

# **South Western Sydney Local Health District**

## **Financial Statements**

for the year ended 30 June 2017



## INDEPENDENT AUDITOR'S REPORT

### South Western Sydney Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of South Western Sydney Local Health District (the District), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entity 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 District 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 the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under 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 District 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.

## **Emphasis of Matter**

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1 (ag). The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

## **Chief Executive's Responsibility for the Financial Statements**

The Chief Executive is responsible for 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 Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the ability of the District and the consolidated entity to continue as a going concern except where operations will cease as a result of an administrative restructure. 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
- 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:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://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 District 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.



A Oyetunji  
Director, Financial Audit Services

7 September 2017  
SYDNEY

**South Western Sydney Local Health District  
Certification of the 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 South Western Sydney Local Health District 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 (the Act); and
  - c) financial Reporting Directions issued by the Treasurer under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the South Western Sydney Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Amanda Larkin  
**Chief Executive**  
01 September, 2017



Ross Sinclair  
**Director Finance**  
01 September, 2017

**South Western Sydney Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2017**

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual	
2017	2017	2016		2017	2017	2016	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>Expenses excluding losses</b>							
Operating Expenses							
-----	-----	-----					
				2	1,089,483	1,087,188	1,055,892
1,063,319	1,060,941	1,001,843		3	-----	-----	-----
76,786	76,812	74,226			76,786	76,812	74,226
481,404	481,611	437,188		4	481,404	481,611	437,188
60,838	60,880	61,274		1(m), 5	60,838	60,880	61,274
9,163	9,163	10,124		6	9,163	9,163	10,124
2,495	2,482	4,773		1(g), 7	2,495	2,482	4,773
32,533	32,533	29,639		8	32,533	32,533	29,639
<b>1,726,538</b>	<b>1,724,422</b>	<b>1,619,067</b>			<b>1,752,702</b>	<b>1,750,669</b>	<b>1,673,116</b>
<b>Revenue</b>							
1,411,790	1,411,790	1,347,327		1(h)	1,411,790	1,411,790	1,347,327
9,696	10,159	16,900		1(h)	9,696	10,159	16,900
-----	-----	-----		1(e)(ii), 12	26,164	26,247	54,049
195,940	196,465	180,049		1(h), 9	195,940	196,465	180,049
1,175	1,175	1,275		1(h), 10	1,175	1,175	1,275
34,373	33,958	34,468		1(h), 11	34,373	33,958	34,468
12,918	5,141	18,357		13	12,918	5,141	18,357
<b>1,665,892</b>	<b>1,658,688</b>	<b>1,598,376</b>			<b>1,692,056</b>	<b>1,684,935</b>	<b>1,652,425</b>
(614)	-----	582		14	(614)	-----	582
(3,941)	(770)	(2,262)		15	(3,941)	(770)	(2,262)
<b>(65,201)</b>	<b>(66,504)</b>	<b>(22,371)</b>		31	<b>(65,201)</b>	<b>(66,504)</b>	<b>(22,371)</b>
<b>Other Comprehensive Income</b>							
<b>Items that will not be reclassified to net result</b>							
Net Increase/(Decrease) in Property, Plant &							
-----	-----	126,070		20	-----	-----	126,070
-----	-----	126,070			-----	-----	126,070
<b>(65,201)</b>	<b>(66,504)</b>	<b>103,699</b>			<b>(65,201)</b>	<b>(66,504)</b>	<b>103,699</b>
<b>TOTAL COMPREHENSIVE INCOME</b>							

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District  
Statement of Financial Position as at 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017 \$000	2017 \$000	2016 \$000		2017 \$000	2017 \$000	2016 \$000
<b>ASSETS</b>						
<b>Current Assets</b>						
76,895	70,445	61,463		76,895	70,445	61,463
50,133	47,160	56,714	17	50,133	47,160	56,714
4,490	4,260	4,260	18	4,490	4,260	4,260
<u>131,518</u>	<u>121,865</u>	<u>122,437</u>	19	<u>131,518</u>	<u>121,865</u>	<u>122,437</u>
----	----	1,878		----	----	1,878
<b>131,518</b>	<b>121,865</b>	<b>124,315</b>	22	<b>131,518</b>	<b>121,865</b>	<b>124,315</b>
<b>Non-Current Assets Held for Sale</b>						
<b>Total Current Assets</b>						
<b>Non-Current Assets</b>						
1,170	1,215	1,215		1,170	1,215	1,215
1,227,398	1,228,202	1,245,940	18	1,227,398	1,228,202	1,245,940
83,620	86,466	73,937	20	83,620	86,466	73,937
12,338	12,721	13,017	20	12,338	12,721	13,017
745	876	876	20	745	876	876
<u>1,324,101</u>	<u>1,328,265</u>	<u>1,333,770</u>		<u>1,324,101</u>	<u>1,328,265</u>	<u>1,333,770</u>
323	(2,161)	391	21	323	(2,161)	391
<b>1,325,594</b>	<b>1,327,319</b>	<b>1,335,376</b>		<b>1,325,594</b>	<b>1,327,319</b>	<b>1,335,376</b>
<b>1,457,112</b>	<b>1,449,184</b>	<b>1,459,691</b>		<b>1,457,112</b>	<b>1,449,184</b>	<b>1,459,691</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
112,438	103,512	77,931		112,438	103,512	77,931
5,989	5,405	5,405	25	5,989	5,405	5,405
193,420	189,996	183,457	26	193,420	189,996	183,457
1,167	22,271	585	27	1,167	22,271	585
<u>313,014</u>	<u>321,184</u>	<u>267,378</u>	28	<u>313,014</u>	<u>321,184</u>	<u>267,378</u>
<b>Total Current Liabilities</b>						
<b>Non-Current Liabilities</b>						
54,845	61,058	58,906		54,845	61,058	58,906
1,788	1,788	1,749	26	1,788	1,788	1,749
21,008	----	----	27	21,008	----	----
<u>77,641</u>	<u>62,846</u>	<u>60,655</u>	28	<u>77,641</u>	<u>62,846</u>	<u>60,655</u>
<b>390,655</b>	<b>384,030</b>	<b>328,033</b>		<b>390,655</b>	<b>384,030</b>	<b>328,033</b>
<b>1,066,457</b>	<b>1,065,154</b>	<b>1,131,658</b>		<b>1,066,457</b>	<b>1,065,154</b>	<b>1,131,658</b>
<b>Net Assets</b>						
<b>EQUITY</b>						
253,073	253,542	253,541		253,073	253,542	253,541
813,384	811,612	878,117		813,384	811,612	878,117
<u>1,066,457</u>	<u>1,065,154</u>	<u>1,131,658</u>		<u>1,066,457</u>	<u>1,065,154</u>	<u>1,131,658</u>

The accompanying notes form part of these financial statements.

**South Western Sydney Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2017**

PARENT AND CONSOLIDATION	Notes	Accumulated Funds	Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
<b>Balance at 1 July 2016</b>		878,117	253,541	----	1,131,658
<b>Total Equity at 1 July 2016</b>		<b>878,117</b>	<b>253,541</b>	<b>----</b>	<b>1,131,658</b>
<b>Net Result for the year</b>		(65,201)	----	----	(65,201)
<b>Other Comprehensive Income:</b>					
Available for Sale Financial Assets:					
Transfers on Disposal		468	(468)	----	----
<b>Total Other Comprehensive Income</b>		468	(468)	----	----
<b>Total Comprehensive Income for the year</b>		(64,733)	(468)	----	(65,201)
<b>Balance at 30 June 2017</b>		<b>813,384</b>	<b>253,073</b>	<b>----</b>	<b>1,066,457</b>
<b>Balance at 1 July 2015</b>		899,656	128,303	----	1,027,959
<b>Total Equity at 1 July 2015</b>		<b>899,656</b>	<b>128,303</b>	<b>----</b>	<b>1,027,959</b>
<b>Net Result for the year</b>		(22,371)	----	----	(22,371)
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment	20	----	126,070	----	126,070
Available for Sale Financial Assets:					
Transfers on Disposal		832	(832)	----	----
<b>Total Other Comprehensive Income</b>		832	125,238	----	126,070
<b>Total Comprehensive Income for the year</b>		(21,539)	125,238	----	103,699
<b>Balance at 30 June 2016</b>		<b>878,117</b>	<b>253,541</b>	<b>----</b>	<b>1,131,658</b>

The accompanying notes form part of these financial statements.

South Western Sydney Local Health District  
Statement of Cash Flows for the year ended 30 June 2017

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2017	2017	2016		2017	2017	2016
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
----	----	----	Employee Related	(1,065,138)	(1,062,308)	(1,020,626)
(45,701)	(45,701)	(43,607)	Grants and Subsidies	(45,701)	(45,701)	(43,607)
(2,157)	(2,482)	(2,361)	Finance Costs	(2,157)	(2,482)	(2,361)
(1,643,760)	(1,654,050)	(1,581,644)	Other	(578,622)	(591,742)	(561,018)
<u>(1,691,618)</u>	<u>(1,702,233)</u>	<u>(1,627,612)</u>	<b>Total Payments</b>	<u>(1,691,618)</u>	<u>(1,702,233)</u>	<u>(1,627,612)</u>
<b>Receipts</b>						
1,411,790	1,411,790	1,347,327	NSW Ministry of Health Recurrent Allocations	1,411,790	1,411,790	1,347,327
9,696	10,159	16,900	NSW Ministry of Health Capital Allocations	9,696	10,159	16,900
14,231	14,231	14,009	Reimbursements from the Crown Entity	14,231	14,231	14,009
194,366	198,692	174,929	Sale of Goods and Services	194,366	198,692	174,929
1,175	1,175	1,275	Interest Received	1,175	1,175	1,275
36,504	36,099	36,452	Grants and Contributions	36,504	36,099	36,452
70,229	66,074	47,365	Other	70,229	66,074	47,365
<u>1,737,991</u>	<u>1,738,220</u>	<u>1,638,257</u>	<b>Total Receipts</b>	<u>1,737,991</u>	<u>1,738,220</u>	<u>1,638,257</u>
<u><b>46,373</b></u>	<u><b>35,987</b></u>	<u><b>10,645</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>46,373</b></u>	<u><b>35,987</b></u>	<u><b>10,645</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
1,768	6,465	6,472	Proceeds from Sale of Property, Plant & Equipment and Intangibles	1,768	6,465	6,472
(29,809)	(35,623)	(21,381)	Purchases of Property, Plant & Equipment and Intangibles	(29,809)	(35,623)	(21,381)
<u>(28,041)</u>	<u>(29,158)</u>	<u>(14,909)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(28,041)</u>	<u>(29,158)</u>	<u>(14,909)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
(2,900)	2,153	(2,395)	Repayment of Borrowings and Advances	(2,900)	2,153	(2,395)
<u>(2,900)</u>	<u>2,153</u>	<u>(2,395)</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(2,900)</u>	<u>2,153</u>	<u>(2,395)</u>
15,432	8,982	(6,659)	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	15,432	8,982	(6,659)
61,463	61,463	68,122	Opening Cash and Cash Equivalents	61,463	61,463	68,122
<u><b>76,895</b></u>	<u><b>70,445</b></u>	<u><b>61,463</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>76,895</b></u>	<u><b>70,445</b></u>	<u><b>61,463</b></u>

The accompanying notes form part of these financial statements.



South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**a) The Reporting Entity**

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

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

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in notes 16 and 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The South Western Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SWSLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SWSLHD to exercise its functions.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

SWSLHD is a NSW Government entity and is controlled by the NSW Ministry of Health, which is the immediate parent. The reporting entity is also controlled by the State of New South Wales (and is consolidated as part of the NSW Total State Sector Accounts), which is the ultimate parent. The reporting entity is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2017 have been authorised for issue by the Chief Executive on 01 September, 2017.

**b) Basis of Preparation**

The SWSLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015 (the Act), and the financial Reporting Directions issued by the Treasurer under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities. Further information on the adjusted budget figures can be found at Note 1(ag).

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

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

Other circumstances why the going concern assumption is appropriate include:

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

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

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

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

**c) Comparative Information**

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**d) Statement of Compliance**

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

**e) Employee Benefits and Other Provisions**

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

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

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

Actuarial advice obtained by NSW 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 17.2% are applied to the value of leave payable at 30 June 2017 (comparable on-costs for 30 June 2016 were 16.7%). The SWSLHD has assessed the actuarial advice based on the SWSLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

**ii) Long Service Leave and Superannuation**

The SWSLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the SWSLHD as shown in Note 27.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

**iii) Consequential On-Costs**

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of workers' compensation insurance premiums and fringe benefits tax.

**iv) Other Provisions**

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

**f) Insurance**

The SWSLHD'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 claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

**g) Finance Costs**

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**h) 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 SWSLHD transfers the significant risks and rewards of ownership of the assets.

*Rendering of Services*

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

*Patient Fees*

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

*Highly Specialised Drugs*

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

*State Insurance Regulatory Authority (SIRA)*

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

*Department of Veterans' Affairs*

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

*Investment Revenue*

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

Refer to Note 9(b) for further details.

*Grants and Contributions*

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

*NSW Ministry of Health Allocations*

Payments are made by the immediate parent on the basis of the allocation for the SWSLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

General operating expenses/revenues of \$32.5m (net expense), for the following Affiliated Health Organisations, (Braeside Hospital, Carrington Centennial Care, Karitane, South Western Sydney Scarba Service and STARTTS), have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The SWSLHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

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

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

**j) Interstate Patient Flows**

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

**k) Acquisition of Assets**

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

Most assets are acquired from Health Administration Corporation, a controlled entity of the immediate parent.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

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.

Refer to Note 1(ad) for assets transferred as a result of equity transfer.

Land and buildings are owned by the Health Administration Corporation, an entity controlled by the immediate parent. Land and buildings which are operated/occupied by the SWSLHD are deemed to be controlled by the SWSLHD and are reflected as such in the financial statements.

**l) Capitalisation Thresholds**

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**m) Depreciation of Property, Plant and Equipment**

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

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

Buildings	2.5%
Infrastructure Systems	2.5%
<b>Plant and Equipment</b>	
- Computer Equipment	20%
- Electro Medical Equipment	
* Costing less than \$200,000	10%
* Costing more than or equal to \$200,000	12.5%
- Furniture, Fittings and Furnishings	5%
- Linen	25%
- Motor Vehicle Sedans	12.5%
- Motor Vehicles, Trucks & Vans	20%
- Office Equipment	10%
- Plant and Machinery	10%
Leasehold Improvements	33%

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

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

**n) Revaluation of Non-Current Assets**

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

Investment property is separately discussed at Note 1(r).

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 23 for further information regarding fair value.

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

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

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

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

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.

**o) 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.

**p) Restoration Costs**

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

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

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

**r) Investment Properties**

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

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

**s) Intangible Assets**

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

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

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

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

Computer software developed or acquired by the SWSLHD are recognised as intangible assets and are amortised over four years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the parent.

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**t) 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.

**u) 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.

**v) Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value.

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

**w) 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.

**x) Investments**

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

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

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

T-Corp Hour-Glass Investment facilities are managed by New South Wales Treasury Corporation, a controlled entity of the ultimate parent. The facilities are designated at fair value through profit or loss as the management and performance of these financial assets is undertaken on a fair value basis, in accordance with a documented risk management strategy. Information about these assets is provided internally to the SWSLHD's key management personnel.

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

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

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

\* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the SWSLHD has the positive intention and ability to hold to maturity are classified as 'held-to-maturity'.

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

\* Available-for-sale investments - Any investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the net result for the year. However, interest calculated using the effective interest method and dividends are recognised in the net result for the year.

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

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

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.

**y) Impairment of Financial Assets**

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

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

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

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

**z) De-recognition of Financial Assets and Financial Liabilities**

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

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

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

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

**aa) Payables**

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

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

**ab) Borrowings**

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

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

**ac) Fair Value Hierarchy**

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

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

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

Refer to Note 23 and Note 36 for further disclosures regarding fair value measurements of financial and non-financial assets.



South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**ad) 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 are 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 SWSLHD recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the SWSLHD does not recognise that asset.

**ae) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the SWSLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(n).

**(iii) Separate Reserves**

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

**af) Trust Funds**

The SWSLHD receives monies in a trustee capacity for various trusts as set out in Note 30.

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

**ag) Adjusted Budgeted Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). The SWSLHD's budget is not presented in parliament, therefore AASB 1055 Budgetary Reporting is not applicable. Unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the SWSLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between the SWSLHD and the NSW Ministry of Health at the beginning of the financial year, as well as any adjustments for the effects of additional supplementation provided in accordance with delegations to derive a final budget at year end (i.e. adjusted budget). The budget amounts are not subject to audit and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 35.

South Western Sydney Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

**1. Summary of Significant Accounting Policies**

**ah) 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 has resulted in increased disclosures in the financial statements relating to related party transactions and Key Management Personnel compensation.

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* is applicable to reporting periods beginning on or after 1 July 2016. The Entity early adopted this standard in the financial year ended 30 June 2016, which allows for exemption from making certain Level 3 'Fair Value Measurement' disclosures held primarily for current service potential rather than the generation of future net cash inflows.

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

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

AASB 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 regarding financing activities in the Statement of Cash Flows. The change is not expected to materially impact the 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 significantly 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 that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The application of this standard will likely have a significant transitional impact as all leases, except short term (<12 months) and low value leases, brought on 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 when control of the goods or services are transferred to the customer at the transaction price. This may impact the timing of recognising certain revenue 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 the financial statements.

South Western Sydney Local Health District  
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
<b>2. Employee Related</b>				
-----	-----	Salaries and Wages (including annual leave)	965,715	909,038
-----	-----	Superannuation - Defined Benefit Plans	6,770	7,188
-----	-----	Superannuation - Defined Contribution Plans	83,896	78,857
-----	-----	Long Service Leave	19,879	50,020
-----	-----	Redundancies	396	124
-----	-----	Workers' Compensation Insurance	12,746	10,573
-----	-----	Fringe Benefits Tax	81	92
-----	-----		1,089,483	1,055,892
-----	-----		1,089,483	1,055,892

All of the 'Workers Compensation Insurance' is paid to iCare (Insurance & Care NSW), an entity controlled by the ultimate parent.

The amounts below are capitalised and do not form part of the above total employee related costs:

-----	-----	Employee Related Expenses Capitalised - Land and Buildings	-----	57
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<b>3. Personnel Services</b>				
965,715	909,038	Salaries and Wages	-----	-----
83,896	78,857	Superannuation - Defined Contribution Plans	-----	-----
485	3,159	Long Service Leave	-----	-----
396	124	Redundancies	-----	-----
12,746	10,573	Workers' Compensation Insurance	-----	-----
81	92	Fringe Benefits Tax	-----	-----
-----	-----		-----	-----
1,063,319	1,001,843		-----	-----

Personnel services of South Western Sydney Local Health District was provided by its controlled entity, South Western Sydney Local Health District Special Purpose Service Entity.

The amounts below are capitalised and do not form part of the above total personnel services:

-----	57	Personnel Services Expenses Capitalised - Land and Buildings	-----	-----
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South Western Sydney Local Health District  
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
		<b>4. Other Operating Expenses</b>		
167	289	Advertising	167	289
230	236	Auditor's Remuneration - Audit of Financial Statements	230	236
12,089	12,603	Blood and Blood Products	12,089	12,603
683	701	Consultancies	683	701
3,123	2,854	Contractors	3,123	2,854
19,695	19,917	Domestic Supplies and Services	19,695	19,917
77,643	67,563	Drug Supplies	77,643	67,563
29,989	28,330	Food Supplies	29,989	28,330
10,126	8,993	Fuel, Light and Power	10,126	8,993
7,119	6,728	Hospital Ambulance Transport Costs	7,119	6,728
12,987	12,474	Information Management Expenses	12,987	12,474
1,430	1,777	Insurance	1,430	1,777
60,200	40,310	Maintenance (See 4(b) below)	60,200	40,310
91,016	84,611	Medical and Surgical Supplies	91,016	84,611
1,267	1,945	Motor Vehicle Expenses	1,267	1,945
2,209	2,773	Postal and Telephone Costs	2,209	2,773
4,046	3,840	Printing and Stationery	4,046	3,840
1,827	1,998	Rates and Charges	1,827	1,998
3,450	3,033	Rental	3,450	3,033
12,907	12,603	Hosted Services Purchased from entities controlled by the immediate parent	12,907	12,603
68,581	65,840	Special Service Departments (Pathology, Dialysis, Imaging, Dental, Allied Health )	68,581	65,840
9,553	8,464	Staff Related Costs	9,553	8,464
5,208	5,108	Travel Related Costs	5,208	5,108
45,859	44,198	Other (See 4(a) below)	45,859	44,198
<b>481,404</b>	<b>437,188</b>		<b>481,404</b>	<b>437,188</b>

South Western Sydney Local Health District  
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
<b>4. Other Operating Expenses</b>				
<b>a) Other Includes:</b>				
20	----	Aircraft Expenses (Ambulance)	20	----
9,633	10,513	Contract for Patient Services	9,633	10,513
13,961	13,778	Corporate Support Services	13,961	13,778
589	606	Courier and Freight	589	606
98	62	Isolated Patient Travel and Accommodation Assistance Scheme	98	62
424	434	Legal Services	424	434
861	539	Membership/Professional Fees	861	539
2,893	2,667	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,893	2,667
710	848	Other Operating Lease Expense - Minimum Lease Payments	710	848
146	83	Quality Assurance/Accreditation	146	83
4,393	3,969	Security Services	4,393	3,969
12,131	10,699	Other Miscellaneous	12,131	10,699
<b>45,859</b>	<b>44,198</b>		<b>45,859</b>	<b>44,198</b>
<b>b) Reconciliation of Total Maintenance</b>				
24,550	18,511	Maintenance Contracts	24,550	18,511
22,786	13,495	New/Replacement Equipment under \$10,000	22,786	13,495
12,809	8,287	Repairs Maintenance/Non Contract	12,809	8,287
55	17	Other	55	17
60,200	40,310	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	60,200	40,310
3,801	3,924	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	3,801	3,924
<b>64,001</b>	<b>44,234</b>		<b>64,001</b>	<b>44,234</b>

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

Hospital Ambulance Transport Costs' were paid to Health Administration Corporation, which is an entity controlled by the immediate parent.

The majority of 'Information Management Expenses' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Domestic Supplies and Services', 'Food Supplies', 'Corporate Support Services', were paid to Health Administration Corporation, an entity controlled by the immediate parent.

The majority of 'Special Service Departments' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

The majority of "Rates and Charges" were paid to Sydney Water Corporation, an entity controlled by the ultimate parent.

All of "Hosted Services Purchased from entities controlled by the immediate parent" were paid to Sydney Local Health District, an entity controlled by the immediate parent.

All 'Corporate Support Services' were paid to Health Administration Corporation', which is an entity controlled by the immediate parent.

Some 'Legal expenses' were paid to the Crown Solicitors Office, an entity controlled by the ultimate parent.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>5. Depreciation and Amortisation</b>				
44,525	45,594	Depreciation - Buildings	44,525	45,594
15,306	14,854	Depreciation - Plant and Equipment	15,306	14,854
384	345	Depreciation - Infrastructure Systems	384	345
481	359	Amortisation - Leasehold Improvements	481	359
142	122	Amortisation - Intangible Assets	142	122
<b>60,838</b>	<b>61,274</b>		<b>60,838</b>	<b>61,274</b>
<b>6. Grants and Subsidies</b>				
8,073	8,349	Non-Government Organisations	8,073	8,349
307	994	Grants to Research Organisations	307	994
150	173	Grants paid to entities controlled by the immediate parent	150	173
633	608	Other Grants	633	608
<b>9,163</b>	<b>10,124</b>		<b>9,163</b>	<b>10,124</b>
<p>The majority of 'Grants paid to entities controlled by the immediate parent' were paid to the Health Administration Corporation.</p>				
<b>7. Finance Costs</b>				
338	2,412	Finance Lease Interest Charges	338	2,412
2,157	2,361	Interest on Loans	2,157	2,361
<b>2,495</b>	<b>4,773</b>		<b>2,495</b>	<b>4,773</b>
<p>All the 'Interest on Loans' was payable to the immediate parent, the NSW Ministry of Health</p>				
<b>8. Payments to Affiliated Health Organisations</b>				
18,094	17,589	Braeside Hospital	18,094	17,589
550	1,150	Carrington Centennial Care	550	1,150
5,835	5,717	Karitane	5,835	5,717
547	536	South Western Sydney Scarba Service	547	536
7,508	4,647	STARTTS	7,508	4,647
<b>32,533</b>	<b>29,639</b>		<b>32,533</b>	<b>29,639</b>

South Western Sydney Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>9. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
313	563	Pharmacy Sales	313	563
4,018	3,367	Sale of Prosthesis	4,018	3,367
27	28	Other	27	28
b) Rendering of Services comprise the following:-				
Patient Fees				
68,589	63,830	- Inpatient Fees	68,589	63,830
381	322	- Nursing Home Fees	381	322
3,227	3,327	- Non Inpatient Fees	3,227	3,327
24,126	19,356	Department of Veterans' Affairs	24,126	19,356
49	68	Staff-Meals and Accommodation	49	68
17,369	16,925	Infrastructure Fees - Monthly Facility Charge	17,369	16,925
8,695	7,292	Infrastructure Fees - Annual Charge	8,695	7,292
----	2	Cafeteria/Kiosk	----	2
8,561	8,671	Car Parking	8,561	8,671
1,573	1,643	Child Care Fees	1,573	1,643
3	106	Clinical Services (excluding Clinical Drug Trials)	3	106
1,368	1,599	Commercial Activities	1,368	1,599
296	235	Fees for Medical Records	296	235
24	34	Information Retrieval	24	34
41,651	31,803	Highly Specialised Drugs	41,651	31,803
13,557	15,811	Motor Accident Authority Third Party	13,557	15,811
138	65	Private Use of Motor Vehicles	138	65
2	442	Salary Packaging Fee	2	442
152	297	Hosted Services Provided to entities controlled by immediate parent	152	297
482	541	Services Provided to Non NSW Health Organisations	482	541
----	3	Shared Corporate Services	----	3
68	70	Multi Purpose Service Centre Fees	68	70
1,271	3,649	Other	1,271	3,649
<b>195,940</b>	<b>180,049</b>		<b>195,940</b>	<b>180,049</b>
<b>10. Investment Revenue</b>				
1,175	1,275	Interest	1,175	1,275
<b>1,175</b>	<b>1,275</b>		<b>1,175</b>	<b>1,275</b>

All 'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.

All of 'Hosted Services Provided to entities controlled by immediate parent' was revenue received from Sydney Local Health District.

The majority of 'interest' earned was from the NSW Treasury Corporation, an entity controlled by the ultimate parent.

South Western Sydney Local Health District  
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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>11. Grants and Contributions</b>				
2,358	1,834	Clinical Drug Trials	2,358	1,834
13,024	13,721	Commonwealth Government Grants	13,024	13,721
194	386	Commonwealth Teaching Hospital Grants	194	386
3,222	2,645	Industry Contributions/Donations	3,222	2,645
7,287	6,530	Cancer Institute Grants	7,287	6,530
3,081	3,006	Grants received from entities controlled by the ultimate parent	3,081	3,006
981	3,068	Grants received from entities controlled by the immediate parent	981	3,068
787	533	Research Grants	787	533
3,439	2,745	Other Grants	3,439	2,745
<b>34,373</b>	<b>34,468</b>		<b>34,373</b>	<b>34,468</b>

The Cancer Institute is an entity controlled by the immediate parent.

The majority of 'Grants received from entities controlled by the ultimate parent' were received from the Department of Family and Community Services (Ageing, Disability and Home Care) and the NSW Department of Education

The majority of 'Grants that were received from entities controlled by the immediate parent' were received from the Health Education and Training Institute and Sydney Local Health District.

Some of 'Other Grants' were received from Health Administration Corporation, an entity controlled by the immediate parent.

**12. Acceptance by the Crown Entity of Employee Benefits**

The following liabilities and expenses have been assumed by the Crown Entity:

----	----	Superannuation-defined benefit	6,770	7,188
----	----	Long Service Leave	19,394	46,861
<b>----</b>	<b>----</b>		<b>26,164</b>	<b>54,049</b>

**13. Other Revenue**

Other Revenue comprises the following:-

----	1	Bad Debts Recovered	----	1
495	398	Commissions	495	398
1,664	1,689	Conference and Training Fees	1,664	1,689
----	212	Discounts received	----	212
532	360	Insurance Refunds	532	360
1,927	2,411	Lease and Rental	1,927	2,411
1	1	Sale of Merchandise, Old Wares and Books	1	1
308	150	Sponsorship	308	150
6,924	12,142	Treasury Managed Fund Hindsight Adjustment	6,924	12,142
----	5	Unclaimed Deposits	----	5
1,067	988	Other (Translation Services)	1,067	988
<b>12,918</b>	<b>18,357</b>		<b>12,918</b>	<b>18,357</b>



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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>14. Gain / (Loss) on Disposal</b>				
5,709	14,927	Property, Plant and Equipment	5,709	14,927
(5,205)	(10,952)	Accumulated Depreciation	(5,205)	(10,952)
<b>504</b>	<b>3,975</b>	<b>Written Down Value</b>	<b>504</b>	<b>3,975</b>
29	6	Proceeds from Disposal	29	6
<b>(475)</b>	<b>(3,969)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(475)</b>	<b>(3,969)</b>
1,878	1,915	Assets Held for Sale	1,878	1,915
1,739	6,466	Proceeds from Disposal	1,739	6,466
<b>(139)</b>	<b>4,551</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>(139)</b>	<b>4,551</b>
<b>(614)</b>	<b>582</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(614)</b>	<b>582</b>
<b>15. Other Gains / (Losses)</b>				
(3,941)	(2,262)	Impairment of Receivables	(3,941)	(2,262)
<b>(3,941)</b>	<b>(2,262)</b>		<b>(3,941)</b>	<b>(2,262)</b>

South Western Sydney Local Health District  
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**PARENT & CONSOLIDATION**

**16. Conditions on Contributions**

	<b>Health Promotion, Education and Research</b>	<b>Other</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at reporting date	3,162	14,076	17,238
Contributions recognised in previous years which were not expended in the current reporting period	10,685	27,106	37,791
Total amount of unexpended contributions as at reporting date	13,847	41,182	55,029

Comment on restricted assets appears in Note 24

South Western Sydney Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>17. Cash and Cash Equivalents</b>				
37,953	23,423	Cash at Bank and On Hand	37,953	23,423
38,942	38,040	Short Term Deposits	38,942	38,040
<u>76,895</u>	<u>61,463</u>		<u>76,895</u>	<u>61,463</u>
<p>Short Term Deposits are held in an hour glass cash facility trust with NSW Treasury Corporation, an entity controlled by the ultimate parent.</p> <p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash &amp; cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
76,895	61,463	Cash and Cash Equivalents (per Statement of Financial Position)	76,895	61,463
<u>76,895</u>	<u>61,463</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>76,895</u>	<u>61,463</u>

*Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>18. Receivables</b>				
<b>Current</b>				
24,323	25,355	Sale of Goods and Services	24,323	25,355
15,492	9,050	Intra Health Receivables	15,492	9,050
6,496	5,375	Goods and Services Tax	6,496	5,375
4,677	15,094	Other Debtors	4,677	15,094
<u>50,988</u>	<u>54,874</u>	<b>Sub Total</b>	<u>50,988</u>	<u>54,874</u>
(3,447)	(2,319)	Less Allowance for Impairment	(3,447)	(2,319)
47,541	52,555	<b>Sub Total</b>	47,541	52,555
2,592	4,159	Prepayments	2,592	4,159
<u><b>50,133</b></u>	<u><b>56,714</b></u>		<u><b>50,133</b></u>	<u><b>56,714</b></u>
<p>Intra Health Receivables include amounts receivable from the immediate parent and entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from the NSW Ministry of Health for Proceeds of Property Sales and Accrued Asset Replacement and Refurbishment Program (ARRP) Capital Subsidy.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(2,189)	(2,233)	Balance at Commencement of Reporting Period	(2,189)	(2,233)
2,791	2,306	Amounts written off during the period	2,791	2,306
(3,941)	(2,262)	(Increase)/decrease in Allowance Recognised in the Net Result	(3,941)	(2,262)
<u>(3,338)</u>	<u>(2,189)</u>	Balance at 30 June	<u>(3,338)</u>	<u>(2,189)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(130)	(178)	Balance at Commencement of Reporting Period	(130)	(178)
21	48	Amounts written off during the period	21	48
<u>(109)</u>	<u>(130)</u>	Balance at 30 June	<u>(109)</u>	<u>(130)</u>
<u><b>(3,447)</b></u>	<u><b>(2,319)</b></u>		<u><b>(3,447)</b></u>	<u><b>(2,319)</b></u>
<b>Non-Current</b>				
1,170	1,215	Prepayments	1,170	1,215
<u><b>1,170</b></u>	<u><b>1,215</b></u>		<u><b>1,170</b></u>	<u><b>1,215</b></u>
c) The current sale of goods and services balances above include the following patient fee receivables:				
(Current) include:				
3,866	3,351	Patient Fees - Compensable	3,866	3,351
6,849	6,146	Patient Fees - Ineligible	6,849	6,146
10,163	10,643	Patient Fees - Inpatient & Other	10,163	10,643
<u><b>20,878</b></u>	<u><b>20,140</b></u>		<u><b>20,878</b></u>	<u><b>20,140</b></u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.

South Western Sydney Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>19. Inventories</b>		
4,264	4,032	Drugs	4,264	4,032
145	145	Medical and Surgical Supplies	145	145
81	83	Engineering Supplies	81	83
<u>4,490</u>	<u>4,260</u>		<u>4,490</u>	<u>4,260</u>

South Western Sydney Local Health District  
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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>20. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
1,958,718	1,932,735	Gross Carrying Amount	1,958,718	1,932,735
731,320	686,795	Less: Accumulated Depreciation and Impairment	731,320	686,795
<b>1,227,398</b>	<b>1,245,940</b>	Net Carrying Amount	<b>1,227,398</b>	<b>1,245,940</b>
<b>Plant and Equipment - Fair Value*</b>				
207,119	187,328	Gross Carrying Amount	207,119	187,328
123,499	113,391	Less: Accumulated Depreciation and Impairment	123,499	113,391
<b>83,620</b>	<b>73,937</b>	Net Carrying Amount	<b>83,620</b>	<b>73,937</b>
<b>Infrastructure Systems - Fair Value</b>				
15,049	15,345	Gross Carrying Amount	15,049	15,345
2,711	2,328	Less: Accumulated Depreciation and Impairment	2,711	2,328
<b>12,338</b>	<b>13,017</b>	Net Carrying Amount	<b>12,338</b>	<b>13,017</b>
<b>Leasehold Improvements - Fair Value*</b>				
1,792	1,442	Gross Carrying Amount	1,792	1,442
1,047	566	Less: Accumulated Depreciation and Impairment	1,047	566
<b>745</b>	<b>876</b>	Net Carrying Amount	<b>745</b>	<b>876</b>
<b>1,324,101</b>	<b>1,333,770</b>	<b>Total Property, Plant and Equipment</b>	<b>1,324,101</b>	<b>1,333,770</b>
		<b>At Net Carrying Amount</b>		

\* For non-specialised assets with short useful lives, recognition at depreciated historical cost is regarded as an acceptable approximation of fair value, in accordance with Treasury Policy Paper 14-01.

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**PARENT & CONSOLIDATION**

**20. Property, Plant and Equipment - Reconciliation**

A reconciliation of the carrying amount for each class of property, plant and equipment is set out below:

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
<b>2017</b>						
Net carrying amount at start of year	136,632	1,109,308	73,937	13,017	876	1,333,770
Additions	----	26,017	25,349	(295)	350	51,421
Disposals	----	----	(504)	----	----	(504)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	110	----	----	110
Impairment Losses (Recognised in "Other Gains/Losses")	----	----	----	----	----	----
Depreciation Expense	----	(44,525)	(15,306)	(384)	(481)	(60,696)
Reclassifications	----	(34)	34	----	----	----
Net carrying amount at end of year	<b>136,632</b>	<b>1,090,766</b>	<b>83,620</b>	<b>12,338</b>	<b>745</b>	<b>1,324,101</b>

Note: The amount of (\$0.295m) under Infrastructure Systems Additions, relates to a reversal of a 2015/16 Work in Progress accrual against the Bowral Hospital Redevelopment Project.

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
<b>2016</b>						
Net carrying amount at start of year	111,170	1,022,056	73,235	11,315	941	1,218,717
Additions	----	39,368	15,095	1,020	133	55,616
Recognition of Assets Held for Sale	(2,728)	(65)	----	----	----	(2,793)
Disposals	----	(3,149)	(825)	----	----	(3,974)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	1,286	----	----	1,286
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	28,190	96,988	----	1,027	(135)	126,070
Depreciation Expense	----	(45,594)	(14,854)	(345)	(359)	(61,152)
Reclassifications	----	(296)	----	----	296	----
Net carrying amount at end of year	<b>136,632</b>	<b>1,109,308</b>	<b>73,937</b>	<b>13,017</b>	<b>876</b>	<b>1,333,770</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 23.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the SWSLHD [see note 1(k)].
- (ii) Indices provided by Liquid Pacific Holdings P/L during 2016/17 following the physical revaluation performed in 2015/16 were not applied as they were deemed immaterial.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>21. Intangible Assets</b>				
<b>Intangibles</b>				
596	522	Cost (Gross Carrying Amount)	596	522
273	131	Less: Accumulated Amortisation and Impairment	273	131
<u>323</u>	<u>391</u>	<b>Net Carrying Amount</b>	<u>323</u>	<u>391</u>
<u>323</u>	<u>391</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>323</u>	<u>391</u>

**PARENT & CONSOLIDATION**

**21. Intangible Assets - Reconciliation**

	Intangibles \$000	Total \$000
<b>2017</b>		
Net carrying amount at start of year	391	391
Additions (From Internal Development or Acquired Separately)	74	74
Amortisation (Recognised in Depreciation and Amortisation)	(142)	(142)
<b>Net carrying amount at end of year</b>	<b>323</b>	<b>323</b>

	Intangibles \$000	Total \$000
<b>2016</b>		
Net carrying amount at start of year	513	513
Amortisation (Recognised in Depreciation and Amortisation)	(122)	(122)
<b>Net carrying amount at end of year</b>	<b>391</b>	<b>391</b>



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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>22. Non-Current Assets Held for Sale</b>				
<b>Assets Held for Sale</b>				
-----	1,878	Land and Buildings	-----	1,878
-----	1,878		-----	1,878
=====	=====		=====	=====

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**PARENT & CONSOLIDATION**

**23. Fair Value Measurement of Non-Financial Assets**

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

**a) Fair Value Hierarchy**

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	71,345	1,092,803	1,164,148
- Infrastructure Systems	----	----	12,633	12,633
	-----	<u>71,345</u>	<u>1,105,436</u>	<u>1,176,781</u>

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

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

2016	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	73,478	1,134,507	1,207,985
- Infrastructure Systems	----	----	13,017	13,017
Non-Current Assets Held for Sale (Note 22)	----	1,878	----	1,878
	-----	<u>75,356</u>	<u>1,147,524</u>	<u>1,222,880</u>

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

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

**b) Valuation Techniques, Inputs and Processes**

For land, buildings and infrastructure systems the SWSLHD obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Liquid Pacific Holdings P/L for the 2015/16 financial year. Liquid Pacific Holdings P/L is an independent entity and is not an associated entity of the SWSLHD.

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

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.

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

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

Non-Current Assets Held for Sale is a non-recurring item that is measured at fair value less cost to sell, which is less than its carrying amount. These assets are categorised as level 2.

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**PARENT & CONSOLIDATION**

**23. Fair Value Measurement of Non-Financial Assets**

**c) Reconciliation of Recurring Level 3 Fair Value Measurements**

<b>2017</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2016	1,134,507	13,017	1,147,524
Depreciation	(41,704)	(384)	(42,088)
Fair value as at 30 June 2017	<u>1,092,803</u>	<u>12,633</u>	<u>1,105,436</u>
<b>2016</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2015	950,769	11,315	962,084
Additions	151,414	1,020	152,434
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation surplus'	113,712	1,027	114,739
Transfers to Level 2	(40,754)	----	(40,754)
Disposals	(378)	----	(378)
Depreciation	(40,256)	(345)	(40,601)
Fair value as at 30 June 2016	<u>1,134,507</u>	<u>13,017</u>	<u>1,147,524</u>

Transfers to Level 2 relate to a number of Community Health and Childcare Centre properties which were re-assessed from Level 3 to Level 2 based on the high level of observable inputs available in the market.

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PARENT			CONSOLIDATION	
2017 \$000	2016 \$000		2017 \$000	2016 \$000
<b>24. Restricted Assets</b>				
<p>The SWSLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
<b>Category</b>				
14,730	12,965	Specific Purposes	14,730	12,965
8,671	9,040	Research Grants	8,671	9,040
26,004	25,328	Private Practice Funds	26,004	25,328
448	599	Other - Clinical Services	448	599
3,670	3,509	Other - Community Services	3,670	3,509
1,506	1,356	Other - Nursing Services	1,506	1,356
<u>55,029</u>	<u>52,797</u>		<u>55,029</u>	<u>52,797</u>

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
		<b>25. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	21,159	17,363
----	----	Taxation and Payroll Deductions	6,916	6,267
28,075	23,630	Accrued Liability - Purchase of Personnel Services	----	----
49,635	24,777	Creditors	49,635	24,777
		Other Creditors		
1,975	----	- Capital Works	1,975	----
11,910	13,096	- Payables to entities controlled by the immediate parent	11,910	13,096
20,843	16,428	- Other (Manual Expense Accruals)	20,843	16,428
<b>112,438</b>	<b>77,931</b>		<b>112,438</b>	<b>77,931</b>

Creditors is made up of balances to non-related parties. This includes Visiting Medical Officer accruals of \$10.19m.

The majority of 'Payables to entities controlled by the immediate parent' relate to balances payable to the Health Administration Corporation, an entity controlled by the immediate parent.

The balance of 'Other Creditors - Capital Works' relates to the outstanding amount to be paid for the purchase of the Liverpool Hospital da Vinci Xi Robotic Surgical System.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

**26. Borrowings**

		<b>Current</b>		
5,057	5,057	Other Loans and Deposits	5,057	5,057
932	348	Finance Leases [see note 2(u)]	932	348
<b>5,989</b>	<b>5,405</b>		<b>5,989</b>	<b>5,405</b>
		<b>Non-Current</b>		
21,100	24,001	Other Loans and Deposits	21,100	24,001
33,745	34,905	Finance Leases [see note 2(u)]	33,745	34,905
<b>54,845</b>	<b>58,906</b>		<b>54,845</b>	<b>58,906</b>

Other Loans and Deposits' is made of balances owed to the immediate parent, the NSW Ministry of Health. The majority of the balance is for the Liverpool Carpark Loan - \$26.1m.

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

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

"Finance Leases"; SWSLHD has entered into a collaborative relationship with the Ingham Institute 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 in 2051/52.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 36.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>26. Borrowings</b>				
<b>a) Finance Leases</b>				
Minimum lease payments in relation to finance leases are payable as follows:				
932	943	Not later than one year	932	943
3,919	3,966	Later than one year and not later than five years	3,919	3,966
41,752	44,144	Later than five years	41,752	44,144
<hr/>	<hr/>		<hr/>	<hr/>
46,603	49,053	<b>Minimum Lease Payments</b>	46,603	49,053
11,925	13,800	Less: Future Finance Charges	11,925	13,800
<hr/>	<hr/>		<hr/>	<hr/>
34,677	35,253	<b>Present Value of Minimum Lease Payments</b>	34,677	35,253
<hr/>	<hr/>		<hr/>	<hr/>
The present value of finance lease payments is as follows:				
395	348	Not later than one year	395	348
1,836	1,648	Later than one year and not later than five years	1,836	1,648
32,447	33,257	Later than five years	32,447	33,257
<hr/>	<hr/>		<hr/>	<hr/>
34,677	35,253	<b>Present Value of Minimum Lease Payments Classified as:</b>	34,677	35,253
<hr/>	<hr/>		<hr/>	<hr/>
932	348	Current (Note 26)	932	348
33,745	34,905	Non-Current (Note 26)	33,745	34,905
<hr/>	<hr/>		<hr/>	<hr/>
34,677	35,253		34,677	35,253
<hr/>	<hr/>		<hr/>	<hr/>

A Finance Lease arrangement exists for the sub-lease of the Ingham Institute for Applied Medical Research building to SWSLHD.

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.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>27. Provisions</b>				
<b>Current</b>				
----	----	Annual Leave - Short Term Benefit	103,540	95,076
----	----	Annual Leave - Long Term Benefit	67,287	68,265
----	----	Long Service Leave Consequential On-Costs	20,561	20,116
191,388	183,457	Provision for Personnel Services Liability	----	----
2,032	----	Other - Allocated Days Off (ADO) Liability	2,032	----
<u>193,420</u>	<u>183,457</u>		<u>193,420</u>	<u>183,457</u>
<b>Non-Current</b>				
----	----	Long Service Leave Consequential On-Costs	1,788	1,749
1,788	1,749	Provision for Personnel Services Liability	----	----
<u>1,788</u>	<u>1,749</u>		<u>1,788</u>	<u>1,749</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
----	----	Provisions - Current	191,388	183,457
----	----	Provisions - Non-Current	1,788	1,749
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	28,075	23,630
221,251	208,836	Liability - Purchase of Personnel Services	----	----
<u>221,251</u>	<u>208,836</u>		<u>221,251</u>	<u>208,836</u>
<b>28. Other Liabilities</b>				
<b>Current</b>				
1,167	585	Income in Advance	1,167	585
<u>1,167</u>	<u>585</u>		<u>1,167</u>	<u>585</u>
<b>Non-Current</b>				
21,008	----	Income in Advance	21,008	----
<u>21,008</u>	<u>----</u>		<u>21,008</u>	<u>----</u>

In 2016/17 SWSLHD entered into a contractual arrangement with Western Sydney University (WSU) and the Health Administration Corporation (HAC) for the construction of the Macarthur Clinical School on the land at Campbelltown Hospital.

The economic substance of this transaction has been classified an operating lease and the construction costs borne by WSU treated as Rental Income in Advance over the lease term of 40 years. This transaction comprises \$21.6m of the Income in Advance balance (Current \$0.542m and Non-Current \$21.008m)

This arrangement has been recognised as a Non-Cash "Donation" and as such is not included in the Statement of Cash Flows.

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>29. Commitments for Expenditure</b>				
a) <b>Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of buildings, plant and equipment and infrastructure systems contracted for at balance date and not provided for:				
799	1,453	Not later than one year	799	1,453
229	-----	Later than one year and not later than five years	229	-----
<u>1,028</u>	<u>1,453</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>1,028</u>	<u>1,453</u>
The 'capital commitments' contracted but not provided for relate to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) <b>Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
2,974	3,435	Not later than one year	2,974	3,435
3,138	3,102	Later than one year and not later than five years	3,138	3,102
<u>6,111</u>	<u>6,537</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>6,111</u>	<u>6,537</u>
The operating lease commitments above are for motor vehicles and medical equipment.				
c) <b>Contingent Asset Related to Commitments for Expenditure</b>				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$7.139M as at 30 June 2017 (2016 \$7.990M) includes input tax credits of \$0.556M that are expected to be recoverable from the Australian Taxation Office (2016 \$0.594M).				



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**PARENT & CONSOLIDATION**

**30. Trust Funds**

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

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Balance at the beginning of the financial year	541	507	424	424	8	4	973	935
Revenue	152	34	154	126	38,619	35,504	38,925	35,664
Expenses	(80)	0	(138)	(126)	(38,541)	(35,500)	(38,759)	(35,626)
Balance at the end of the financial year	<b>613</b>	<b>541</b>	<b>440</b>	<b>424</b>	<b>86</b>	<b>8</b>	<b>1,139</b>	<b>973</b>

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PARENT			CONSOLIDATION	
2017	2016		2017	2016
\$000	\$000		\$000	\$000
<b>31. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
46,373	10,645	Net Cash Flows from Operating Activities	46,373	10,645
(60,838)	(61,274)	Depreciation and Amortisation	(60,838)	(61,274)
(3,941)	(2,262)	Allowance for Impairment	(3,941)	(2,262)
96	19	(Increase)/ Decrease Income in Advance	96	19
(10,002)	(5,364)	(Increase)/ Decrease in Provisions	(10,002)	(5,364)
(2,267)	24,664	Increase / (Decrease) in Prepayments and Other Assets	(2,267)	24,664
(34,693)	10,349	(Increase)/ Decrease in Payables from Operating Activities	(34,693)	10,349
(614)	582	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(614)	582
575	270	Amortisation of Finance Lease Liabilities	575	270
110	----	Donated	110	----
<b>(65,201)</b>	<b>(22,371)</b>	<b>Net Result</b>	<b>(65,201)</b>	<b>(22,371)</b>
<b>32. Non-Cash Financing and Investing Activities</b>				
21,795	----	Assets Received by Donation and Other	21,795	----
----	35,522	Property, Plant and Equipment Acquired by Finance Lease	----	35,522
<b>21,795</b>	<b>35,522</b>		<b>21,795</b>	<b>35,522</b>

The majority of 'Assets Received by Donation and Other' were from Western Sydney University - refer to Note 28 Other Liabilities.

### 33. 2016/17 Voluntary Services

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

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

### 34. Unclaimed Monies

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

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

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

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**PARENT AND CONSOLIDATION**

**35. Adjusted Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was higher than adjusted budget by \$1 million, primarily due to:

Favourability in Total Revenue of \$7.1m, mainly due to the TMF Workers Compensation Hindsight Revenue Adjustment (FY11/12 & FY 13/14) of \$6.7m. Expense was un-favourable by \$2.0m largely as a result of the unfunded portion of the FY17 Workers Compensation premium of \$2.6m - refer to Note 2.

Additionally there was a \$3.7m un-favourability in Other Items, specifically the Patient Fees Provision for Doubtful Debts line item of \$3.2m. Management judged the increased provision necessary due to the year on year increase in Ineligible Patient revenue being recognised and the ageing of those Debtor balances being considered impaired.

**Assets and Liabilities**

The variance of Net Assets budget to actual was \$1m favourable. This was a result of higher Cash and Cash Equivalents actuals to budget due to the additional cash provided to fund Locally Funded Capital Initiatives in the coming financial year. This favourable impact in Assets was offset by higher Liability actuals to budget, particularly in Payables.

**Cash Flows**

The Actual cashflows were favourable to the Adjusted Budget by \$6.4m. This was a result of Actual Cash being \$10.4m more in Operating Activities, \$1.1m less in Investing Activities and \$5.1m less in Financing Activities.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 21 June, 2016 are as follows:

	<b>\$000</b>
<b>Initial Allocation, 21/06/2016</b>	1,326,532
Growth & Escalation	70,758
Cash Adjustment for Locally Funded Projects	5,334
Finalisation of 2016/17 Recurrent Subsidy	(23,752)
<b>Special Projects</b>	
New Initiatives & Projects	31,663
Drug & Alcohol Service	718
Mental Health Service	118
TMF Adjustment	(491)
Nurse Strategy Reserve	910
Balance as per Statement of Comprehensive Income	<u><u>1,411,790</u></u>

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**36. Financial Instruments**

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the SWSLHD, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

**(a) Financial Instrument Categories**

**PARENT AND CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Cash and Cash Equivalents (note 17)	N/A	76,895	61,463
Receivables (note 18)*	Loans and receivables (at amortised cost)	41,045	47,180
		<u>117,940</u>	<u>108,643</u>
<b>Financial Liabilities</b>			
Borrowings (note 26)		60,834	64,311
Payables (note 25)**	Financial liabilities measured at amortised cost	84,363	54,301
		<u>145,197</u>	<u>118,612</u>

Notes

\* Excludes statutory receivables and prepayments (i.e. not within scope of AASB7 Financial Instruments Disclosures)

\*\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). In addition Accrued Salaries, Wages and On-Costs are have been excluded as not within the scope of AASB7. Prior year comparatives have been restated as a result.

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### 36. Financial Instruments

#### (b) Credit Risk

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

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

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

#### Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 2.37% in 2016/17 compared to 2.60% in the previous year.

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

#### Receivables - trade debtors

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

The SWSLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2017: \$43.569M ; 2016: \$49.932M) and not more than 3 months past due (2017: \$1.258M ; 2016: \$1.695M) 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 SWSLHD's debtors are health insurance companies or compensation insurers settling claims in respect of inpatient treatments.

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

	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<b>2017</b>			
<3 months overdue	1,461	1,258	203
3 months - 6 months overdue	4,968	2,713	2,255
> 6 months overdue	989	----	989
<b>2016</b>			
<3 months overdue	1,695	1,695	----
3 months - 6 months overdue	1,084	928	156
> 6 months overdue	2,163	----	2,163

#### 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 AASB7 Financial Instruments Disclosures and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

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## 36. Financial Instruments

### Authority Deposits

The SWSLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.40% (2016: 1.96%), while over the year the weighted average interest rate was 2.37% (2016: 2.47%) on a weighted average balance during the year of \$38.5m (2016: \$37.6m). None of these assets are past due or impaired.

### (c) Liquidity Risk

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

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

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

The SWSLHD has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the SWSLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

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

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

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

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**36. Financial Instruments**

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

*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2017</b>								
Payables:								
- Creditors		63,204	----	----	63,204	63,204	----	----
Borrowings:								
- Loans and Deposits	7.74%	33,685	33,685	----	----	5,000	20,000	8,685
- Finance Leases	1.55%	46,603	----	46,603	----	932	3,919	41,752
Other (EEGP Fairfield Hospital)	2.51%	114	114	----	----	57	57	----
		<u>143,606</u>	<u>33,799</u>	<u>46,603</u>	<u>63,204</u>	<u>69,193</u>	<u>23,976</u>	<u>50,437</u>
<b>2016</b>								
Payables:								
- Creditors		36,938	----	----	36,938	36,938	----	----
Borrowings:								
- Loans and Deposits	7.74%	38,685	38,685	----	----	5,000	20,000	13,685
- Finance Leases	1.69%	49,053	----	49,053	----	943	3,966	44,144
Other (EEGP Fairfield Hospital)	2.51%	171	171	----	----	57	114	----
		<u>124,847</u>	<u>38,856</u>	<u>49,053</u>	<u>36,938</u>	<u>42,938</u>	<u>24,080</u>	<u>57,829</u>

Notes:

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

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.

3 The 'Loans and Deposits' and Other (EEGP Fairfield Hospital) relate to borrowings with the NSW Ministry of Health, the immediate parent.

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**36. Financial Instruments**

**(d) Market Risk**

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

The effect on 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 SWSLHD operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2016. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

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

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

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	76,895	(769)	(769)	769	769
Receivables	41,045	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	84,363	----	----	----	----
Borrowings	60,834	608	608	(608)	(608)
<b>2016</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	61,463	(615)	(615)	615	615
Receivables	47,180	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	54,301	----	----	----	----
Borrowings	64,311	643	643	(643)	(643)

\*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.



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**37. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	<b>2017</b>
	<b>\$000</b>
Short-term employee benefits	<u>565</u>
Post-employment benefits	<u>50</u>
	<b><u>615</u></b>

During the financial year, South Western Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.460m for these services.

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.

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health 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 transactions with the ultimate parent during the financial year.

**38. Events After the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**