

South Eastern Sydney Local Health District

Financial Statements

for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the South Eastern Sydney Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

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 2018, 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 fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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 – Presentation of Budget Information

Without modification to the opinion expressed above, I draw attention to the basis of presenting adjusted budget information detailed in Note 1(ah). 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.

The Chief Executive's Responsibilities 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 is responsible for assessing the ability of the District and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will cease as a result of an administrative restructure.

Auditor's Responsibilities 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: 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.



David Daniels
Director, Financial Audit Service

18 September 2018
SYDNEY

**South Eastern Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2018**

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

- 1) The financial statements of the South Eastern Sydney Local Health District for the year ended 30 June 2018 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 (PFAA)*, the *Public Finance and Audit Regulation 2015 (Regulation)*; and
 - c) Financial Reporting Directions mandated by the Treasurer.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the South Eastern 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.



Ms Kim Olesen
Acting Chief Executive
14 September 2018



Mr Peter Eaton
Acting Director of Finance
14 September 2018

South Eastern Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2018

PARENT			CONSOLIDATION					
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual		
2018	2018	2017		2018	2018	2017		
\$000	\$000	\$000		\$000	\$000	\$000		
Expenses excluding losses								
Operating Expenses								
-----	-----	-----						
				Employee Related Expenses	2	1,154,418	1,152,493	1,074,377
1,106,065	1,103,963	1,049,770		Personnel Services	3	-----	-----	-----
53,490	50,737	49,855		Visiting Medical Officers		53,490	50,737	49,855
449,745	442,648	450,772		Other Expenses	4	449,745	442,648	450,772
59,553	64,526	53,975		Depreciation and Amortisation	1(n), 5	59,553	64,526	53,975
18,725	18,934	45,654		Grants and Subsidies	6	18,725	18,934	45,654
46,979	47,014	47,557		Payments to Affiliated Health Organisations	7	46,979	47,014	47,557
1,734,557	1,727,822	1,697,583		Total Expenses excluding losses		1,782,910	1,776,352	1,722,190
Revenue								
1,345,982	1,317,473	1,265,909		NSW Ministry of Health Recurrent Allocations	1(i)	1,345,982	1,317,473	1,265,909
232,855	235,195	194,122		NSW Ministry of Health Capital Allocations	1(i)	232,855	235,195	194,122
(11,795)	(11,795)	-----		Transfers to the NSW Ministry of Health		(11,795)	(11,795)	-----
-----	-----	-----		Acceptance by the Crown Entity of Employee Benefits	1(e)(ii),11	48,353	48,530	24,607
263,494	268,697	275,351		Sale of Goods and Services	1(i), 8	263,494	268,697	275,351
1,759	1,598	2,024		Investment Revenue	1(i), 9	1,759	1,598	2,024
44,500	42,742	66,872		Grants and Other Contributions	1(i),10	44,500	42,742	66,872
22,432	22,435	21,980		Other Income	12	22,432	22,435	21,980
1,899,227	1,876,345	1,826,258		Total Revenue		1,947,580	1,924,875	1,850,865
(3,848)	-----	10,615		Gain / (Loss) on Disposal	13	(3,848)	-----	10,615
(2,553)	(2,658)	(3,283)		Other Gains / (Losses)	14	(2,553)	(2,658)	(3,283)
158,269	145,865	136,007		Net Result	30	158,269	145,865	136,007
Other Comprehensive Income								
Items that will not be reclassified to net result								
Changes in Revaluation Surplus of								
153,856	-----	(123)		Property, Plant and Equipment and Other Assets	18, 20	153,856	-----	(123)
153,856	-----	(123)		Total Other Comprehensive Income		153,856	-----	(123)
312,125	145,865	135,884		TOTAL COMPREHENSIVE INCOME		312,125	145,865	135,884

The accompanying notes form part of these financial statements.

**South Eastern Sydney Local Health District
Statement of Financial Position as at 30 June 2018**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
102,727	72,951	80,322		102,727	72,951	80,322
69,680	84,748	96,118	15	69,680	84,748	96,118
23,606	21,041	21,021	16	23,606	21,041	21,021
196,013	178,740	197,461	17	196,013	178,740	197,461
----	745	745		----	745	745
196,013	179,485	198,206		196,013	179,485	198,206
Non-Current Assets Held for Sale						
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
1,477,870	1,357,974	1,174,039		1,477,870	1,357,974	1,174,039
106,126	104,270	106,659	18	106,126	104,270	106,659
64,996	58,573	62,907	18	64,996	58,573	62,907
1,648,992	1,520,817	1,343,605	18	1,648,992	1,520,817	1,343,605
100	99	120		100	99	120
48,713	45,721	44,192	19	48,713	45,721	44,192
1,697,805	1,566,637	1,387,917	20	1,697,805	1,566,637	1,387,917
1,893,818	1,746,122	1,586,123		1,893,818	1,746,122	1,586,123
LIABILITIES						
Current Liabilities						
120,598	116,025	112,939		120,598	116,025	112,939
191,936	187,100	176,679	24	191,936	187,100	176,679
2,831	4,491	4,252	25	2,831	4,491	4,252
315,365	307,616	293,870	26	315,365	307,616	293,870
Non-Current Liabilities						
2,361	2,361	1,973		2,361	2,361	1,973
5,558	26,511	26,511	25	5,558	26,511	26,511
7,919	28,872	28,484	26	7,919	28,872	28,484
323,284	336,488	322,354		323,284	336,488	322,354
1,570,534	1,409,634	1,263,769		1,570,534	1,409,634	1,263,769
Net Assets						
EQUITY						
289,915	137,213	137,213		289,915	137,213	137,213
1,280,619	1,272,421	1,126,556		1,280,619	1,272,421	1,126,556
1,570,534	1,409,634	1,263,769		1,570,534	1,409,634	1,263,769

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2018

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Total Equity at 1 July 2017		1,126,556	137,213	1,263,769
Net Result for the year		158,269	----	158,269
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment and Emerging Assets	18	----	153,856	153,856
Available for Sale Financial Assets:				
Transfers on Disposal		1,154	(1,154)	----
Total Other Comprehensive Income		1,154	152,702	153,856
Total Comprehensive Income for the year		159,423	152,702	312,125
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	35	(5,360)	----	(5,360)
Balance at 30 June 2018		1,280,619	289,915	1,570,534
Total Equity at 1 July 2016		989,744	138,141	1,127,885
Net Result for the year		136,007	----	136,007
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment and Emerging Assets	18	----	(123)	(123)
Available for Sale Financial Assets:				
Transfers on Disposal		805	(805)	----
Total Other Comprehensive Income		805	(928)	(123)
Total Comprehensive Income for the year		136,812	(928)	135,884
Balance at 30 June 2017		1,126,556	137,213	1,263,769

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2018

PARENT							CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual		
2018	2018	2017			2018	2018	2017		
\$000	\$000	\$000			\$000	\$000	\$000		
CASH FLOWS FROM OPERATING ACTIVITIES									
Payments									
(1,104,252)	(1,108,748)	(1,058,338)	Employee Related		(1,104,252)	(1,108,748)	(1,058,338)		
(551,480)	(543,636)	----	Suppliers for Goods and Services		(551,480)	(543,636)	----		
(73,060)	(73,304)	(71,312)	Grants and Subsidies		(73,060)	(73,304)	(71,312)		
----	----	(545,723)	Other		----	----	(545,723)		
(1,728,792)	(1,725,688)	(1,675,373)	Total Payments		(1,728,792)	(1,725,688)	(1,675,373)		
Receipts									
1,345,982	1,317,473	1,265,909	NSW Ministry of Health Recurrent Allocations		1,345,982	1,317,473	1,265,909		
232,855	235,195	194,122	NSW Ministry of Health Capital Allocations		232,855	235,195	194,122		
(11,795)	(11,795)	----	Asset Sale Proceeds Transferred to the NSW Ministry of Health		(11,795)	(11,795)	----		
17,589	17,589	17,696	Reimbursements from the Crown Entity		17,589	17,589	17,696		
263,729	273,402	281,635	Sale of Goods and Services		263,729	273,402	281,635		
1,758	1,598	2,024	Interest Received		1,758	1,598	2,024		
48,893	47,134	70,696	Grants and Other Contributions		48,893	47,134	70,696		
90,098	74,073	37,658	Other		90,098	74,073	37,658		
1,989,109	1,954,669	1,869,740	Total Receipts		1,989,109	1,954,669	1,869,740		
260,317	228,981	194,367	NET CASH FLOWS FROM OPERATING ACTIVITIES	30	260,317	228,981	194,367		
CASH FLOWS FROM INVESTING ACTIVITIES									
73	----	15,274	Proceeds from Sale of Property, Plant & Equipment and Intangibles		73	----	15,274		
(237,985)	(236,352)	(225,140)	Purchases of Property, Plant & Equipment and Intangibles		(237,985)	(236,352)	(225,140)		
(237,912)	(236,352)	(209,866)	NET CASH FLOWS FROM INVESTING ACTIVITIES		(237,912)	(236,352)	(209,866)		
22,405	(7,371)	(15,499)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		22,405	(7,371)	(15,499)		
80,322	80,322	95,821	Opening Cash and Cash Equivalents	15	80,322	80,322	95,821		
102,727	72,951	80,322	CLOSING CASH AND CASH EQUIVALENTS	15	102,727	72,951	80,322		

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

The SESLHD 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).

The SESLHD, 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 Note 23), 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 Eastern Sydney Local Health District Special Purpose Service Entity, which was established as a Division of the SESLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the SESLHD 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.

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Acting Chief Executive on 14 September 2018.

b) Basis of Preparation

The SESLHD'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 the Public Finance and Audit Regulation 2015, and Financial Reporting Directions mandated by the Treasurer. 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(ah).

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

The Secretary of NSW Health, the Chair of the South Eastern 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 SESLHD'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 SESLHD fails to meet Service Agreement performance standards, the NSW 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 NSW Ministry of Health.

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

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement 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 and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) 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 and ADO are not expected to be settled wholly before 12 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 18.0% are applied to the value of leave payable at 30 June 2018 (comparable on-costs for 30 June 2017 were 17.2%). The SESLHD has assessed the actuarial advice based on the SESLHD's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the consolidated entity does not expect to settle the liability within 12 months as the consolidated entity does not have an unconditional right to defer settlement.

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 SESLHD'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 SESLHD 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 SESLHD as shown in Note 25.

Long Service Leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

The superannuation expense for the financial year 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 SESLHD 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 SESLHD'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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

g) Grants and Subsidies

Grant and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grant and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

h) 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.

i) 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 SESLHD 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).

Grants and Other Contributions

Grants and other contributions, comprising mainly cash and in-kind contributions, are recognised as revenues when control passes to the SESLHD and the contractual obligations have been satisfied. In-kind contributions are measured at fair value on transfer 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.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor vehicle accidents. The SESLHD 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 SESLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the NSW Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Debt Forgiveness

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Use of Hospital Facilities

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

- * a monthly charge raised by the SESLHD 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 SESLHD use in the advancement of the SESLHD or individuals within it.

Refer to Note 8 (b) for further details.

Use of Outside Facilities

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

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

NSW Ministry of Health Allocations

Payments are made by the immediate parent on the basis of the allocation for the SESLHD 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 NSW Ministry of Health. Allocations are normally recognised upon the receipt of cash.

General operating expenses/revenues of Calvary Health Care Sydney, War Memorial Hospital Waverley and Eastern Sydney SCARBA Centre 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 SESLHD 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.

j) 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 SESLHD 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.

k) 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.

l) Acquisition of Property, Plant and Equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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(ae) 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 SESLHD are deemed to be controlled by the SESLHD and are reflected as such in the financial statements.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

m) Capitalisation Thresholds

Property, plant and equipment and Intangibles costing \$10,000 and above individually (or forming part of a network costing more than \$10,000) are capitalised.

n) 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 SESLHD. 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:

	2018	2017
Buildings	2.5%	2.5%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- Computer Equipment	20.0%	20.0%
- Electro Medical Equipment		
* Costing less than \$200,000	10.0%	10.0%
* Costing more than or equal to \$200,000	12.5%	12.5%
- Furniture, Fittings and Furnishings	5.0%	5.0%
- Motor Vehicle Sedans	12.5%	12.5%
- Motor Vehicles, Trucks & Vans	20.0%	20.0%
- Office Equipment	10.0%	10.0%
- Plant and Machinery	10.0%	10.0%
Intangibles	10.0%	10.0%

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

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

o) 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.

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 18 and Note 22 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.

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 a loss in the net result, the increment is recognised immediately as a gain in the net result.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Revaluation decrements are recognised immediately as a loss 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.

p) 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 Impairment of Assets 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.

q) Assets Not Able to be Reliably Measured

The SESLHD holds certain assets that are not recognised in the Statement of Financial Position because the SESLHD is unable to measure reliably the value of the assets and those assets are unlikely to be material.

The SESLHD holds a unique collection of pathology specimens of which their normal place of residence is at Sydney Hospital. Parts of the collection are currently on loan to a range of associated educational and health institutions.

r) Restoration Costs

On initial recognition, the present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

t) Intangible Assets

The SESLHD recognises intangible assets only if it is probable that future economic benefits will flow to the SESLHD 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.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Computer software developed or acquired by SESLHD 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 immediate 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.

u) 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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

v) 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.

w) Inventories

Inventories held for distribution are stated 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. Cost is calculated using the weighted average cost method.

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

x) 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.

y) 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 SESLHD determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* The SESLHD 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.

TCorpIM Funds 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 SESLHD's key management personnel.

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

TCorpIM Funds investment 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 TCorpIM Funds investment 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 SESLHD 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 SESLHD commits to purchase or sell the asset.

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

z) Impairment of Financial Assets

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

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

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

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

aa) 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 SESLHD transfers the financial asset:

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

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

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

ab) Payables

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

ac) 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.

ad) Fair Value Hierarchy

A number of the SESLHD'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 SESLHD 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 SESLHD 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 22 for further disclosures regarding fair value measurements of non-financial and financial assets.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

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

af) 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 SESLHD's policy on the revaluation of property, plant and equipment as discussed in Note 1(o).

(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.

ag) Trust Funds

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

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

ah) Adjusted Budget 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 SESLHD'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 SESLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Performance Agreements between the SESLHD 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 34.

ai) Emerging Asset

The SESLHD's emerging interest in the St George (STG), Sydney (SYD) and Prince of Wales (POW) Hospital Car Parks has been valued in accordance with the NSW Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the SESLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the asset's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 6.61% (STG), 9.47% (SYD) & 7.23% (POW) at commencement of the concession period.

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

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. As SESLHD does not have any cash flows from financing activities, the new requirement did not impact these financial statements.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

(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 the SESLHD have not been applied and are not yet effective. The possible impact of these Accounting Standards in the period of initial application includes:

AASB 9 Financial Instruments applies to annual periods beginning on or after 1 January 2018. AASB 9 Financial Instruments 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 Financial Instruments also introduces a forward-looking 'expected credit losses' impairment model, which may impact the timing and amount of impairment recognition.

AASB 16 Leases replaces all existing leases requirements and applies to annual periods beginning on or after 1 January 2019. For lessees, the distinction between operating and finance leases will no longer exist. Instead, AASB 16 Leases will require lessees to account for practically all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers below \$10,000) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement of a lease, a lessee will recognise a liability representing its obligation to make future lease payments and an asset representing its right of use to the underlying asset for the lease term. Lessees will be required to separately recognise interest expense on the lease liability and depreciation expense on the Right of Use asset rather than operating lease expense.

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key balance sheet metrics may also be impacted. Also, the statement of cash flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Lessor accounting is substantially unchanged from today's accounting under AASB 117 Leases. Lessors will continue to classify all leases using the same classification as in AASB 117 Leases and distinguish between two types of leases: operating and finance leases.

The standard permits two methods of adoption: full retrospective – by retrospectively adjusting each prior reporting period presented and recognising the cumulative effect of initially applying the new requirements at the start of the earliest period, which would be 1 July 2018; or modified retrospective – by recognising the cumulative effect of initially applying the new requirements at the initial application, which would be 1 July 2019. NSW Treasury has mandated modified retrospective application of this accounting standard.

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 Revenue from Contracts with Customers 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 Income of Not-for-Profit Entities also requires government agencies to recognise income for volunteer services received if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated. This is consistent with current practice under AASB 1004 Contributions and is not expected to materially impact these financial statements.

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the "financial liability" model applying AASB 9 Financial Instruments or, the "grant of right" model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Overview of Assessment Activities

NSW Health designed a project roadmap to implement the above five new accounting standards by its application date. The project consists of 4 phases: Scoping, Data gathering, In Depth Analysis and Implementation. Scoping phase was completed and data gathering has begun. An external project consultant and project manager will be appointed, and various steering committees and project teams will be internally formed as part of the implementation project. Central high level estimates on the impact of the new accounting standards were also calculated and reported to NSW Treasury by the central team at the NSW Ministry of Health. Further details are available in the NSW Ministry of Health's consolidated financial statements.

We are continuously analysing and assessing the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

Potential Impact on The SESLHD's Financial Report

While the consolidated entity is yet to undertake a detailed assessment of the classification and measurement of all of the accounting standards, the following general impacts are expected from the work conducted so far:

Leases

- * The total assets and liabilities on the balance sheet will increase. Net total assets are expected to decrease due to a reduction of the capitalised asset being on a straight line basis whilst the liability reduces the principal amount of repayments. Net current assets will also show a decrease due to an element of the liability being disclosed as current liability.
- * Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the lease life. This effect may be partially mitigated due to the number of leases held in the entity at different stages of their lease terms.
- * Depreciation expense will be booked on Right of Use assets, which will be on a straight-line basis.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.

Revenue and Income of Not-for-Profit Entities

- * The deferral of some revenues of The SESLHD.
- * Impact on the estimates and judgements involved in the unbilled revenue process.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

Financial Instruments

- * The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred impairment losses. This may result in earlier recognition of credit loss provisions.

Service Concession Arrangements

- * No significant impact expected on The SESLHD.

Application Date

The SESLHD plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	1,001,931	953,754
----	----	Superannuation - Defined Benefit Plans	7,889	8,401
----	----	Superannuation - Defined Contribution Plans	88,324	83,837
----	----	Long Service Leave	45,313	16,056
----	----	Redundancies	1,911	2,828
----	----	Workers' Compensation Insurance	8,975	9,155
----	----	Fringe Benefits Tax	75	346
-----	-----		-----	-----
-----	-----		1,154,418	1,074,377
=====	=====		=====	=====
		3. Personnel Services		
1,001,931	953,754	Salaries and Wages	----	----
88,324	83,837	Superannuation - Defined Contribution Plans	----	----
4,849	(150)	Long Service Leave	----	----
1,911	2,828	Redundancies	----	----
8,975	9,155	Workers' Compensation Insurance	----	----
75	346	Fringe Benefits Tax	----	----
-----	-----		-----	-----
1,106,065	1,049,770		-----	-----
=====	=====		=====	=====

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
4. Other Expenses				
320	395	Advertising	320	395
238	206	Auditor's Remuneration - Audit of Financial Statements	238	206
9,867	9,850	Blood and Blood Products	9,867	9,850
1,781	3,022	Consultancies	1,781	3,022
175	103	Contractors	175	103
21,442	19,965	Domestic Supplies and Services	21,442	19,965
80,343	93,059	Drug Supplies	80,343	93,059
27,734	27,774	Food Supplies	27,734	27,774
11,607	9,263	Fuel, Light and Power	11,607	9,263
9,244	6,849	Patient Transport Costs	9,244	6,849
28,079	30,666	Information Management Expenses	28,079	30,666
1,676	1,543	Insurance	1,676	1,543
39,436	33,966	Maintenance (See 4(b) below)	39,436	33,966
86,724	86,454	Medical and Surgical Supplies	86,724	86,454
1,406	1,608	Motor Vehicle Expenses	1,406	1,608
2,584	3,429	Postal and Telephone Costs	2,584	3,429
4,310	3,193	Printing and Stationery	4,310	3,193
1,860	1,625	Rates and Charges	1,860	1,625
3,896	3,772	Rental	3,896	3,772
691	1,221	Hosted Services Purchased from entities controlled by the immediate parent	691	1,221
59,017	57,724	Specialised Services (Dental, Radiology, Pathology)	59,017	57,724
13,903	9,960	Staff Related Costs	13,903	9,960
6,519	7,297	Travel Related Costs	6,519	7,297
36,893	37,828	Other (See 4(a) below)	36,893	37,828
449,745	450,772		449,745	450,772

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
4. Other Expenses				
a) Other Includes:				
7,015	8,948	Contract for Patient Services	7,015	8,948
12,837	12,361	Corporate Support Services	12,837	12,361
1,224	1,164	Courier and Freight	1,224	1,164
156	149	Isolated Patient Travel and Accommodation Assistance Scheme	156	149
209	271	Legal Services	209	271
960	856	Membership/Professional Fees	960	856
1,480	1,487	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,480	1,487
2,820	2,673	Other Operating Lease Expense - Minimum Lease Payments	2,820	2,673
109	62	Quality Assurance/Accreditation	109	62
621	506	Security Services	621	506
9,462	9,351	Other Miscellaneous	9,462	9,351
36,893	37,828		36,893	37,828
b) Reconciliation of Total Maintenance				
14,851	13,779	Maintenance Contracts	14,851	13,779
15,887	11,360	New/Replacement Equipment under \$10,000	15,887	11,360
10,859	10,962	Repairs Maintenance/Non Contract	10,859	10,962
(2,161)	(2,135)	Other	(2,161)	(2,135)
39,436	33,966	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	39,436	33,966
4,521	4,597	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	4,521	4,597
43,957	38,563		43,957	38,563

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

'Patient 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 'Specialised Service' expenses were paid to the Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Rental' and 'Staff Related costs' expenses were paid to entities controlled by the immediate parent.

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
5. Depreciation and Amortisation				
40,393	36,867	Depreciation - Buildings	40,393	36,867
14,679	12,971	Depreciation - Plant and Equipment	14,679	12,971
4,461	4,114	Depreciation - Infrastructure Systems	4,461	4,114
20	23	Amortisation - Intangible Assets	20	23
<u>59,553</u>	<u>53,975</u>		<u>59,553</u>	<u>53,975</u>
6. Grants and Subsidies				
13,386	12,432	Non-Government Organisations	13,386	12,432
1,701	1,234	Grants to Research Organisations	1,701	1,234
763	30,187	Grants paid to entities controlled by the immediate parent	763	30,187
2,875	1,801	Other Grants	2,875	1,801
<u>18,725</u>	<u>45,654</u>		<u>18,725</u>	<u>45,654</u>
7. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
29,082	29,583	Calvary Health Care Sydney	29,082	29,583
16,506	16,610	War Memorial Hospital Waverley	16,506	16,610
1,391	1,364	Eastern Sydney SCARBA Centre	1,391	1,364
<u>46,979</u>	<u>47,557</u>		<u>46,979</u>	<u>47,557</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
8. Sale of Goods and Services				
a) Sale of Goods comprise the following:-				
277	361	Pharmacy Sales	277	361
11,212	11,296	Sale of Prosthesis	11,212	11,296
(7)	187	Other	(7)	187
b) Rendering of Services comprise the following:-				
		Patient Fees		
110,300	102,909	- Inpatient Fees	110,300	102,909
74	70	- Nursing Home Fees	74	70
6,204	5,777	- Non Inpatient Fees	6,204	5,777
19,144	22,197	Department of Veterans' Affairs	19,144	22,197
283	354	Staff-Meals and Accommodation	283	354
23,694	23,258	Infrastructure Fees - Monthly Facility Charge	23,694	23,258
9,435	12,367	Infrastructure Fees - Annual Charge	9,435	12,367
2,007	1,824	Car Parking	2,007	1,824
1,071	1,089	Child Care Fees	1,071	1,089
45	81	Clinical Services (excluding Clinical Drug Trials)	45	81
5,770	5,877	Commercial Activities	5,770	5,877
25	22	Enteral Nutrition	25	22
245	248	Fees for Medical Records	245	248
4	4	Information Retrieval	4	4
46,655	59,192	Highly Specialised Drugs	46,655	59,192
11,472	13,547	Motor Accident Authority Third Party	11,472	13,547
155	148	Private Use of Motor Vehicles	155	148
572	536	Salary Packaging Fee	572	536
11,367	4,086	Hosted Services Provided to entities controlled by immediate parent	11,367	4,086
3,008	2,205	Services Provided to Non NSW Health Organisations	3,008	2,205
1	7,308	Shared Corporate Services	1	7,308
151	149	Multi Purpose Service Centre Fees	151	149
330	259	Other	330	259
263,494	275,351		263,494	275,351

The majority of 'Commercial Activities' revenue was earned from entities controlled by the immediate parent.

The majority of 'Shared Corporate Services' and 'Patient Transport Fees' revenue was earned from entities controlled by the immediate parent.

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

9. Investment Revenue				
207	113	Interest	207	113
1,552	1,911	TCorpIM Funds Investment Facilities	1,552	1,911
1,759	2,024		1,759	2,024

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
10. Grants and Other Contributions				
4,646	4,642	Clinical Drug Trials	4,646	4,642
16,774	19,323	Commonwealth Government Grants	16,774	19,323
4,859	13,592	Industry Contributions/Donations	4,859	13,592
10,096	9,631	Cancer Institute Grants	10,096	9,631
		Grants & Contributions received from entities controlled by the ultimate parent		
798	2,109		798	2,109
		Grants & Contributions received from entities controlled by the immediate parent		
2,241	13,410		2,241	13,410
1,192	1,826	Research Grants	1,192	1,826
3,894	2,339	Other Grants	3,894	2,339
44,500	66,872		44,500	66,872
<p>The Cancer Institute is an entity controlled by the immediate parent.</p> <p>The majority of grants that were received from entities controlled by the ultimate parent were received from Department of Family and Community Services.</p> <p>The majority of grants that were received from entities controlled by the immediate parent were received from the immediate parent.</p>				
11. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown				
----	----	Superannuation-defined benefit	7,889	8,401
----	----	Long Service Leave	40,464	16,206
----	----		48,353	24,607
12. Other Income				
Other Income comprises the following:-				
3	----	Bad Debts Recovered	3	----
289	343	Commissions	289	343
486	545	Conference and Training Fees	486	545
108	53	Discounts received	108	53
22	14	Insurance Refunds	22	14
8,483	7,401	Lease and Rental*	8,483	7,401
20	40	Sale of Merchandise, Old Wares and Books	20	40
328	193	Sponsorship	328	193
2,905	4,327	Treasury Managed Fund Hindsight Adjustment	2,905	4,327
9,788	9,064	Other	9,788	9,064
22,432	21,980		22,432	21,980

*Some 'Lease and Rental' revenue was received from entities controlled by the immediate parent.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
13. Gain / (Loss) on Disposal				
31,463	19,338	Property, Plant and Equipment	31,463	19,338
<u>(7,852)</u>	<u>(14,679)</u>	Accumulated Depreciation	<u>(7,852)</u>	<u>(14,679)</u>
23,611	4,659	Written Down Value	23,611	4,659
73	15,274	Proceeds from Disposal	73	15,274
<u>19,690</u>	<u>-----</u>	Proceeds Received in Advance for Disposal	<u>19,690</u>	<u>-----</u>
<u>(3,848)</u>	<u>10,615</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(3,848)</u>	<u>10,615</u>
<u>(3,848)</u>	<u>10,615</u>	Total Gain/(Loss) on Disposal	<u>(3,848)</u>	<u>10,615</u>
14. Other Gains / (Losses)				
<u>(2,553)</u>	<u>(3,283)</u>	Impairment of Receivables	<u>(2,553)</u>	<u>(3,283)</u>
<u>(2,553)</u>	<u>(3,283)</u>		<u>(2,553)</u>	<u>(3,283)</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
15. Cash and Cash Equivalents				
26,028	5,065	Cash at Bank and On Hand	26,028	5,065
76,699	75,257	Short Term Deposits	76,699	75,257
<u>102,727</u>	<u>80,322</u>		<u>102,727</u>	<u>80,322</u>

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

102,727	80,322	Cash and Cash Equivalents (per Statement of Financial Position)	102,727	80,322
<u>102,727</u>	<u>80,322</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>102,727</u>	<u>80,322</u>

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
16. Receivables				
Current				
41,515	50,739	Sale of Goods and Services	41,515	50,739
20,870	40,977	Intra Health Receivables	20,870	40,977
3,956	2,194	Goods and Services Tax	3,956	2,194
3,812	4,022	Other Debtors	3,812	4,022
<u>70,153</u>	<u>97,932</u>	Sub Total	<u>70,153</u>	<u>97,932</u>
(3,630)	(6,578)	Less Allowance for Impairment	(3,630)	(6,578)
66,523	91,354	Sub Total	66,523	91,354
3,157	4,764	Prepayments	3,157	4,764
<u>69,680</u>	<u>96,118</u>		<u>69,680</u>	<u>96,118</u>
<p>Intra Health Receivables include amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from the Sydney Children's Hospital Network, Illawarra Shoalhaven Local Health District, Health Administration Corporation, and the immediate parent.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(6,455)	(5,407)	Balance at Commencement of Reporting Period	(6,455)	(5,407)
5,109	2,212	Amounts written off during the year	5,109	2,212
(2,192)	(3,260)	(Increase)/decrease in Allowance Recognised in the Net Result	(2,192)	(3,260)
<u>(3,538)</u>	<u>(6,455)</u>	Balance at 30 June 2018	<u>(3,538)</u>	<u>(6,455)</u>
b) Movement in the Allowance for Impairment				
Other Debtors				
(123)	(380)	Balance at Commencement of Reporting Period	(123)	(380)
391	281	Amounts written off during the year	391	281
(360)	(23)	(Increase)/decrease in Allowance Recognised in the Net Result	(360)	(23)
<u>(92)</u>	<u>(123)</u>	Balance at 30 June 2018	<u>(92)</u>	<u>(123)</u>
<u>(3,630)</u>	<u>(6,578)</u>		<u>(3,630)</u>	<u>(6,578)</u>
c) The current sale of goods and services balances above include the following patient fee receivables:				
1,472	1,216	Patient Fees - Compensable	1,472	1,216
7,709	8,827	Patient Fees - Ineligible	7,709	8,827
19,567	16,853	Patient Fees - Inpatient & Other	19,567	16,853
<u>28,748</u>	<u>26,896</u>		<u>28,748</u>	<u>26,896</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 Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		17. Inventories		
7,748	8,027	Drugs	7,748	8,027
15,848	12,987	Medical and Surgical Supplies	15,848	12,987
10	7	Food and Hotel Supplies	10	7
<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
23,606	21,021		23,606	21,021
<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
18. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,378,858	1,956,427	Gross Carrying Amount	2,378,858	1,956,427
900,988	782,388	Less: Accumulated Depreciation and Impairment	900,988	782,388
<u>1,477,870</u>	<u>1,174,039</u>	Net Carrying Amount	<u>1,477,870</u>	<u>1,174,039</u>
Plant and Equipment - Fair Value*				
221,004	214,891	Gross Carrying Amount	221,004	214,891
114,878	108,232	Less: Accumulated Depreciation and Impairment	114,878	108,232
<u>106,126</u>	<u>106,659</u>	Net Carrying Amount	<u>106,126</u>	<u>106,659</u>
Infrastructure Systems - Fair Value				
181,909	164,650	Gross Carrying Amount	181,909	164,650
116,913	101,743	Less: Accumulated Depreciation and Impairment	116,913	101,743
<u>64,996</u>	<u>62,907</u>	Net Carrying Amount	<u>64,996</u>	<u>62,907</u>
<u>1,648,992</u>	<u>1,343,605</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,648,992</u>	<u>1,343,605</u>

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

18. 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	Total \$000
2018					
Net carrying amount at start of year	189,704	984,335	106,659	62,907	1,343,605
Additions	96,275	128,515	13,584	----	238,374
Reversal of previously recognised Asset Held for Sale	745	----	----	----	745
Disposals	----	(23,205)	(406)	----	(23,611)
Administrative Restructures - Transfers In/(Out)	(5,360)	----	----	----	(5,360)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	----	1,071	----	1,071
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	85,017	62,722	----	5,962	153,701
Depreciation Expense	----	(40,393)	(14,679)	(4,461)	(59,533)
Reclassifications	----	(485)	(103)	588	----
Net carrying amount at end of year	366,381	1,111,489	106,126	64,996	1,648,992

	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2017					
Net carrying amount at start of year	193,849	868,964	74,963	66,921	1,204,697
Additions	----	197,039	29,454	100	226,593
Recognition of Assets Held for Sale	(745)	----	----	----	(745)
Disposals	(3,400)	(501)	(758)	----	(4,659)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(29,500)	1,171	----	(28,329)
Depreciation Expense	----	(36,867)	(12,971)	(4,114)	(53,952)
Reclassifications	----	(14,800)	14,800	----	----
Net carrying amount at end of year	189,704	984,335	106,659	62,907	1,343,605

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

(i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the SESLHD [see note 1(l)].

(ii) To ensure the land, buildings and infrastructure systems materially reflect the carrying value since the last revaluation, assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure systems costs. The adjustment has been performed on a gross basis in accordance with note 1(o).

The following table details the indices applied to Buildings and Infrastructure Systems as determined by CBRE Valuations Pty Ltd :

Year	Buildings	Infrastructure Systems
2017/18	9.80%	9.80%
2016/17	0%	0%

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		19. Intangible Assets		
		Intangibles		
484	484	Cost (Gross Carrying Amount)	484	484
384	364	Less Accumulated Amortisation and Impairment	384	364
<u>100</u>	<u>120</u>	Total Intangible Assets at Net Carrying Amount	<u>100</u>	<u>120</u>

PARENT & CONSOLIDATION

19. Intangible Assets - Reconciliation

	Total \$000
2018	
Net carrying amount at start of year	120
Amortisation (Recognised in Depreciation and Amortisation)	(20)
Net carrying amount at end of year	100

	Total \$000
2017	
Net carrying amount at start of year	162
Additions (From Internal Development or Acquired Separately)	(19)
Amortisation (Recognised in Depreciation and Amortisation)	(23)
Net carrying amount at end of year	120

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		20. Other Assets		
		Non-Current		
48,713	44,192	Emerging Rights to Assets (refer Note 1(ai))	48,713	44,192
48,713	44,192		48,713	44,192
		21. Non-Current Assets Held for Sale		
		Assets Held for Sale		
-----	745	Land and Buildings	-----	745
-----	745		-----	745

The non-current assets held for sale constitute assets that are surplus to requirements and are actively marketed within a sale program which has been initiated and is expected to locate a buyer and complete the sale in the next twelve months.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

22. 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

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	50,962	910,905	961,867
- Infrastructure Systems	----	----	64,996	64,996
Other Assets (Note 20) Emerging Assets	----	----	48,713	48,713
	-----	-----	-----	-----
	-----	50,962	1,024,614	1,075,576

There were no transfers between level 1 and 2 during the year ended 30 June 2018.

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 18.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 18)				
- Land and Buildings	----	35,473	734,196	769,669
- Infrastructure Systems	----	----	62,907	62,907
Other Assets (Note 20) Emerging Assets	----	----	44,192	44,192
Non-Current Assets Held for Sale (Note 21)	----	745	----	745
	-----	-----	-----	-----
	-----	36,218	841,295	877,513

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 18.

b) Valuation Techniques, Inputs and Processes

SESLHD obtains external valuations by independent valuers at least every three years for land and at least every five years for buildings and infrastructure systems. A revaluation was performed by CBRE Valuations Pty Ltd for the 2017/18 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an associated entity of the SESLHD.

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:

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

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 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.

The last buildings and infrastructure systems valuation was performed by CBRE Valuations Pty Ltd for the 2014/15 financial year. CBRE Valuations Pty Ltd is an independent entity and is not an associated entity of SESLHD.

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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

22. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2018	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2017	734,196	62,907	44,192	841,295
Additions	97,928	588	4,366	102,882
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	147,739	5,962	155	153,856
Disposals	(23,205)	----	----	(23,205)
Depreciation	(40,393)	(4,461)	----	(44,854)
Administrative Restructures - Transfers In/(Out)	(5,360)	----	----	(5,360)
Fair value as at 30 June 2018	910,905	64,996	48,713	1,024,614

There were no transfers between Level 1 and 2 during the period ended 30 June 2018.

2017	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2016	768,103	66,921	40,272	875,296
Additions	----	100	4,043	4,143
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	----	----	(123)	(123)
Disposals	(501)	----	----	(501)
Depreciation	(33,406)	(4,114)	----	(37,520)
Fair value as at 30 June 2017	734,196	62,907	44,192	841,295

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

23. Restricted Assets

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

Category	Opening Equity 1 July 2017 \$000	Expense 2018 \$000	Revenue 2018 \$000	Closing Equity 30 June 2018 \$000
Community Welfare	147	28	1	120
Facility Improvements	11,674	3,703	4,122	12,093
Holds Funds in Perpetuity	437	33	429	833
Patient Welfare	9,482	----	1,537	11,020
Private Practice Disbursements (No.2 Accounts)	32,674	11,334	10,305	31,645
Public Contributions	1,642	305	310	1,647
Research	11,885	----	7,953	19,838
Staff Welfare	2,464	1,407	959	2,017
Training and Education incl. Conferences	16,402	4,292	4,036	16,145
	86,807	21,102	29,653	95,358

Restricted Financial Asset categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

Restricted assets are held for the following purpose and cannot be used for any other purpose.

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds Funds in Perpetuity	Donor has explicitly requested be invested permanently and not otherwise expended.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		24. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	27,066	23,231
----	----	Taxation and Payroll Deductions	6,323	5,577
33,389	28,808	Accrued Liability - Purchase of Personnel Services	----	----
48,277	48,282	Creditors	48,277	48,282
		Other Creditors		
22,963	23,512	- Payables to entities controlled by the immediate parent	22,963	23,512
15,969	12,337	- Other	15,969	12,337
<u>120,598</u>	<u>112,939</u>		<u>120,598</u>	<u>112,939</u>

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

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.

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
		25. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	115,626	110,459
----	----	Annual Leave - Long Term Benefit	45,317	41,435
----	----	Long Service Leave Consequential On-Costs	27,153	22,692
----	----	Provision for Other Employee Benefits*	3,840	2,093
191,936	176,679	Provision for Personnel Services Liability	----	----
<u>191,936</u>	<u>176,679</u>		<u>191,936</u>	<u>176,679</u>
		*ADO liabilities have been reclassified from 'Other' to 'Provision for Other Employee Benefits'. Prior year comparatives have been restated as a result.		
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	2,361	1,973
2,361	1,973	Provision for Personnel Services Liability	----	----
<u>2,361</u>	<u>1,973</u>		<u>2,361</u>	<u>1,973</u>
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	191,936	176,679
----	----	Provisions - Non-Current	2,361	1,973
----	----	Accrued Salaries, Wages and On-Costs (Note 24)	33,389	28,808
227,686	207,460	Liability - Purchase of Personnel Services	----	----
<u>227,686</u>	<u>207,460</u>		<u>227,686</u>	<u>207,460</u>

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
26. Other Liabilities				
Current				
2,831	4,252	Income in Advance	2,831	4,252
<u>2,831</u>	<u>4,252</u>		<u>2,831</u>	<u>4,252</u>
Non-Current				
5,558	26,511	Income in Advance	5,558	26,511
<u>5,558</u>	<u>26,511</u>		<u>5,558</u>	<u>26,511</u>

Income Received in Advance was derived from the following:

In May 1995 \$5.5 million was received as income in advance from International Parking (Sydney) Pty Ltd and AIDC under the terms of contract to provide and operate a car park facility at the Sydney & Sydney Eye Hospitals campus for the 25 years ending May 2020.

In October 1996 \$5 million was received as income in advance from HCoA Operations (Australia) Pty Ltd under the terms of contract to provide and operate a private hospital facility at the Prince of Wales Hospital campus for the 40 years ending October 2036.

In June 1997 \$18.5 million was received as income in advance from International Parking (Randwick) Pty Ltd under the terms of contract to provide and operate a car park facility at the Prince of Wales Hospital campus for the 25 years ending June 2022.

In June 1999 \$4.5 million was received as income in advance from International Parking Pty Ltd under the terms of contract to provide and operate a car park facility at the St George Hospital campus for the 25.5 years ending December 2024.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
27. Commitments for Expenditure				
a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:				
41,664	87,595	Within one year	41,664	87,595
500,573	-----	Later than one year and not later than five years	500,573	-----
<u>542,236</u>	<u>87,595</u>	Total Capital Expenditure Commitments (Including GST)	<u>542,236</u>	<u>87,595</u>
The majority of 'capital commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.				
b) Operating Lease Commitments				
Future non-cancellable operating lease rentals not provided for and payable:				
3,078	3,788	Within one year	3,078	3,788
7,813	5,118	Later than one year and not later than five years	7,813	5,118
15	1,001	Later than five years	15	1,001
<u>10,906</u>	<u>9,907</u>	Total Operating Lease Commitments (Including GST)	<u>10,906</u>	<u>9,907</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
Some 'operating lease commitments' contracted but not provided for related to leases with Department of Finance, Services and Innovation, an entity controlled by the ultimate parent.				
c) Contingent Asset Related to Commitments for Expenditure				
The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$553.1M million as at 30 June 2018 includes input tax credits of \$50.2M that are expected to be recoverable from the Australian Taxation Office (2017 \$8.9M).				

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT & CONSOLIDATION

28. Trust Funds

The SESLHD holds trust funds of \$1.3 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These funds are excluded from the financial statements as the SESLHD 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		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	2,773	3,243	291	253	6	21	830	607	3,900	4,124
Revenue	----	2,004	99	68	42,544	41,840	943	631	43,586	44,543
Expenses	(2,417)	(2,474)	(63)	(30)	(42,542)	(41,855)	(1,127)	(408)	(46,149)	(44,767)
Balance at the end of the financial year	356	2,773	327	291	8	6	646	830	1,337	3,900

Trust Fund categories have been expanded in the 2017/18 financial year to provide more clarity to the users of the financial statements. As a result, comparative figures have been adjusted to conform to the current year's presentation.

The following list provides a brief description of the purpose of the trust fund categories.

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposit	A sum of money held in trust as a security deposit.
Private Practice Trusts	The revenue derived from private patient and other billable services provided by Staff Specialists.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.
Unclassified	Further information required before the funds can be categorised into an appropriate trust.

29. Contingent Liabilities and Assets

Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2012/13 fund year and an interim adjustment for the 2014/15 fund year were not calculated until 2017/18.

As a result, the 2013/14 (final) and 2015/16 (3-year interim) adjustments pertaining to the hospitals and community services now forming part of the SESLHD will be paid in 2018/19. It is not possible for the SESLHD to reliably quantify the benefit to be received or amount payable.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT			CONSOLIDATION	
2018	2017		2018	2017
\$000	\$000		\$000	\$000
30. Reconciliation of Cash Flows from Operating Activities to Net Result				
260,317	194,367	Net Cash Flows from Operating Activities	260,317	194,367
(59,553)	(53,975)	Depreciation and Amortisation	(59,553)	(53,975)
(2,553)	(3,283)	Impairment of Receivables	(2,553)	(3,283)
22,373	(2,806)	(Increase)/ Decrease Income in Advance	22,373	(2,806)
(15,644)	(6,524)	(Increase)/ Decrease in Provisions	(15,644)	(6,524)
(42,920)	37,525	Increase / (Decrease) in Prepayments and Other Assets	(42,920)	37,525
(5,730)	(13,017)	(Increase)/ Decrease in Payables from Operating Activities	(5,730)	(13,017)
(3,848)	10,615	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(3,848)	10,615
5,827	(26,895)	Assets donated or brought to account for the first time	5,827	(26,895)
158,269	136,007	Net Result	158,269	136,007
31. Non-Cash Financing and Investing Activities				
5,827	1,505	Assets Received by Donation	5,827	1,505
5,827	1,505		5,827	1,505

32. 2017/18 Voluntary Services

It is considered impracticable and immaterial to quantify the monetary value of voluntary services provided to the SESLHD. 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

33. Unclaimed Monies

All money and personal effects of patients which are left in the custody of the SESLHD 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 SESLHD.

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

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

PARENT AND CONSOLIDATION

34. Adjusted Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than adjusted budget by \$12 million, primarily due to:

The District received unbudgeted cash assistance of \$28.5M from the immediate parent and was impacted by decrease in revenues (\$5M) and increase in expenses (\$10M) for the year ended 30 June 2018.

Assets and Liabilities

The actual Net Assets was higher than the adjusted budget by \$162M, primarily due to the District undergoing a revaluation, by external independent valuer, of its Land, Building and Infrastructure assets in 2017/18 which resulted in increases to these asset values and corresponding increments to the Reserves.

Cash Flows

The actual Cash Flows for operating activities was higher than adjusted budget by \$31 million, primarily due to the District receiving unbudgeted cash assistance of \$28.5M from the immediate parent.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 20 June 2017 are as follows:

	\$000
Initial Allocation, 20 June 2017	1,270,278
Award Increases	25,167
Special Projects:	
Keep Them Safe Funding Allocations 2017-18	1,418
Other:	0
Private Patient Revenue	8,000
Winter 2017 Activity	2,103
Voluntary Redundancy Reimbursement	1,911
Mental Health Reform	1,443
Pathology Tests Performed in Correctional Facilities	1,182
Nurse Midwife Strategy	1,034
Pharmacy Co-Payment	844
Integrated Care Initiative	500
Other Adjustments	3,594
	1,317,473
Balance as per Statement of Comprehensive Income	1,317,473

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

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

Equity transfers effected in the 2017/18 year were:

A decrease in net assets of \$5M relating to the transfer of land at Randwick to the Sydney Childrens' Hospital Network.

Equity transfers effected in the 2016/17 year were:

Nil equity transfers were effected in 2016/17.

	2018	2017
	\$000	\$000
Equity transfers effected comprised:		
Sydney Childrens' Hospital Network	5,360	-----
	5,360	-----
Assets and Liabilities transferred are as follows:		
	2018	2017
	\$000	\$000
Assets		
Property Plant and Equipment	(5,360)	-----
Increase/(Decrease) in Net Assets From Equity Transfers	(5,360)	-----

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

36. Financial Instruments

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

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

The Acting 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 SESLHD, 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	
		2018	2017
		\$000	\$000
Cash and Cash Equivalents (note 15)	N/A	102,727	80,322
Receivables (note 16)*	Loans and receivables (at amortised cost)	62,567	89,160
		165,294	169,482
Financial Liabilities			
Payables (note 24)**	Financial liabilities measured at amortised cost	114,275	107,362
		114,275	107,362

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). Prior year comparatives have been restated to include Accrued Salaries, Wages and On-Costs.

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

Credit risk associated with the SESLHD'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 2.35% in 2017/18 compared to 2.40% in the previous year.

The TCorpIM Funds Investment facility is discussed in paragraph (d) below.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

36. Financial Instruments

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 SESLHD 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 SESLHD 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 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 SESLHD'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.

	2018	2017
	\$000	\$000
Neither past due nor impaired	54,543	81,922
Past due but not impaired ^{1,2}		
< 3 months overdue	5,294	4,032
3 - 6 months overdue	1,026	872
> 6 months overdue	1,704	2,334
Impaired ^{1,2}		
< 3 months overdue	580	740
3 - 6 months overdue	1,069	1,065
> 6 months overdue	1,981	4,773
Total ^{1,2}	66,197	95,738

Notes

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments Disclosures. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

36. Financial Instruments

Authority Deposits

The SESLHD has placed funds on deposit with TCorpIM Funds Investment facilities, 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 TCorpIM 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 2.35% (2017: 2.49%), while over the year the weighted average interest rate was 1.16% (2017: 1.35%) on a weighted average balance during the year of \$76.1M (2017: \$77.7M). None of these assets are past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the SESLHD will be unable to meet its payment obligations when they fall due. The SESLHD 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 SESLHD has negotiated no loan outside of arrangements with the NSW Ministry of Health or NSW Treasury.

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

The SESLHD 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 SESLHD 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.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

36. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2018							
Payables:							
- Creditors ²	114,275	----	----	114,275	114,275	----	----
	<u>114,275</u>	<u>----</u>	<u>----</u>	<u>114,275</u>	<u>114,275</u>	<u>----</u>	<u>----</u>
2017							
Payables:							
- Creditors ²	107,362	----	----	107,362	107,362	----	----
	<u>107,362</u>	<u>----</u>	<u>----</u>	<u>107,362</u>	<u>107,362</u>	<u>----</u>	<u>----</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 SESLHD 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 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

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 SESLHD's exposures to market risk are primarily through interest rate risk on the SESLHD's borrowings and other price risks associated with the movement in the unit price of the TCorpIM Funds investment facilities. The SESLHD 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 SESLHD 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 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the SESLHD 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 SESLHD 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 SESLHD'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
2018					
Financial Assets					
Cash and Cash Equivalents	102,727	(1,027)	(1,027)	1,027	1,027
Receivables	62,567	----	----	----	----
Financial Liabilities					
Payables*	114,275	----	----	----	----
2017					
Financial Assets					
Cash and Cash Equivalents	80,322	(803)	(803)	803	803
Receivables	89,160	----	----	----	----
Financial Liabilities					
Payables*	107,362	----	----	----	----

*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments Disclosures). Prior year comparatives have been restated to include Accrued Salaries Wages, On-Costs and Payroll Deductions.

South Eastern Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

37. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018	2017
	\$000	\$000
Short-term employee benefits	892	1,050
Post-employment benefits	70	97
	962	1,147

During the financial year, South Eastern Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$353K (2017: \$357K) 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.

There were no transactions with key management personnel and their close family members (2017: \$Nil).

Transactions with ultimate parent

There were no transactions with the ultimate parent during the financial year (2017: \$Nil).

38. Events After the Reporting Period

There has not been any matters arising subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS