

Sydney
Local Health District

Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Sydney Local Health District

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Sydney Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 2019, 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(af). 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 Services

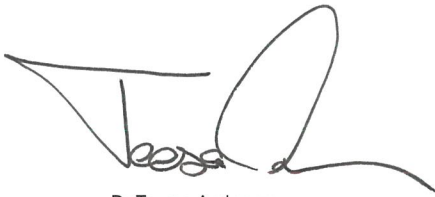
Delegate of the Auditor-General for New South Wales

4 September 2019
SYDNEY

**Sydney Local Health District
Certification of the Financial Statements
for the year ended 30 June 2019**

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

- 1) The financial statements of Sydney Local Health District for the year ended 30 June 2019 have been prepared in accordance with:
 - a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
 - b) the requirements of the *Public Finance and Audit Act 1983 (the Act)*, the *Public Finance and Audit Regulation 2015* ; and
 - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of 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.



Dr Teresa Anderson
Chief Executive
3 September 2019



Ross Sinclair
Executive Director of Finance
3 September 2019

Sydney Local Health District
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual	
2019	2019	2018	Notes	2019	2019	2018	
\$000	\$000	\$000		\$000	\$000	\$000	
Continuing Operations							
Expenses excluding losses							
----	----	----	Employee Related Expenses	2	1,180,581	1,173,441	1,102,570
1,096,565	1,092,033	1,050,294	Personnel Services	3	----	----	----
52,381	50,692	48,280	Visiting Medical Officers		52,381	50,692	48,280
534,355	532,767	504,351	Other Expenses	4	536,570	532,767	507,183
56,295	57,244	54,475	Depreciation and Amortisation	1(n), 5	57,160	57,244	55,393
21,540	19,751	31,719	Grants and Subsidies	6	21,719	19,751	31,927
200	103	229	Finance Costs	1(i), 7	200	103	229
12,741	12,741	12,431	Payments to Affiliated Health Organisations	8	12,741	12,741	12,431
1,774,077	1,765,331	1,701,779	Total Expenses excluding losses		1,861,352	1,846,739	1,758,013
Revenue							
1,452,129	1,427,129	1,388,556	NSW Ministry of Health Recurrent Allocations	1(j)	1,452,129	1,427,129	1,388,556
54,233	57,219	35,292	NSW Ministry of Health Capital Allocations	1(j)	54,233	57,219	35,292
----	----	----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii), 12	80,177	81,408	48,641
219,199	215,301	207,878	Sale of Goods and Services	1(j), 9	219,199	215,301	207,878
4,496	7,202	4,227	Investment Revenue	1(j), 10	5,121	7,202	4,811
44,628	45,297	41,870	Grants and Other Contributions	1(j), 11	49,088	45,297	47,645
26,310	14,071	22,589	Other Income	13	27,526	14,071	24,492
1,800,995	1,766,219	1,700,412	Total Revenue		1,887,473	1,847,627	1,757,315
26,918	888	(1,367)	Operating Result		26,121	888	(698)
(2,744)	(2,289)	(225)	Gains / (Losses) on Disposal	14	(2,757)	(2,289)	(248)
(4,891)	(770)	----	Impairment Losses on Financial Assets	17	(4,891)	(770)	----
----	----	(7,296)	Other Gains / (Losses)	15	----	----	(7,296)
19,283	(2,171)	(8,888)	Net Result		18,473	(2,171)	(8,242)
Other Comprehensive Income							
<i>Items that will not be reclassified to Net Result in subsequent periods</i>							
547,855	----	----	Changes in Revaluation Surplus of Property, Plant and Equipment	20	554,414	----	----
2,494	----	----	Changes in Revaluation Surplus of Other Assets	22	2,494	----	----
550,349	----	----	Total Other Comprehensive Income		556,908	----	----
569,632	(2,171)	(8,888)	TOTAL COMPREHENSIVE INCOME		575,381	(2,171)	(8,242)

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Financial Position as at 30 June 2019

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual		Actual	Adjusted Budget Unaudited	Actual	
2019	2019	2018	Notes	2019	2019	2018	
\$000	\$000	\$000		\$000	\$000	\$000	
ASSETS							
Current Assets							
95,261	65,485	96,820	Cash and Cash Equivalents	16	98,623	68,711	100,047
82,100	74,212	71,574	Receivables	17	82,517	74,969	72,333
13,202	11,513	11,513	Inventories	18	13,202	11,513	11,513
77,447	77,209	77,209	Other Financial Assets	19	99,431	98,126	98,126
268,010	228,419	257,116	Total Current Assets		293,773	253,319	282,019
Non-Current Assets							
1,659,627	1,113,167	1,102,962	Property, Plant & Equipment				
90,291	117,297	91,559	- Land and Buildings	20	1,673,005	1,120,362	1,110,157
9,773	419	418	- Plant and Equipment	20	93,699	120,340	94,602
1,546	395	395	- Infrastructure Systems	20	9,773	419	418
1,761,237	1,231,278	1,195,334	- Leasehold Improvements	20	1,546	395	395
3,828	892	891	Total Property, Plant & Equipment		1,778,023	1,241,516	1,205,572
8,918	4,653	4,653	Intangible Assets	21	3,828	892	891
1,773,983	1,236,823	1,200,878	Other Non-Current Assets	22	8,918	4,653	4,653
2,041,993	1,465,242	1,457,994	Total Non-Current Assets		1,790,769	1,247,061	1,211,116
			Total Assets		2,084,542	1,500,380	1,493,135
LIABILITIES							
Current Liabilities							
92,586	87,727	83,985	Payables	25	92,865	88,089	84,347
753	732	732	Borrowings	26	753	732	732
314,609	305,045	299,825	Provisions	27	315,171	305,607	300,386
391	255	255	Other Current Liabilities	28	2,747	870	870
408,339	393,759	384,797	Total Current Liabilities		411,536	395,298	386,335
Non-Current Liabilities							
5,565	6,318	6,319	Borrowings	26	5,565	6,318	6,319
2,824	2,824	2,370	Provisions	27	2,824	2,824	2,370
8,389	9,142	8,689	Total Non-Current Liabilities		8,389	9,142	8,689
416,728	402,901	393,486	Total Liabilities		419,925	404,440	395,024
1,625,265	1,062,341	1,064,508	Net Assets		1,664,617	1,095,940	1,098,111
EQUITY							
911,584	367,318	367,318	Reserves		920,645	369,820	369,820
713,681	695,023	697,190	Accumulated Funds		743,972	726,120	728,291
1,625,265	1,062,341	1,064,508	Total Equity		1,664,617	1,095,940	1,098,111

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2019

PARENT

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2018		697,190	367,318	1,064,508
Changes in Accounting Policy	1ah)(i)	939	----	939
Restated balance at 1 July 2018		698,129	367,318	1,065,447
Net Result for the Year		19,283	----	19,283
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	547,855	547,855
Net Change in Revaluation Surplus of Other Assets	22	----	2,494	2,494
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		6,083	(6,083)	----
Total Other Comprehensive Income		6,083	544,266	550,349
Total Comprehensive Income for the Year		25,366	544,266	569,632
Transactions With Owners In Their Capacity As Owners				
Increase / (Decrease) in Net Assets From Equity Transfers	37	(9,814)	----	(9,814)
Balance at 30 June 2019		713,681	911,584	1,625,265
Balance at 1 July 2017		706,078	367,318	1,073,396
Changes in Accounting Policy		----	----	----
Restated balance at 1 July 2017		706,078	367,318	1,073,396
Net Result for the Year		(8,888)	----	(8,888)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	----	----
Net Change in Revaluation Surplus of Other Assets	22	----	----	----
Available for Sale Financial Assets:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		----	----	----
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the Year		(8,888)	----	(8,888)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	----	----	----
Balance at 30 June 2018		697,190	367,318	1,064,508

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Changes in Equity for the year ended 30 June 2019

CONSOLIDATION

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
Balance at 1 July 2018		728,291	369,820	1,098,111
Changes in Accounting Policy	1ah)(i)	939	----	939
Restated balance at 1 July 2018		729,230	369,820	1,099,050
Net Result for the Year		18,473	----	18,473
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	554,414	554,414
Net Change in Revaluation Surplus of Other Assets	22	----	2,494	2,494
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		6,083	(6,083)	----
Total Other Comprehensive Income		6,083	550,825	556,908
Total Comprehensive Income for the Year		24,556	550,825	575,381
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	(9,814)	----	(9,814)
Balance at 30 June 2019		743,972	920,645	1,664,617
Balance at 1 July 2017		736,533	369,820	1,106,353
Changes in Accounting Policy		----	----	----
Restated balance at 1 July 2017		736,533	369,820	1,106,353
Net Result for the Year		(8,242)	----	(8,242)
Other Comprehensive Income:				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	----	----
Net Change in Revaluation Surplus of Other Assets	22	----	----	----
Available for Sale Financial Assets:				
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		----	----	----
Total Other Comprehensive Income		----	----	----
Total Comprehensive Income for the Year		(8,242)	----	(8,242)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	37	----	----	----
Balance at 30 June 2018		728,291	369,820	1,098,111

The accompanying notes form part of these financial statements.

Sydney Local Health District
Statement of Cash Flows for the year ended 30 June 2019

PARENT								CONSOLIDATION		
Actual	Adjusted Budget Unaudited	Actual				Notes	Actual	Adjusted Budget Unaudited	Actual	
2019	2019	2018					2019	2019	2018	
\$000	\$000	\$000					\$000	\$000	\$000	
CASH FLOWS FROM OPERATING ACTIVITIES										
Payments										
----	----	----	Employee Related				(1,100,884)	(1,102,579)	(1,052,470)	
(640,937)	(641,768)	(639,479)	Suppliers for Goods and Services				(643,639)	(642,386)	(643,098)	
(37,993)	(36,146)	(36,497)	Grants and Subsidies				(38,218)	(36,192)	(36,748)	
(200)	(103)	(229)	Finance Costs				(200)	(103)	(229)	
(1,097,033)	(1,102,566)	(1,048,935)	Other				----	----	----	
(1,776,163)	(1,780,583)	(1,725,140)	Total Payments				(1,782,941)	(1,781,260)	(1,732,545)	
Receipts										
1,452,129	1,427,129	1,388,556	NSW Ministry of Health Recurrent Allocations				1,452,129	1,427,129	1,388,556	
54,233	57,219	35,292	NSW Ministry of Health Capital Allocations				54,233	57,219	35,292	
----	----	----	Reimbursements from the Crown Entity				18,042	18,042	17,551	
210,335	218,939	211,288	Sale of Goods and Services				210,565	218,948	211,365	
4,443	7,202	4,177	Interest Received				5,069	7,202	4,761	
65,876	66,962	62,969	Grants and Other Contributions				52,693	49,320	51,724	
78,238	66,136	73,956	Other				81,369	66,403	76,525	
1,865,254	1,843,587	1,776,238	Total Receipts				1,874,100	1,844,263	1,785,774	
89,091	63,004	51,098	NET CASH FLOWS FROM OPERATING ACTIVITIES		31		91,159	63,003	53,229	
CASH FLOWS FROM INVESTING ACTIVITIES										
37	----	155	Proceeds from Sale of Property, Plant & Equipment and Intangibles				37	----	155	
153,838	153,838	153,953	Proceeds from Sale of Financial Assets				196,745	196,745	154,953	
(89,255)	(94,339)	(53,990)	Purchases of Property, Plant & Equipment and Intangibles				(90,122)	(94,339)	(55,027)	
(154,538)	(153,838)	(154,857)	Purchases of Financial Assets				(198,511)	(196,745)	(156,864)	
(89,918)	(94,339)	(54,739)	NET CASH FLOWS FROM INVESTING ACTIVITIES				(91,851)	(94,339)	(56,783)	
CASH FLOWS FROM FINANCING ACTIVITIES										
----	----	792	Proceeds from Borrowings and Advances				----	----	792	
(732)	----	(690)	Repayment of Borrowings and Advances				(732)	----	(690)	
(732)	----	102	NET CASH FLOWS FROM FINANCING ACTIVITIES				(732)	----	102	
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS										
(1,559)	(31,335)	(3,539)	Opening Cash and Cash Equivalents		16		(1,424)	(31,336)	(3,452)	
96,820	96,820	100,359					100,047	100,047	103,499	
95,261	65,485	96,820	CLOSING CASH AND CASH EQUIVALENTS		16		98,623	68,711	100,047	

The accompanying notes form part of these financial statements.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

a) The Reporting Entity

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

SLHD 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.

SLHD, 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 24), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * Sydney Local Health District Special Purpose Service Entity which was established as a Division of the SLHD on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable SLHD to exercise its functions.
- * The Anzac Health and Medical Research Foundation, which conducts medical research on the Concord Hospital campus.

As a consequence the values in the financial statements presented herein consist of the parent entity and the consolidated entity which comprises the Parent, Special Purpose Service Entity and the Anzac Health and Medical Research Foundation. 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 2019 were authorised for issue by the Chief Executive on 3 September 2019.

b) Basis of Preparation

SLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

The Secretary of Health, the Chair of 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 SLHD'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 SLHD 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.
- * SLHD has the capacity to review timing of subsidy cash flows to ensure that debts can be paid when they become due and payable.
- * SLHD has developed an Efficiency Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by SLHD 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 held for sale and certain financial assets and liabilities 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, which is SLHD's presentation and functional 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.

d) Statement of Compliance

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

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, they are 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 2019 (comparable on-costs for 30 June 2018 were 17.9%). SLHD has assessed the actuarial advice based on the SLHD'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

SLHD'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.

SLHD 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 SLHD as shown in Note 27.

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 the long-term 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 are recognised when SLHD 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

SLHD's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (iCare), a controlled entity of the ultimate parent.

g) 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) Payments to Affiliated Health Organisations

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

i) Finance Costs

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

j) 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 SLHD transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

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 SLHD 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. SLHD recognises the revenue on an accrual 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 SLHD 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 calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Forgiveness of Liabilities

The gross amount of a liability forgiven by a credit provider shall be recognised by the borrower as other income.

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 SLHD 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 SLHD use in the advancement of SLHD or individuals within it.

Refer to Note 9(b) for further details.

Use of Outside Facilities

SLHD 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 SLHD 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 \$12.741 million relating to the operation of Affiliated Health Organisation (Tresillian and Scarba) have only been included in the Statement of Comprehensive Income to the extent of the cash payments made to the Health Organisations concerned. SLHD 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.

Other Income

Other income includes lease income from operating leases where SLHD is the lessor. Income is recognised on a straight-line basis over the lease term.

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

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

- * amount of GST incurred by SLHD 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.

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.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of SLHD and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers to SLHD. The costs are then accordingly reflected in SLHD financial statements. SLHD acquires most assets in this manner.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Refer to Note 1(ac) for assets transferred as a result of equity transfer.

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

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

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated/occupied by SLHD are deemed to be controlled by SLHD and are reflected as such in the financial statements.

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 SLHD. 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:

	2019	2018
Buildings	2.5%	2.5%
Leasehold Improvements	10.0%	10.0%
Infrastructure Systems	2.5%	2.5%
Plant and Equipment		
- Computer Equipment	20%	20%
- Electro Medical Equipment		
* Costing less than \$200,000	10%	10%
* Costing more than or equal to \$200,000	12.5%	12.5%
- Furniture, Fittings and Furnishings	5%	5%
- Linen	25%	25%
- Motor Vehicle Sedans	12.5%	12.5%
- Motor Vehicles, Trucks & Vans	20%	20%
- Office Equipment	10%	10%
- Plant and Machinery	10%	10%
*Buildings - Leasehold	4%	4%

'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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

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.

SLHD revalues land and buildings at a minimum of every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date. The last revaluation for assets held by SLHD as at 30 June 2019 was completed in December 2018 and was based on an independent assessments.

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

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

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. SLHD 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 recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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) Restoration Costs

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.

r) Intangible Assets

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

Computer software developed or acquired by SLHD is recognised as an intangible asset and is 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.

s) 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

t) 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.

As a lessee:

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.

As a lessor:

SLHD, as the lessor, classifies its leases as finance leases if it transfers to the lessee substantially all the risks and rewards incidental to ownership of the leased asset. The leased assets are recognised as current and non-current receivables at amounts equal to the net investment in the lease.

Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

u) 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.

v) Receivables

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Other financial assets are initially measured at fair value plus any transaction costs. Other financial assets include intra health loans and deposits with a maturity of three months or more.

Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)

SLHD holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses) together with foreign exchange gains and losses.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of SLHD's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on SLHD's net investment outstanding in respect of the leases.

Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

w) Financial Assets at Fair Value

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification and measurement under AASB 9 (from 1 July 2018)

SLHD's financial assets at fair value are classified, at fair value through profit or loss. The classification was based on the purpose of acquiring such assets.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. TCorpIM Funds are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at fair value through profit or loss.

Notwithstanding the criteria to be classified at amortised cost or at fair value through other comprehensive income, financial assets may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognised in net results and presented net within other gains / (losses), except for TCorpIM Funds that are presented in 'investment revenue' in the period in which it arises.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

Classification and measurement under AASB 139 (for comparative period ended 30 June 2018)

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

- * SLHD 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 or repurchasing 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 SLHD's key management personnel.

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

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

The movement in the fair value of the TCorpIM Funds investments 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 SLHD 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 less any impairment. 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 SLHD 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.

x) Impairment of Financial Assets

Impairment under AASB 9 (from 1 July 2018)

SLHD recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that SLHD expects to receive, discounted at the original effective interest rate.

Receivables

For trade receivables, SLHD applies a simplified approach in calculating ECLs. SLHD recognises a loss allowance based on lifetime ECLs at each reporting date. SLHD has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Other Financial Assets

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, SLHD considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

SLHD term deposits are issued by financial institutions that have strong credit ratings and therefore considered to be low credit risk investments. Hence SLHD measures the loss allowance for term deposits at an amount equal to 12-month ECL. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

SLHD uses the ratings from external credit rating agencies both to determine whether there has been a significant increase in credit risk on the deposits and to estimate ECLs. These estimates are performed at every reporting date.

For lease receivables, SLHD applies the simplified approach permitted by AASB 9, where the loss allowance is based on lifetime ECLs.

Impairment of available-for-sale financial assets under AASB 139 (for the comparative period ended 30 June 2018)

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that SLHD will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

For certain categories of financial assets, such as trade receivables, SLHD first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Further, receivables 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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

y) De-recognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- * SLHD has transferred substantially all the risks and rewards of the asset; or
- * SLHD has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When SLHD has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where SLHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of SLHD continuing involvement in the asset. In that case, SLHD also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

z) Payables

These amounts represent liabilities for goods and services provided to SLHD and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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 SLHD.

aa) Borrowings

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 1y) for derecognition policy.

ab) Fair Value Hierarchy

A number of SLHD'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, SLHD categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- * Level 1 – quoted (unadjusted) 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).

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

Refer to Note 23 and Note 38 for further disclosures regarding fair value measurements of non-financial and financial assets.

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

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

ae) Trust Funds

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

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
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1. Statement of Significant Accounting Policies

af) 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). SLHD'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, SLHD's financial statements present adjusted budget information. The adjusted budgeted amounts are drawn from the initial Service Agreements between SLHD 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 36.

ag) Emerging Asset

SLHD's emerging interest in the Lifehouse Class A Assets, Radiation Oncology Building and Lifehouse Main Building has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required SLHD 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 40 years using the annuity method and the Government Bond rate of 4.74% at commencement of the concession period on 13 November 2013 and finished on 12 November 2015.

ah) Changes in Accounting Policy, including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

The accounting policies applied in 2018-19 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:

SLHD has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

SLHD applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018 \$'000
Assets		
Receivables	17	939
Total Adjustment on equity		939
Accumulated funds		(939)

a) Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of AASB 9), SLHD's management has assessed which business models apply to the financial assets by SLHD and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to SLHD.

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

	Notes	Accumulated funds \$'000	Total change in equity \$'000
Closing balance 30 June 2018 - AASB 139		728,291	728,291
Recognition of AASB 9 expected credit losses	17	939	939
Total impact		729,230	729,230
Opening balance 1 July 2018 - AASB 9		729,230	729,230

SLHD continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of SLHD's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- Investments in TCorpIM Funds are managed on a fair value basis and hence were designated at fair value through profit or loss (FVPL) under AASB 139 as at 30 June 2018. Under AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.

- SLHD has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for SLHD's financial liabilities.

In summary, upon the adoption of AASB 9, SLHD had the following required or elected reclassifications as at 1 July 2018:

AASB 139 measurement category	Measurement category		Carrying amount		Difference \$'000
	AASB 139	AASB 9	Original \$'000	New \$'000	
Receivables	L&R	Amortised cost	72,333	73,272	939
Term deposits	L&R	Amortised cost	98,126	98,126	-
Other receivables	L&R	Amortised cost	-	-	-
TCorpIM funds	FVPL	FVPL	-	-	-

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

b) Impairment

The adoption of AASB 9 has changed SLHD's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires SLHD to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

	Allowance for impairment under AASB 139 as at 30 June 2018	Re-measurement	ECL under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(5,549)	939	(4,610)

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

AASB 16 'Leases' replaces all existing lease 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 new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also 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 a 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 is effective for annual periods beginning on or after 1 January 2020. This standard 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.

Overview of Assessment Activities

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to SLHD's 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.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

- * implementation of an IT solution for lease management and accounting
- * comprehensive review and capture of lease information
- * review of accounting policies and processes surrounding leases and revenue.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1. Statement of Significant Accounting Policies

Potential Impact on SLHD's Financial Report

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by SLHD so far and the known and expected impacts:

Leases

SLHD has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

- * The total assets and liabilities on the Statement of Financial Position will increase by approximately \$9.016M on the date of transition (on 1 July 2019). In subsequent years, total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- * Interest expenses will increase by approximately \$0.187M in the 2019-2020 financial year due to the unwinding of the effective interest rate implicit in the leases. Interest expense will be greater earlier in a lease life due to the higher principal value causing profit variability over the course of the leases life. This effect may be partially mitigated due to the number of leases held by SLHD 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. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$3.163M.
- * Operating lease expense recognised under AASB 117 Leases will decrease by approximately \$3.210 million in the 2019-2020 financial year.
- * Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- * The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

Revenue and Income of Not-for-Profit Entities

SLHD in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

- * Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences is expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
- * Specific quantitative and qualitative disclosures may be required under AASB 15 Revenue from Contracts with Customers.

Service Concession Arrangements

The work on Service Concession Arrangements is in progress. SLHD expects the following impacts from the preliminary work performed so far:

- * No significant impact expected on SLHD.

Application Date

SLHD plans to adopt the new standards on the required effective date in line with the NSW Treasury's instructions. The required application dates are already noted in the respective accounting standards paragraphs, such as AASB 15, 16 and 1058 is effective for financial years beginning 1 January 2019 and 1 January 2020 for AASB 1059.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		2. Employee Related Expenses		
----	----	Salaries and Wages (including annual leave and ADO)	995,784	956,775
----	----	Superannuation - Defined Benefit Plans	7,946	8,594
----	----	Superannuation - Defined Contribution Plans	88,412	83,946
----	----	Long Service Leave	77,905	44,857
----	----	Redundancies	200	----
----	----	Workers' Compensation Insurance	10,273	8,241
----	----	Fringe Benefits Tax	61	157
<u>-----</u>	<u>-----</u>		<u>1,180,581</u>	<u>1,102,570</u>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
----	----	Employee Related Expenses Capitalised - Land and Buildings	----	177
<u>-----</u>	<u>-----</u>		<u>-----</u>	<u>177</u>
		3. Personnel Services		
992,277	953,435	Salaries and Wages (including Annual Leave and ADO)	----	----
88,080	83,652	Superannuation - Defined Contribution Plans	----	----
5,674	4,809	Long Service Leave	----	----
200	----	Redundancies	----	----
10,273	8,241	Workers' Compensation Insurance	----	----
61	157	Fringe Benefits Tax	----	----
<u>1,096,565</u>	<u>1,050,294</u>		<u>-----</u>	<u>-----</u>
		Personnel services of Sydney Local Health District was provided by its controlled entity, Sydney Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
----	177	Personnel Services Expenses Capitalised - Land and Buildings	----	----

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
162	111	Advertising	163	113
252	246	Auditor's Remuneration - Audit of Financial Statements	280	273
20,594	22,586	Blood and Blood Products	20,594	22,586
160	1,213	Consultancies	160	1,213
4,808	5,848	Contractors	4,848	6,123
18,093	17,792	Domestic Supplies and Services	18,100	17,805
76,533	69,097	Drug Supplies	76,576	69,136
27,016	25,700	Food Supplies	27,034	25,719
17,624	14,830	Fuel, Light and Power	17,624	14,831
11,554	7,990	Patient Transport Costs	11,554	7,990
26,653	23,933	Information Management Expenses	26,686	23,945
1,853	1,741	Insurance	1,887	1,773
38,278	37,022	Maintenance (See Note 4(b))	38,491	36,729
101,500	101,209	Medical and Surgical Supplies	101,520	101,236
1,883	1,958	Motor Vehicle Expenses	1,886	1,963
2,800	2,614	Postal and Telephone Costs	2,807	2,619
3,600	3,775	Printing and Stationery	3,622	3,810
2,156	2,112	Rates and Charges	2,168	2,116
4,535	3,562	Rental	4,535	3,562
744	153	Hosted Services Purchased from entities controlled by the Immediate Parent	744	153
69,283	69,182	Specialised Services (Pathology, Dental, Radiology, Dialysis, research and other departments)	70,336	70,641
15,800	16,357	Staff Related Costs	16,147	17,095
5,228	5,176	Travel Related Costs	5,349	5,322
83,246	70,144	Other (See Note 4(a))	83,459	70,430
534,355	504,351		536,570	507,183

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
		a) Other Includes:		
776	2,243	Aircraft Expenses (Ambulance)	776	2,243
48,209	47,162	Contract for Patient Services	48,209	47,162
10,163	10,931	Corporate Support Services	10,163	10,931
908	908	Courier and Freight	963	967
15	12	Isolated Patient Travel and Accommodation Assistance Scheme	15	12
4,306	3,201	Legal Services	4,318	3,247
616	551	Membership/Professional Fees	626	567
1,730	1,899	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,735	1,903
1,666	2,061	Other Operating Lease Expense - Minimum Lease Payments	1,666	2,061
116	145	Quality Assurance/Accreditation	116	145
1,321	686	Security Services	1,321	686
13,420	345	Other Miscellaneous	13,551	506
83,246	70,144		83,459	70,430

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		4. Other Expenses		
		b) Reconciliation of Total Maintenance		
17,960	17,344	Maintenance Contracts	18,091	17,515
6,436	6,900	New/Replacement Equipment under \$10,000	6,491	6,408
13,912	12,840	Repairs Maintenance/Non Contract	13,939	12,868
(30)	(62)	Other	(30)	(62)
<u>38,278</u>	<u>37,022</u>	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	<u>38,491</u>	<u>36,729</u>
7,444	7,463	Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3	7,444	7,463
<u>45,722</u>	<u>44,485</u>	Total Maintenance Expenses	<u>45,935</u>	<u>44,192</u>

'Auditor's Remuneration' was paid to The Audit Office of New South Wales, an Entity Controlled by the Ultimate Parent.

The majority of 'Patient Transport Costs' were paid to Health Administration Corporation, 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 Services' 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.

Some 'Other Miscellaneous' were paid to Entities controlled by the Immediate Parent.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		5. Depreciation and Amortisation		
41,507	39,111	Depreciation - Buildings	41,936	39,573
14,220	14,908	Depreciation - Plant and Equipment	14,656	15,364
197	12	Depreciation - Infrastructure Systems	197	12
108	219	Amortisation - Leasehold Improvements	108	219
263	225	Amortisation - Intangible Assets	263	225
56,295	54,475		57,160	55,393
		6. Grants and Subsidies		
18,741	18,498	Non-Government Organisations	18,741	18,498
1,499	556	Grants to Research Organisations	1,499	556
161	11,915	Grants Paid to Entities Controlled by the Immediate Parent	161	11,915
1,139	750	Other Grants	1,318	958
21,540	31,719		21,719	31,927
		7. Finance Costs		
200	229	Interest on Loans	200	229
200	229		200	229
		8. Payments to Affiliated Health Organisations		
		Recurrent Sourced		
12,101	11,806	Tresillian Family Care Centres at Belmore, Willoughby, and Wollstonecraft	12,101	11,806
640	625	Central Sydney Scarba Service	640	625
12,741	12,431		12,741	12,431

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		9. Sale of Goods and Services		
		a) Sale of Goods comprise the following:-		
1,756	1,583	Pharmacy Sales	1,756	1,583
10,425	10,064	Sale of Prosthesis	10,425	10,064
30	21	Other	30	21
<u>12,211</u>	<u>11,668</u>		<u>12,211</u>	<u>11,668</u>
		b) Rendering of Services comprise the following:-		
		Patient Fees		
		- Inpatient Fees	90,561	87,178
90,561	87,178	- Nursing Home Fees	521	223
521	223	- Non Inpatient Fees	4,596	4,417
4,596	4,417	Department of Veterans' Affairs	9,668	9,780
9,668	9,780	Staff-Meals and Accommodation	675	697
675	697	Infrastructure Fees - Monthly Facility Charge	17,904	18,704
17,904	18,704	Infrastructure Fees - Annual Charge	10,153	9,791
10,153	9,791	Cafeteria/Kiosk	1,960	2,715
1,960	2,715	Car Parking	5,075	4,006
5,075	4,006	Child Care Fees	1,069	1,047
1,069	1,047	Clinical Services (excluding Clinical Drug Trials)	108	22
108	22	Commercial Activities	73	97
73	97	Enteral Nutrition	4	16
4	16	Fees for Medical Records	112	115
112	115	Information Retrieval	53	58
53	58	Highly Specialised Drugs	42,405	34,271
42,405	34,271	Motor Accident Authority Third Party	5,011	7,295
5,011	7,295	Private Use of Motor Vehicles	110	147
110	147	Hosted Services Provided to Entities Controlled by Immediate Parent	6,956	7,668
6,956	7,668	Services Provided to Non NSW Health Organisations	4,849	4,048
4,849	4,048	Other	5,125	3,915
5,125	3,915		<u>206,988</u>	<u>196,210</u>
<u>206,988</u>	<u>196,210</u>			
<u>219,199</u>	<u>207,878</u>		<u>219,199</u>	<u>207,878</u>
		The majority of 'Commercial Activities' 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.		
		10. Investment Revenue		
4,444	4,177	Interest	5,069	4,761
52	50	Other		
<u>4,496</u>	<u>4,227</u>	- Royalty Income	52	50
			<u>5,121</u>	<u>4,811</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		11. Grants and Other Contributions		
6,211	6,827	Clinical Drug Trials	6,211	6,827
11,993	11,786	Commonwealth Government Grants	11,993	11,786
7,958	5,258	Industry Contributions/Donations	8,726	6,340
4,781	4,606	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	4,781	4,606
1,699	2,222	Grants & Contributions received from entities controlled by the Ultimate Parent	1,699	2,222
2,320	3,625	Grants & Contributions received from entities controlled by the Immediate Parent	2,320	3,625
3,550	2,780	Research Grants	7,242	7,473
6,116	4,766	Other Grants	6,116	4,766
44,628	41,870		49,088	47,645
		The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from the Health Administration Corporation and the NSW Department of Education.		
		The majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from Northern Sydney LHD, Health Education and Training Institute and The Sydney Children's Hospital Network, Agency for Clinical Innovation and South Eastern Sydney LHD.		
		12. Acceptance by the Crown Entity of Employee Benefits		
		The following liabilities and expenses have been assumed by the Crown Entity:		
----	----	Superannuation - Defined Benefit Plans	7,946	8,594
----	----	Long Service Leave Provision	72,231	40,047
----	----		80,177	48,641

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		13. Other Income		
		Other Revenue comprises the following:-		
123	188	Commissions	123	188
1,815	1,407	Conference and Training Fees	1,815	1,407
201	----	Discounts	201	----
995	1,315	Insurance Refunds	995	1,315
4,866	4,606	Lease and Rental *	4,866	4,606
106	102	Sale of Merchandise, Old Wares and Books	106	102
248	301	Sponsorship	248	301
3,124	3,599	Treasury Managed Fund Hindsight Adjustment	3,124	3,599
14,832	11,071	Other **	16,048	12,974
26,310	22,589		27,526	24,492
		*Some 'Lease and Rental' revenue was received from Entities Controlled by the Immediate Parent.		
		**Some 'Other' income was received from Entities Controlled by the Immediate Parent.		
		14. Gains / (Losses) on Disposal		
22,139	9,661	Property, Plant and Equipment	22,377	9,753
(19,358)	(9,282)	Less: Accumulated Depreciation	(19,583)	(9,351)
2,781	379	Written Down Value	2,794	402
37	154	Less: Proceeds from Disposal	37	154
(2,744)	(225)	Gain / (Loss) on Disposal of Property, Plant and Equipment	(2,757)	(248)
(2,744)	(225)	Total Gain / (Loss) on Disposal	(2,757)	(248)
		15. Other Gains / (Losses)		
----	(7,296)	Impairment of Receivables	----	(7,296)
----	(7,296)		----	(7,296)

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
16. Cash and Cash Equivalents				
63,797	68,803	Cash at Bank and On Hand	67,159	72,030
31,464	28,017	Short Term Deposits	31,464	28,017
95,261	96,820		98,623	100,047
<p>For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes Cash at Bank, Cash on Hand, Short Term Deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash & Cash Equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
95,261	96,820	Cash and Cash Equivalents (per Statement of Financial Position)	98,623	100,047
95,261	96,820	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	98,623	100,047

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		17. Receivables		
		Current		
47,623	38,035	Sale of Goods and Services	47,974	38,467
6,763	6,279	Intra Health Receivables	6,763	6,279
3,633	3,272	Goods and Services Tax	3,526	3,255
26,451	26,057	Other Debtors	26,509	26,113
<u>84,470</u>	<u>73,643</u>	Sub Total	<u>84,772</u>	<u>74,114</u>
(5,264)	----	Less: Allowance for Expected Credit Losses*	(5,264)	----
----	(5,549)	Less: Allowance for Impairment**	----	(5,549)
<u>79,206</u>	<u>68,094</u>	Sub Total	<u>79,508</u>	<u>68,565</u>
2,894	3,480	Prepayments	3,009	3,768
<u>82,100</u>	<u>71,574</u>		<u>82,517</u>	<u>72,333</u>
		'Intra Health Receivables' include amounts receivable from Entities Controlled by the Immediate Parent. The majority of the balance at reporting date was receivable from Health Infrastructure and South Western Sydney LHD.		
		a) Movement in the Allowance for Expected Credit Losses*		
		Sale of Goods and Services		
(5,312)	----	Balance as at 30 June 2018 under AASB 139	(5,312)	----
971	----	Amounts restated through opening Accumulated Funds	971	----
<u>(4,341)</u>	----	Balance at 1 July 2018 under AASB 9	<u>(4,341)</u>	----
4,206	----	Amounts Written Off During the Year	4,206	----
(5,105)	----	(Increase) / Decrease in Allowance Recognised in the Net Result	(5,105)	----
<u>(5,240)</u>	----	Balance at 30 June 2019	<u>(5,240)</u>	----
		Other Debtors		
(237)	----	Balance as at 30 June 2018 under AASB 139	(237)	----
(32)	----	Amounts restated through opening Accumulated Funds	(32)	----
<u>(269)</u>	----	Balance at 1 July 2018 under AASB 9	<u>(269)</u>	----
31	----	Amounts Written Off During the Year	31	----
214	----	(Increase) / Decrease in Allowance Recognised in the Net Result	214	----
<u>(24)</u>	----	Balance at 30 June 2019	<u>(24)</u>	----
<u>(5,264)</u>	-----		<u>(5,264)</u>	-----
		b) Movement in the Allowance for Impairment**		
		Sale of Goods and Services		
----	(3,189)	Balance at 1 July 2017	----	(3,189)
----	4,823	Amounts Written Off During the Year	----	4,823
----	(6,947)	(Increase) / Decrease in Allowance Recognised in the Net Result	----	(6,947)
<u>----</u>	<u>(5,313)</u>	Balance at 30 June 2018	<u>----</u>	<u>(5,313)</u>
		Other Debtors		
----	(627)	Balance at 1 July 2017	----	(627)
----	741	Amounts Written Off During the Year	----	741
----	(350)	(Increase) / Decrease in Allowance Recognised in the Net Result	----	(350)
<u>----</u>	<u>(236)</u>	Balance at 30 June 2018	<u>----</u>	<u>(236)</u>
<u>----</u>	<u>(5,549)</u>		<u>----</u>	<u>(5,549)</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		17. Receivables		
		c) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		Current and Non-Current include:		
5,204	4,368	Patient Fees - Compensable	5,204	4,368
17,464	11,230	Patient Fees - Ineligible	17,464	11,230
12,041	11,800	Patient Fees - Inpatient & Other	12,041	11,800
<u>34,709</u>	<u>27,398</u>		<u>34,709</u>	<u>27,398</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		18. Inventories		
4,943	5,247	Drugs Supplies	4,943	5,247
8,259	6,266	Medical and Surgical Supplies	8,259	6,266
<u>13,202</u>	<u>11,513</u>		<u>13,202</u>	<u>11,513</u>
		19. Other Financial Assets		
		Current		
77,447	77,209	Term Deposits	99,431	98,126
<u>77,447</u>	<u>77,209</u>		<u>99,431</u>	<u>98,126</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,267,732	2,020,872	Gross Carrying Amount	2,283,632	2,034,422
608,105	917,910	Less: Accumulated Depreciation and Impairment	610,627	924,265
<u>1,659,627</u>	<u>1,102,962</u>	Net Carrying Amount	<u>1,673,005</u>	<u>1,110,157</u>
Plant and Equipment - Fair Value*				
222,941	219,712	Gross Carrying Amount	230,024	226,353
132,650	128,153	Less: Accumulated Depreciation and Impairment	136,325	131,751
<u>90,291</u>	<u>91,559</u>	Net Carrying Amount	<u>93,699</u>	<u>94,602</u>
Infrastructure Systems - Fair Value				
15,567	500	Gross Carrying Amount	15,567	500
5,794	82	Less: Accumulated Depreciation and Impairment	5,794	82
<u>9,773</u>	<u>418</u>	Net Carrying Amount	<u>9,773</u>	<u>418</u>
Leasehold Improvements - Fair Value*				
2,414	1,155	Gross Carrying Amount	2,414	1,155
868	760	Less: Accumulated Depreciation and Impairment	868	760
<u>1,546</u>	<u>395</u>	Net Carrying Amount	<u>1,546</u>	<u>395</u>
<u>1,761,237</u>	<u>1,195,334</u>	Total Property, Plant and Equipment at Net Carrying Amount	<u>1,778,023</u>	<u>1,205,572</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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT

20. Property, Plant and Equipment - Reconciliation

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2019					
Net Carrying Amount at Beginning of Year	1,102,962	91,559	418	395	1,195,334
Additions	62,789	21,722	285	1,259	86,055
Disposals	(2,289)	(493)	----	----	(2,782)
Equity Transfers - Transfers In / (Out)	(9,652)	----	----	----	(9,652)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	458	----	----	458
Net Revaluation Increment Less Revaluation Decrements	542,402	----	5,453	----	547,855
Depreciation Expense	(41,507)	(14,220)	(197)	(108)	(56,032)
Reclassifications	4,922	(8,736)	3,814	----	----
Net Carrying Amount at End of Year	1,659,627	90,290	9,773	1,546	1,761,236

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	1,110,726	96,336	430	149	1,207,641
Additions	38,257	14,704	----	465	53,426
Disposals	----	(379)	----	----	(379)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(11,104)	----	----	(11,104)
Depreciation Expense	(39,111)	(14,908)	(12)	(219)	(54,250)
Reclassifications	(6,910)	6,910	----	----	----
Net Carrying Amount at End of Year	1,102,962	91,559	418	395	1,195,334

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SLHD [see Note 1(l)].
- (ii) For land, buildings and infrastructure systems and Other Assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by APV Valuers & Asset Management (APV) for the 2018/19 financial year. APV is an independent entity and is not an employee of the SLHD.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation (Continued)

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2019					
Net Carrying Amount at Beginning of Year	1,110,157	94,602	418	395	1,205,572
Additions	62,789	22,589	285	1,259	86,922
Disposals	(2,289)	(505)	----	----	(2,794)
Equity Transfers - Transfers In / (Out)	(9,652)	----	----	----	(9,652)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	458	----	----	458
Net Revaluation Increment Less Revaluation Decrements	548,961	----	5,453	----	554,414
Depreciation Expense	(41,936)	(14,656)	(197)	(108)	(56,897)
Reclassifications	4,975	(8,789)	3,814	----	----
Net Carrying Amount at End of Year	1,673,005	93,699	9,773	1,546	1,778,023

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
2018					
Net Carrying Amount at Beginning of Year	1,118,383	98,820	430	149	1,217,782
Additions	38,257	15,742	----	465	54,464
Disposals	----	(402)	----	----	(402)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	(11,104)	----	----	(11,104)
Depreciation Expense	(39,573)	(15,364)	(12)	(219)	(55,168)
Reclassifications	(6,910)	6,910	----	----	----
Net Carrying Amount at End of Year	1,110,157	94,602	418	395	1,205,572

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by SLHD [see Note 1(i)].
- (ii) For land, buildings and infrastructure systems and Other Assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by APV Valuers & Asset Management (APV) for the 2018/19 financial year. APV is an independent entity and is not an employee of the SLHD.

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		21. Intangible Assets		
		<i>Intangibles</i>		
4,611	1,411	Cost (Gross Carrying Amount)	4,611	1,411
783	520	Less Accumulated Amortisation and Impairment	783	520
<u>3,828</u>	<u>891</u>	Net Carrying Amount	<u>3,828</u>	<u>891</u>
<u>3,828</u>	<u>891</u>	Total Intangible Assets at Net Carrying Amount	<u>3,828</u>	<u>891</u>

PARENT AND CONSOLIDATION

21. Intangibles Assets - Reconciliation

	Total
	\$000
2019	
Net Carrying Amount at Beginning of Year	891
Additions (Separately identify Internal Development or Acquired Separately)	3,200
Amortisation (Recognised in Depreciation and Amortisation)	(263)
Net Carrying Amount at End of Year	<u>3,828</u>
	Total
	\$000
2018	
Net Carrying Amount at Beginning of Year	553
Additions (Separately identify Internal Development or Acquired Separately)	563
Amortisation (Recognised in Depreciation and Amortisation)	(225)
Net Carrying Amount at End of Year	<u>891</u>

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019 \$000	2018 \$000		2019 \$000	2018 \$000
		22. Other Non-Current Assets		
8,918	4,653	Emerging Rights to Assets (refer Note 1(ag))	8,918	4,653
8,918	4,653		8,918	4,653
		Amounts Recognised in Other Comprehensive Income Relating to Emerging Rights to Assets		
		Emerging Rights to Assets - Asset Revaluation		
2,494	----		2,494	----
2,494	----		2,494	----

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

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

a) Fair Value Hierarchy

2019	Level 1	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000	\$000
PARENT				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	21,702	1,560,513	1,582,215
- Infrastructure Systems	----	----	9,488	9,488
Other Assets (Note 22) Emerging Assets	----	----	8,918	8,918
	----	21,702	1,578,919	1,600,621

CONSOLIDATION

Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	21,702	1,573,891	1,595,593
- Infrastructure Systems	----	----	9,488	9,488
Other Assets (Note 22) Emerging Assets	----	----	8,918	8,918
	----	21,702	1,592,297	1,613,999

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

The above figures exclude Work in Progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

2018	Level 1	Level 2	Level 3	Total Fair Value
	\$000	\$000	\$000	\$000
PARENT				
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,500	1,022,337	1,031,837
- Infrastructure Systems	----	----	418	418
Other Assets (Note 22) Emerging Assets	----	----	4,653	4,653
	----	9,500	1,027,408	1,036,908

CONSOLIDATION

Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	9,500	1,029,532	1,039,032
- Infrastructure Systems	----	----	418	418
Other Assets (Note 22) Emerging Assets	----	----	4,653	4,653
	----	9,500	1,034,603	1,044,103

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

The above figures exclude Work in Progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

Sydney Local Health District
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PARENT AND CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure systems and other assets SLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by APV for the 2018/19 financial year. APV is an independent entity and is not an associated entity of SLHD.

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

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

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

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

The majority of the restricted land has been classified as Level 3, 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 and other assets, many assets are of a specialised nature or use, and thus the most appropriate valuation method is depreciated replacement cost. These assets are included as Level 3 as these assets have a high level of unobservable inputs. However, residential properties are valued on a market approach and included in Level 2.

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

Sydney Local Health District
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PARENT AND CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements

2019	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2018	1,022,337	418	4,653	1,027,408
Additions	59,635	----	1,771	61,406
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 20)	537,858	5,453	----	543,311
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Other Assets' (Note 22)	----	----	2,494	2,494
Transfers to Level 2	(7,200)	----	----	(7,200)
Disposals	(2,289)	----	----	(2,289)
Depreciation expense	(40,644)	(197)	----	(40,841)
Equity Transfers - Transfers In / (Out)	(9,652)	----	----	(9,652)
Reclassify between Buildings, Plant & Equipment and Infrastructure	468	3,814	----	4,282
Fair Value as at 30 June 2019	1,560,513	9,488	8,918	1,578,919
CONSOLIDATION				
Fair value as at 1 July 2018	1,029,532	418	4,653	1,034,603
Additions	59,635	----	1,771	61,406
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 20)	544,417	5,453	----	549,870
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Other Assets' (Note 22)	----	----	2,494	2,494
Transfers to Level 2	(7,200)	----	----	(7,200)
Disposals	(2,289)	----	----	(2,289)
Depreciation expense	(41,073)	(197)	----	(41,270)
Equity Transfers - Transfers In / (Out)	(9,652)	----	----	(9,652)
Reclassify between Buildings, Plant & Equipment and Infrastructure	521	3,814	----	4,335
Fair Value as at 30 June 2019	1,573,891	9,488	8,918	1,592,297

There were no transfers between Level 1 or 2 during the year ended 30 June 2019.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

23. Fair Value Measurement of Non-Financial Assets

2018	Land and Buildings \$000	Infrastructure Systems \$000	Other Assets \$000	Total Level 3 Recurring \$000
PARENT				
Fair value as at 1 July 2017	1,060,804	430	3,552	1,064,786
Additions	----	----	1,101	1,101
Depreciation expense	(38,467)	(12)	----	(38,479)
Fair Value as at 30 June 2018	1,022,337	418	4,653	1,027,408
CONSOLIDATION				
Fair value as at 1 July 2017	1,068,461	430	3,552	1,072,443
Additions	----	----	1,101	1,101
Depreciation expense	(38,929)	(12)	----	(38,941)
Fair Value as at 30 June 2018	1,029,532	418	4,653	1,034,603

There were no transfers between Level 1 or 2 during the year ended 30 June 2018.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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24. Restricted Assets

SLHD's financial statements include the following assets which are restricted for stipulated purposes and/or by externally imposed conditions, e.g. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

PARENT	Opening Equity	Expense	Revenue	Closing Equity
Category	1 July 2018	2019	2019	30 June 2019
Category	\$000	\$000	\$000	\$000
Community Welfare	1,372	475	721	1,618
Facility Improvements	52,036	18,560	17,676	51,152
Holds Funds in Perpetuity	533	----	----	533
Patient Welfare	2,484	783	619	2,320
Private Practice Disbursements (No.2 Accounts)	53,446	11,801	10,332	51,977
Public Contributions	2,334	195	847	2,986
Research	40,985	13,805	16,327	43,507
Staff Welfare	238	119	23	142
Training and Education including Conferences	14,292	1,231	879	13,940
	167,720	46,969	47,424	168,175

CONSOLIDATION	Opening Equity	Expense	Revenue	Closing Equity
Category	1 July 2018	2019	2019	30 June 2019
Category	\$000	\$000	\$000	\$000
Community Welfare	1,372	475	721	1,618
Facility Improvements	78,204	20,805	26,422	83,821
Holds Funds in Perpetuity	533	----	----	533
Patient Welfare	2,484	783	619	2,320
Private Practice Disbursements (No.2 Accounts)	53,446	11,801	10,332	51,977
Public Contributions	2,334	195	847	2,986
Research	48,419	18,641	20,410	50,188
Staff Welfare	238	119	23	142
Training and Education including Conferences	14,292	1,232	879	13,939
	201,322	54,051	60,253	207,524

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 funds 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 amenity improvements.
Training and Education including Conferences	Professional training, education and conferences.

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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	27,207	23,379
----	----	Taxation and Payroll Deductions	7,257	6,649
34,347	29,914	Accrued Liability - Purchase of Personnel Services	----	----
36,000	30,200	Creditors	36,000	30,192
		Other Creditors		
13,832	19,187	- Payables to Entities Controlled by the Immediate Parent	13,832	19,187
8,407	4,684	- Other	8,569	4,940
<u>92,586</u>	<u>83,985</u>		<u>92,865</u>	<u>84,347</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 38.		
		26. Borrowings		
		Current		
753	732	Other Loans	753	732
<u>753</u>	<u>732</u>		<u>753</u>	<u>732</u>
		Non-Current		
5,565	6,319	Other Loans	5,565	6,319
<u>5,565</u>	<u>6,319</u>		<u>5,565</u>	<u>6,319</u>
		'Other Loans' include balances due to entities controlled by the ultimate parent. All of the balances are due to NSW Treasury.		
		No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.		
		Final repayment of the loan is scheduled for 31 December 2027.		
		Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 38.		

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		27. Provisions		
		Current		
----	----	Annual Leave - Short Term Benefit	108,220	104,777
----	----	Annual Leave - Long Term Benefit	69,135	63,851
----	----	Long Service Leave Consequential On-Costs	32,476	27,256
----	----	Provision for Other Employee Benefits	5,040	4,202
214,309	199,525	Provision for Personnel Services Liability	----	----
100,300	100,300	Other *	100,300	100,300
314,609	299,825		315,171	300,386
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	2,824	2,370
2,824	2,370	Provision for Personnel Services Liability	----	----
2,824	2,370		2,824	2,370
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	214,871	200,086
----	----	Provisions - Non-Current	2,824	2,370
----	----	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 25)	34,464	30,028
251,480	231,809	Liability - Purchase of Personnel Services	----	----
251,480	231,809		252,159	232,484
		Movements in provisions (other than employee benefits)		
		Movements in 'Other' provisions during the financial year, are set below:		
100,300	115,300	Carrying amount at 1 July	100,300	115,300
----	(15,000)	- Unused Amounts Reversed	----	(15,000)
100,300	100,300	Carrying amount at 30 June	100,300	100,300
		28. Other Liabilities		
		Other Current Liabilities		
391	255	Unearned Revenue	2,747	870
391	255		2,747	870

*In November 2016, a judgement was handed down by the NSW Supreme Court in regard to a legal matter. Final damages to be awarded to the claimant are yet to be determined by the Court. As per paragraph 92 of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', further information about this matter has not been reported as it may prejudice the position of the entity in relation to the dispute.

Sydney Local Health District
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		29. Commitments		
		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:		
128,022	29,805	Within one year	128,022	29,805
124,858	5,073	Later than one year and not later than five years	124,858	5,073
<u>252,880</u>	<u>34,878</u>	Total (Including GST)	<u>252,880</u>	<u>34,878</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		
		<i>Entity as Lessee</i>		
		Future minimum rentals payable under non-cancellable operating lease at balance date are as follows:		
5,077	6,260	Within one year	5,077	6,260
7,491	5,611	Later than one year and not later than five years	7,491	5,611
<u>12,568</u>	<u>11,871</u>	Total (Including GST)	<u>12,568</u>	<u>11,871</u>
		The 'Operating Lease Commitments' above are for properties, motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		<i>Entity as Lessor</i>		
		Future minimum rentals receivable under non-cancellable operating lease at balance date are as follows:		
1,928	1,931	Within one year	1,928	1,931
3,019	4,619	Later than one year and not later than five years	3,019	4,619
5,015	5,549	Later than five years	5,015	5,549
<u>9,962</u>	<u>12,099</u>	Total (Including GST)	<u>9,962</u>	<u>12,099</u>
		The 'Operating Lease Commitments' above are for lease of property and equipment.		
		c) Input Tax Receivable Related to Commitments for Expenditure		
		The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$265.448M as at 30 June 2019 includes input tax credits of \$24.131M that are expected to be recoverable from the Australian Taxation Office (2018 \$4.250M).		
		Output Tax Payable Related to Commitments for Revenue		
		The 'Operating Lease Commitments (Entity as Lessor)' of \$9.962M as at 30 June 2019 includes taxable sales of \$0.906M that are expected to be payable to the Australian Taxation Office (2018 \$1.100M).		

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

PARENT AND CONSOLIDATION

30. Trust Funds

SLHD holds trust funds of \$10.3M 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 SLHD 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at the beginning of the financial year	130	166	547	531	6,283	6,018	4,524	5,993	11,484	12,708
Add: Receipts	344	299	23	82	39,175	38,173	3,199	3,000	42,741	41,554
Less: Expenditure	(326)	(335)	(331)	(66)	(39,479)	(37,908)	(3,782)	(4,469)	(43,918)	(42,778)
Balance at the end of the financial year	148	130	239	547	5,979	6,283	3,941	4,524	10,307	11,484

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 Trust Funds	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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		31. Reconciliation of Cash Flows from Operating Activities to Net Result		
89,091	51,098	Net Cash Used on Operating Activities	91,159	53,229
(56,295)	(54,474)	Depreciation and Amortisation Expense	(57,160)	(55,393)
(4,891)	(7,296)	Allowance for impairment	(4,891)	(7,296)
(136)	(4)	(Increase) / Decrease Unearned Revenue	(1,877)	(523)
(15,076)	(2,048)	(Increase) / Decrease in Provisions	(15,076)	(2,139)
15,752	3,042	Increase / (Decrease) in Prepayments and Other Assets	15,459	3,194
(8,647)	11,021	(Increase) / Decrease in Payables	(8,613)	10,937
(2,744)	(224)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(2,757)	(248)
2,229	(10,003)	Assets Donated or Brought to Account / Emerging Assets Recognised	2,229	(10,003)
19,283	(8,888)	Net Result	18,473	(8,242)
		32. Non-Cash Financing and Investing Activities		
458	(11,104)	Assets Donated or Brought to Account	458	(11,104)
1,771	1,101	Emerging Rights to Assets Recognised	1,771	1,101
2,229	(10,003)		2,229	(10,003)

Sydney Local Health District
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PARENT AND CONSOLIDATED

33. Changes in Liabilities arising from Financing Activities

	2018	Cash Flow	Non-cash Changes	2019
	\$000	\$000	Other	\$000
	\$000	\$000	\$000	\$000
Borrowings and Advances	7,051	(732)	(1)	6,318

34. 2018/19 Voluntary Services

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

- | | |
|---|---|
| <ul style="list-style-type: none"> - Chaplaincies and Pastoral Care - Pink Ladies / Hospital Auxiliaries - Patient Support Groups - Community Organisations | <ul style="list-style-type: none"> - Patient & Family Support - Patient Services, Fund Raising - Practical Support to Patients and Relatives - Counselling, Health Education, Transport, Home Help & Patient Activities |
|---|---|

35. Unclaimed Monies

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

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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

36. Adjusted Budget Review

Net Result

The actual Net Result was better than the adjusted budget by \$21M, primarily due to:

In accordance with the Ministry of Health's Performance Framework SLHD has been rated at Performance Level 0 (highest possible rating), for the entire nine months to the end of 30 June 2019. This performance is a continuation of the monthly rating achieved for the previous seven financial years.

As at 30 June 2019 the District's Consolidated Net Result is \$20.644M favourable to the full year budget. The Parent result was \$21.454M favourable to budget. This reflects the impact of comparing the twelve months result to the full year budget.

Assets and Liabilities

As at 30 June 2019 SLHD Consolidation had Current Assets of \$293.773M and Current Liabilities of \$411.536M. Non Current Assets totalled \$1,790.769M and Non Current Liabilities were \$8.389M. During 2018/19 the value of SLHD's land and buildings were revalued by an independent valuer. This financial year the District has continued to record an emerging asset for a building situated on the District's land that is owned and operated by Lifehouse Australia. Overall SLHD has a sound asset base with Net Assets of \$1,664.617M.

Cash Flows

At Consolidation level, SLHD's net increase in Cash and Cash Equivalents for the 2018/19 financial year was (\$1.423M). This comprised a net increase in cash flows from Operating activities of \$91.160M, a net decrease in cash flows from Investing activities of \$91.851M which includes purchase of capital assets for \$90.122M and proceeds on sale of existing assets for \$0.037M; and Purchase of Investments/Proceeds from Sale of Investments with a net decrease for \$1.766M. The decrease in cash flows from Investing activities reflected a range of capital works and assets purchases including the Minor Works and Equipment >\$10k<\$250K (\$11.702M), Concord Hospital Radiography Fluoroscopy (\$0.594M), RPAH Pet MR (\$5.117M), RPAH Replacement of 2 Philips Bucky Diagnost x-ray units (\$0.516M), RPA Hospital - Relocation of Emergency Medicine Services (\$2.564M), RPA Respiratory Labs (\$0.744M), RPA Renal Dialysis Relocation to PMBC (\$2.166M), RPA Hydrotherapy pool (\$0.325M), Bridge Street Community & Family Centre (\$1.259M), Canterbury Hospital TSSU Equipment Replacement (\$0.416M), RPAH Cyclotron Extension (\$2.831M), Canterbury Hospital Replace X-Ray Equipment (\$0.365M), RPAH Replacement of CUSA (\$0.598M), RPAH Pre-clinical PET-MR device (\$1.932M), RPAH Cardiology Machine Replacement (\$0.260M), Concord Hospital X-Ray Machines (\$1.198M), Dame Eadith Walker Estate - Landscaping (\$0.586M), RPAH Gloucester House Demountable Buildings (\$0.342), Concord Hospital - Operating Theatres Renovation (\$1.562M), Sydney LHD EEGP (\$0.055M), Fussell House - Concord Repatriation General Hospital (CRGH) (\$0.571M), Canterbury Hospital Emergency Department Expansion (\$1.059M), Asset Refurbishment/Replacement Strategy (\$2.579M), RPA Energy Efficiency Government Program (EEGP) (\$3.051M), and Health Infrastructure WIP transfers (\$47.729M).

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2018 are as follows:

	\$000
Initial Allocation, 01/07/2018	1,290,567
Award Increases	2,840
Special Projects:	
Growth Allocation - as per Schedule C Initial budget 2018/19	82,049
Revenue Final Alignment	18,032
Intra Health Escalations	3,923
Transfer of Tresillian Budget	3,379
Treatment of 2018-19 Expenditure -Concord Hospital - Superannuation	3,327
Information, Communication and Technology Intra Health Adjustments	2,911
Non Emergency Patient Transport - budget transfer of Green Fleet from HealthShare to LHDs	2,464
National Partnership Agreement on Adult Public Dental Services	2,400
Annualised Chris O'Brien Lifehouse Activity Based Funding	2,343
2018/19 Treasury Managed Fund Budget Adjustments	2,317
Budget Escalation for HealthShare NSW	2,212
Electricity Escalations	2,162
Annualised Chris O'Brien Lifehouse JMO	2,100
Integrated Care Initiative	1,638
High Cost Drugs Expense Escalation	1,499
Data Improvement Project	750
Miscellaneous	216
Balance as per Statement of Comprehensive Income	1,427,129

Sydney Local Health District
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37. Increase / (Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2018/19 year were:

- a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an decrease in net assets of \$0.162M relating to the transfer of Annual Leave provision balances from other NSW Health entities.
- b) An equity transfer has been made for the transfer of Land & Building (44-50 Parramatta Road, Glebe) from SLHD to Ambulance NSW for the Statewide Ambulance Station alignment. This has resulted in an decrease in net assets of \$9.652M relating to the transfer of Land & Building balances to Ambulance NSW.

Equity transfers effected in the 2017/18 year were:

Nil

Equity transfers effected comprised:

- a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities
- b) Land & Building - Transfer to Ambulance NSW

	2019	2018
	\$000	\$000
a)	(162)	-----
b)	(9,652)	-----
	(9,814)	-----

Assets and Liabilities transferred are as follows:

Assets

- a) Nil
- b) Land & Building

	2019	2018
	\$000	\$000
a)	-----	-----
b)	(9,652)	-----

Liabilities

- a) Annual Leave Provision
- b) Nil

a)	(162)	-----
b)	-----	-----
	(9,814)	-----

Increase / (Decrease) in Net Assets From Equity Transfers

	(9,814)	-----
--	----------------	--------------

Sydney Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

38. Financial Instruments

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

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

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

(a) Financial Instrument Categories

i. As at 30 June 2019 under AASB 9

PARENT		Carrying Amount
		2019
Class	Category	\$000
Cash and Cash Equivalents (Note 16)	N/A	95,261
Receivables (Note 17) ¹	Amortised cost	75,573
Other Financial Assets (Note 19)	Amortised cost	77,447
Total Financial Assets		248,281
Financial Liabilities		
Borrowings (Note 26)	Financial liabilities measured at amortised cost	6,318
Payables (Note 25) ²	Financial liabilities measured at amortised cost	85,329
Total Financial Liabilities		91,647

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

CONSOLIDATION		Carrying Amount
		2019
Class	Category	\$000
Cash and Cash Equivalents (Note 16)	N/A	98,623
Receivables (Note 17) ¹	Amortised cost	75,982
Other Financial Assets (Note 19)	Amortised cost	99,431
Total Financial Assets		274,036
Financial Liabilities		
Borrowings (Note 26)	Financial liabilities measured at amortised cost	6,318
Payables (Note 25) ²	Financial liabilities measured at amortised cost	85,608
Total Financial Liabilities		91,926

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

Sydney Local Health District
Notes to and forming part of the Financial Statements
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38. Financial Instruments

ii. As at 30 June 2018 under AASB 139 (comparative period)

PARENT

Class	Category	Carrying Amount
		2018
		\$000
Cash and Cash Equivalents (Note 16)	N/A	96,820
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	64,822
Other Financial Assets (Note 19)	Loans and receivables (at amortised cost)	77,209
Total Financial Assets		238,851
Financial Liabilities		
Borrowings (Note 26)	Financial liabilities measured at amortised cost	7,051
Payables (Note 25) ²	Financial liabilities measured at amortised cost	77,336
Total Financial Liabilities		84,387

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

CONSOLIDATION

Class	Category	Carrying Amount
		2018
		\$000
Cash and Cash Equivalents (Note 16)	N/A	100,047
Receivables (Note 17) ¹	Loans and receivables (at amortised cost)	65,310
Other Financial Assets (Note 19)	Loans and receivables (at amortised cost)	98,126
Total Financial Assets		263,483
Financial Liabilities		
Borrowings (Note 26)	Financial liabilities measured at amortised cost	7,051
Payables (Note 25) ²	Financial liabilities measured at amortised cost	77,698
Total Financial Liabilities		84,749

Notes

¹ Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

² Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

b) Financial Risk

i. 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 SLHD. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

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

Credit risk associated with SLHD'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.

SLHD considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, SLHD may also consider a financial asset to be in default when internal or external information indicates that SLHD is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by SLHD.

Cash and Cash Equivalents

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 0% (Restricted funds bank balance 2.35%) in 2018/19 compared to 0% (Restricted funds bank balance 2.35%) in the previous year.

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

Sydney Local Health District
Notes to and forming part of the Financial Statements
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38. Financial Instruments

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9

Receivables - Trade Debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

SLHD applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. SLHD has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

PARENT

30 June 2019	Current \$000	<30 days \$000	30-60 days \$000	61-90 days \$000	>91 days \$000	Total \$000
Expected credit loss rate	4%	7%	11%	21%	27%	11%
Estimated total gross carrying amount at default	27,397	4,585	2,793	1,892	10,956	47,623
Expected credit loss	1,227	301	302	400	3,011	5,241

1 July 2018	Current \$000	<30 days \$000	30-60 days \$000	61-90 days \$000	>91 days \$000	Total \$000
Expected credit loss rate	4%	5%	15%	32%	35%	11%
Estimated total gross carrying amount at default	24,450	3,394	1,426	836	7,929	38,035
Expected credit loss	896	157	218	268	2,802	4,341

CONSOLIDATION

30 June 2019	Current \$000	<30 days \$000	30-60 days \$000	61-90 days \$000	>91 days \$000	Total \$000
Expected credit loss rate	4%	7%	11%	21%	27%	11%
Estimated total gross carrying amount at default	27,748	4,585	2,793	1,892	10,956	47,974
Expected credit loss	1,227	301	302	400	3,011	5,241

1 July 2018	Current \$000	<30 days \$000	30-60 days \$000	61-90 days \$000	>91 days \$000	Total \$000
Expected credit loss rate	4%	5%	15%	32%	35%	11%
Estimated total gross carrying amount at default	24,882	3,394	1,426	836	7,929	38,467
Expected credit loss	896	157	218	268	2,802	4,341

SLHD is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

Other Financial Assets - Authority Deposits

SLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. These deposits are considered to be low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. SLHD didn't recognise a provision for expected credit losses on its other financial assets in 2019.

Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)

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 SLHD 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.

SLHD 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 SLHD'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.

Sydney Local Health District
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38. Financial Instruments

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

PARENT	2018
	\$000
Neither past due nor impaired	52,106
Past due but not impaired ^{1,2}	
< 3 months overdue	4,983
3 - 6 months overdue	6,608
> 6 months overdue	1,125
Impaired ^{1,2}	
< 3 months overdue	----
3 - 6 months overdue	----
> 6 months overdue	5,549
Total	70,371
CONSOLIDATION	2018
	\$000
Neither past due nor impaired	52,396
Past due but not impaired ^{1,2}	
< 3 months overdue	5,117
3 - 6 months overdue	6,672
> 6 months overdue	1,125
Impaired ^{1,2}	
< 3 months overdue	----
3 - 6 months overdue	----
> 6 months overdue	5,549
Total	70,859

Notes

1 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.

Authority Deposits

SLHD 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. There were no indicators for impairment on these securities during the year.

ii. Liquidity Risk

Liquidity risk is the risk that SLHD will be unable to meet its payment obligations when they fall due. SLHD 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 the use of overdrafts, loans and other advances.

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

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

SLHD 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 SLHD 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).

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.

Sydney Local Health District
Notes to and forming part of the Financial Statements
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38. Financial Instruments

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

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure					Maturity Dates		
	Weighted Average Effective Interest Rate	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
PARENT								
2019								
Payables:								
- Creditors ²		85,329	----	----	85,329	85,329	----	----
Borrowings:								
- Loans and Deposits	2.91%	7,105	7,105	----	----	932	4,518	1,655
		92,434	7,105	----	85,329	86,261	4,518	1,655
2018								
Payables:								
- Creditors ²		77,336	----	----	77,336	77,336	----	----
Borrowings:								
- Loans and Deposits	2.91%	8,038	8,038	----	----	932	4,613	2,493
		85,374	8,038	----	77,336	78,268	4,613	2,493
CONSOLIDATION								
	Interest Rate Exposure					Maturity Dates		
Weighted Average Effective Interest Rate	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	
2019								
Payables:								
- Creditors ²		85,608	----	----	85,608	85,608	----	----
Borrowings:								
- Loans and Deposits	2.91%	7,105	7,105	----	----	932	4,518	1,655
		92,713	7,105	----	85,608	86,540	4,518	1,655
2018								
Payables:								
- Creditors ²		77,698	----	----	77,698	77,698	----	----
Borrowings:								
- Loans and Deposits	2.91%	8,038	8,038	----	----	932	4,613	2,493
		85,736	8,038	----	77,698	78,630	4,613	2,493

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which SLHD 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 AASB 7 Financial Instruments: Disclosures).

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38. Financial Instruments

iii. 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. SLHD's exposures to market risk are primarily through interest rate risk on SLHD's borrowings and other price risks associated with the movement in the unit price of the T-CorpIM Fund investment facilities. SLHD 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 SLHD 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 2018. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through SLHD's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. SLHD does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia 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.

However, SLHD 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates:

PARENT		-1%		+1%	
	Carrying Amount	Net Result	Equity	Net Result	Equity
2019	\$000	\$000	\$000	\$000	\$000
Financial Assets					
Cash and Cash Equivalents	95,261	(953)	(953)	953	953
Receivables	75,573	----	----	----	----
Other Financial Assets	77,447	(774)	(774)	774	774
Financial Liabilities					
Payables ¹	85,329	----	----	----	----
Borrowings	6,318	63	63	(63)	(63)
2018					
Financial Assets					
Cash and Cash Equivalents	96,820	(968)	(968)	968	968
Receivables	64,822	----	----	----	----
Other Financial Assets	77,209	(772)	(772)	772	772
Financial Liabilities					
Payables ¹	77,336	----	----	----	----
Borrowings	7,051	71	71	(71)	(71)

¹ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

CONSOLIDATION		-1%		+1%	
	Carrying Amount	Net Result	Equity	Net Result	Equity
2019	\$000	\$000	\$000	\$000	\$000
Financial Assets					
Cash and Cash Equivalents	98,623	(986)	(986)	986	986
Receivables	75,982	----	----	----	----
Other Financial Assets	99,431	(994)	(994)	994	994
Financial Liabilities					
Payables ¹	85,608	----	----	----	----
Borrowings	6,318	63	63	(63)	(63)
2018					
Financial Assets					
Cash and Cash Equivalents	100,047	(1,000)	(1,000)	1,000	1,000
Receivables	65,310	----	----	----	----
Other Financial Assets	98,126	(981)	(981)	981	981
Financial Liabilities					
Payables ¹	77,698	----	----	----	----
Borrowings	7,051	71	71	(71)	(71)

¹ Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

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38. Financial Instruments

Other price risk - TCorpIM Funds investment facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Funds investment facilities, which are held for strategic rather than trading purposes. SLHD has no direct equity investments. SLHD holds units in the following TCorpIM Funds investment trusts:

Facility	Investment Sectors	Investment Horizon	2019 \$000	2018 \$000
Cash fund	Cash and money market instruments	Up to 1.5 years	31,464	28,017

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds investment facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

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

A reasonably possible change is based on the percentage change in unit price (as advised by NSW TCorpIM) multiplied by the redemption value as at 30 June each year for each facility (balance from IM Funds Statement).

Impact on net result

	Change in unit price	2019 \$000	2018 \$000
TCorpIM - Cash fund	+/- 1%	315	280

c) Fair Value Measurement

i. Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

Therefore the fair value of the financial instruments do not differ from the carrying amount.

The following table details the financial instruments where the fair value differs from the carrying amount:

	Fair Value Level		Carrying amount		Fair value	
			2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets						
TCorpIM Funds			31,464	28,017	31,464	28,017

ii. Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2019 Total \$'000
TCorpIM Funds	-----	31,464	-----	31,464
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2018 Total \$'000
TCorpIM Funds	-----	28,017	-----	28,017

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

There were no transfers between level 1 and 2 during the period ended 30 June 2019.

The value of the TCorpIM Funds investment is based on SLHD's share of the value of the underlying assets of the facility, based on the market value. All of the TCorpIM Funds investment facilities are valued using 'redemption' pricing.

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39. Related Party Transactions

PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	607	681
Post-Employment Benefits	48	48
	655	729

During the financial year, Sydney Local Health District obtained key management personnel services from the immediate parent and incurred \$0.489 million (2018: \$0.519 million) for these services.

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

Remuneration for the Secretary and Deputy Secretaries are paid by the Ministry of Health and is not reimbursed by the health entities. Accordingly no such amounts are included in the key management personnel compensation disclosures above.

Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members during the financial year (2018: \$Nil).

Transactions with ultimate parent

There were no transactions with the ultimate parent during the financial year (2018: \$Nil).

40. 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

