,761,442
Net movement across several asset and liability classes, including cash, property plant and equipment and provisions	(31,593)
Net assets - budget	<u>13,729,849</u>

STATEMENT OF CASH FLOWS

The actual net cash flows from operating activities varied from the budget by \$213 million. This is primarily due to in-year payments being lower than anticipated with a higher than budgeted year end position for accruals and other current liabilities.

The net cash flows from investing activities were lower than expected by \$142 million. This is attributable to the carry forward of capital program expenditure to 2017/18 due to reprofiling the timing of the capital program (\$142 million).

Ministry of Health
Notes to and forming part of the financial statements
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42. Increase in Net Assets from Equity Transfers

CONSOLIDATION

(a) The *Health Legislation Amendment Act 2016* (the Act) was assented on 28 September 2016 and included provisions to repeal the *New South Wales Institute of Psychiatry Act 1996*. On proclamation date, 1 January 2017, the New South Wales Institute of Psychiatry (NSWIOP), an entity controlled by the ultimate parent, was dissolved with all assets, rights and liabilities transferred to Health Education and Training Institute (HETI), an entity controlled by the Ministry of Health.

This was an administrative restructure, which is treated as a contribution by owners and recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. The carrying value of assets and liabilities held by the NSWIOP as at 1 January 2017 approximated the fair value transferred to HETI.

As required under Section 8.1 of NSW TPP09-3 '*Contributions by owners made to wholly-owned Public Sector Entities*', an income statement for NSWIOP is disclosed below for the period up to 1 January 2017, including full prior year comparatives.

Income statement	6 Months to 1 January 2017	12 Months to 30 June 2016
	\$'000	\$'000
Revenue		
Grants and contributions	1,664	3,283
Acceptance by the Crown Entity of employee benefits and other liabilities		6
Sales of goods and services	1,072	2,769
Other revenue	6	22
Investment revenue	33	99
	<u>2,775</u>	<u>6,179</u>
Expenses excluding losses		
Operating expenses		
Personnel services	130	365
Other operating expenses	3,305	5,447
Depreciation and amortisation	49	93
	<u>3,484</u>	<u>5,905</u>
Net result	<u>(709)</u>	<u>274</u>

1 January 2017
\$'000

Assets and liabilities transferred are as follows:

Assets

Cash and cash equivalents	3,752
Receivables	33
Property, plant and equipment	860
Intangibles	14
	<u>4,659</u>

Liabilities

Payables	(412)
Provisions	(193)
	<u>(605)</u>

Net assets	<u>4,054</u>
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Net assets transferred from NSWIOP to HETI on 1 January 2017 as a result of this restructure total \$4.054 million.

Ministry of Health
Notes to and forming part of the financial statements
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42. Increase/(decrease) in net assets from equity transfers (continued)

- (b) The NSW Government approved the transfer of the East Cumberland Hospital site to UrbanGrowth NSW (UGNSW), an entity controlled by the ultimate parent, via an equity transfer at \$1 for the Parramatta North Urban Transformation. The transfer was completed on 13 January 2017.

The East Cumberland Hospital site consisted of the following assets:

	13 January 2017
	\$'000
Land & buildings	78,844
Carrying amount as at 13 January 2017	<u>78,844</u>

The value of the East Cumberland Hospital site was adjusted to \$1, which was the fair value of UGNSW, prior to the transfer (i.e. net asset of \$1 was transferred to UGNSW). The revaluation decrement was adjusted to the asset revaluation surplus.

PARENT

- (c) On 1 October 2015, NSW Kids and Families was abolished and transferred to Health Administration Corporation (the Corporation), a fully controlled subsidiary of the Ministry. On 1 July 2016, balances were subsequently transferred from the Corporation to the Ministry.

Assets and liabilities that were transferred from the Corporation to the Ministry as a result of the restructure are set out below.

	1 July 2016
	\$'000
Assets	
Cash and cash equivalents	580
Receivables	564
Prepayments	1
Intangibles	429
	<u>1,574</u>
Liabilities	
Creditors	(1,868)
Accruals	(293)
	<u>(2,161)</u>
Net liability	<u>(587)</u>

Net liabilities transferred from the Corporation to the Parent entity on 1 July 2016 as a result of this restructure was \$0.587 million.

- (d) The NSW Government approved the transfer of the Prevention of Domestic Violence and Sexual Assault and the Minister of Women (Women NSW), a service group within the Ministry of Health, to the Department of Family and Community Services (FACS), an entity controlled by the ultimate parent, via an administrative transfer. The transfer was completed on 1 April 2017.

	1 April 2017
	\$'000
Annual leave provision	109
Net liability	<u>109</u>

Net liabilities transferred from the Ministry to FACS as a result of this restructure was \$0.109 million.

- (e) As part of a NSW Government decision to undertake a relocation project, a decision was made to transfer two sites from Northern Sydney Local Health District to the Ministry of Health, the immediate parent.

The sites consisted of the following assets:

	30 June 2017
	\$'000
Land & buildings	155,000
Carrying amount as at 30 June 2017	<u>155,000</u>

The value of the sites was adjusted to \$155 million which was the fair value of the assets immediately prior to the transfer to the Ministry. The revaluation increment was adjusted to the asset revaluation surplus.

Ministry of Health
Notes to and forming part of the financial statements
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43. 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 NSW 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 risks faced by the Ministry of Health, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

PARENT	Category	Carrying Amount	Carrying Amount
		2017	2016
		\$'000	\$'000
Financial assets			
Cash and cash equivalents (Note 18)	N/A	603,427	199,277
Receivables (Note 19)*	Loans and receivables (at amortised cost)	175,400	203,588
Other financial assets (Note 22)	Loans and receivables (at amortised cost)	27,607	32,027
Total financial assets		806,434	434,892
Financial liabilities			
Payables (Note 29)**	Financial liabilities measured at amortised cost	271,011	281,083
Total financial liabilities		271,011	281,083

Notes

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

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*). In addition accrued salaries, wages and on-costs have been excluded as not within the scope of AASB7. Prior year comparatives have been restated as a result.

CONSOLIDATION	Category	Carrying Amount	Carrying Amount
		2017	2016
		\$'000	\$'000
Financial Assets			
Cash and cash equivalents (Note 18)	N/A	1,808,201	1,396,326
Receivables (Note 19)*	Loans and receivables (at amortised cost)	519,665	565,011
Financial assets at fair value (Note 21)	At fair value through profit or loss (designated as such upon initial recognition)	79,113	76,000
Total financial assets		2,406,979	2,037,337
Financial Liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost	1,117,570	1,115,231
Payables (Note 29)**	Financial liabilities measured at amortised cost	1,195,950	1,088,980
Other (Note 32)	Financial liabilities measured at amortised cost	645	1,086
Total financial liabilities		2,314,165	2,205,297

Notes

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

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*). In addition, accrued salaries, wages and on-costs have been excluded as not within the scope of AASB7. Prior year comparatives have been restated as a result.

Ministry of Health
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43. Financial instruments (continued)

(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.

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 (2017: \$446.448 million; 2016: \$403.786 million) are not considered impaired. 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 - ineligible represent the majority of financial assets that are past due or impaired.

PARENT

2017	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$'000	\$'000	\$'000
<3 months overdue	829	829	-
3 months - 6 months overdue	-	-	-
> 6 months overdue	19	19	-
2016			
<3 months overdue	1,278	1,278	-
3 months - 6 months overdue	24,986	24,986	-
> 6 months overdue	1,339	1,339	-

CONSOLIDATION

2017	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$'000	\$'000	\$'000
<3 months overdue	51,659	46,510	5,147
3 months - 6 months overdue	27,347	15,634	11,710
> 6 months overdue	35,249	11,067	24,181
2016			
<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

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 *Financial Instruments: Disclosures* 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.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

43. Financial instruments (continued)

(b) Credit risk (continued)

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 Payment of Accounts*. 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.

Ministry of Health
Notes to and forming part of the financial statements
for the year ended 30 June 2017

43. Financial instruments (continued)

(c) Liquidity risk (continued)

Maturity analysis and interest rate exposure of financial liabilities

PARENT	Interest Rate Exposure			Non - Interest Bearing	Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate		< 1 Year	1-5 Years	> 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017							
Payables:							
- Creditors	271,011	-	-	271,011	271,011	-	-
	271,011	-	-	271,011	271,011	-	-
2016							
Payables:							
- Creditors	281,083	-	-	281,083	281,083	-	-
	281,083	-	-	281,083	281,083	-	-

CONSOLIDATION	Weighted Average Effective Int. Rate	Interest Rate Exposure			Non - Interest Bearing	Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate		< 1 Year	1-5 Years	> 5 Years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2017								
Payables:								
- Creditors		1,337,161	-	-	1,337,161	1,337,161	-	
Borrowings:								
- Loans and deposits	4.91%	68,745	62,292	6,453	-	11,115	35,564	
- Finance leases	1.55%	46,603	-	46,603	-	932	3,919	
- Service concession arrangements	10.26%	2,633,799	170,087	2,463,712	-	123,958	477,968	
- Other	2.51%	208	114	-	94	151	57	
		4,086,516	232,493	2,516,768	1,337,255	1,473,317	517,508	
2016								
Payables:								
- 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	
- Finance leases	1.69%	49,293	240	49,053	-	1,183	3,966	
- Service concession arrangements	10.22%	2,772,203	191,923	2,580,280	-	124,269	486,768	
- Other	2.51%	164	164	-	-	57	107	
		3,935,098	209,642	2,636,404	1,088,980	1,218,428	506,193	

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 consolidated entity 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.

2 Accrued salaries, wages, on-costs and payroll deductions have been excluded from payables as not within the scope of AASB7 *Financial Instruments: Disclosures*. Prior year comparatives have been restated as a result.

Ministry of Health
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43. Financial instruments (continued)

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 was performed on the same basis for 2016. 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 are 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.

Exposure to interest rate risk is set out below.

PARENT	Carrying Amount	-1%		+1%	
	\$'000	Net Result	Equity	Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2017					
Financial assets					
Cash and cash equivalents	603,427	(6,034)	(6,034)	6,034	6,034
Receivables	175,400	-	-	-	-
Other financial assets	27,607	(276)	(276)	276	276
Financial liabilities					
Payables	271,011	-	-	-	-
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	281,083	-	-	-	-

Ministry of Health
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43. Financial instruments (continued)

d) Market risk (continued)

CONSOLIDATION	Carrying Amount \$'000	-1% Net Result \$'000	Equity \$'000	+1% Net Result \$'000	Equity \$'000
2017					
Financial assets					
Cash and cash equivalents	1,808,201	(18,082)	(18,082)	18,082	18,082
Receivables	519,665	-	-	-	-
Financial assets at fair value	79,113	(791)	(791)	791	791
Financial liabilities					
Payables	1,195,950	-	-	-	-
Borrowings	1,117,570	11,176	11,176	(11,176)	(11,176)
Other	645	6	6	(6)	(6)
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	1,088,980	-	-	-	-
Borrowings	1,115,231	11,152	11,152	(11,152)	(11,152)
Other	1,086	11	11	(11)	(11)

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	2017 \$'000	2016 \$'000
Cash facility	Cash and money market instruments	Up to 1.5 years	310	271
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	10,013	9,387
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	62,790	63,342

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. A significant portion of the administration of the facilities is outsourced to an external custodian.

Ministry of Health
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43. Financial instruments (continued)

d) Market risk (continued)

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 T-Corp Hour-Glass statement).

	Change in unit price	Impact on net result	
		2017 \$'000	2016 \$'000
Hour-Glass Investment - cash facility	+/- 1%	3	3
Hour-Glass Investment - medium-term growth facility	+/- 6 to 24%	563	563
Hour-Glass Investment - long-term growth facility	+/- 15 to 22%	9,501	9,501

(e) Fair value measurement

TCorp Hour-Glass facilities are measured at fair value. Management assessed that the carrying amount of all other financial instruments, except as specified below, approximate their fair values, largely due to short-term maturities of these instruments.

Fair value recognised in the Statement of Financial Position

The Fair value hierarchy of financial instruments are set out below:

2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
TCorp Hour-Glass Investment Facility	-	73,113	-	73,113

2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
TCorp Hour-Glass Investment Facility	-	73,000	-	73,000

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 2017 (2016: Nil).

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.

Ministry of Health
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44. Related party transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2017
	\$'000
Short-term employee benefits	2,908
Post-employment benefits	39
Termination benefits	361
	<u>3,308</u>

Compensation for the Minister for Health is paid by the Legislature and is not reimbursed by the Ministry of Health and its controlled entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Transactions with key management personnel and their close family members

There were no material transactions with key management personnel and their close family members.

Individually significant transactions with Government-related entities

Peppercorn Lease 1: Doonside Lease

NSW Land & Housing Corporation (LHC), an entity controlled by the ultimate parent, entered into a lease agreement with Western Sydney Local Health District (WSLHD) for the lease of the land at 32 Birdside Avenue, Doonside for a 99 year period commencing on 2 December 1991 and ending on 1 December 2090. WSLHD pay a lease rental of \$1 per year to the LHC.

Peppercorn Lease 2: Mt Druitt Lease

Department of Planning and Environment (DPE), an entity controlled by the ultimate parent, has entered into a lease agreement with Western Sydney Local Health District (WSLHD) for lease of the land located at Lots 29 and 30 in Root Hill, Cumberland County for a 77 year period commencing from 4 November 1973 to 31 December 2050. WSLHD will pay \$1 per year to the DPE.

45. 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