



INDEPENDENT AUDITOR'S REPORT

Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Illawarra Shoalhaven Local Health District (the District), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

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 2014, and of the financial performance and the 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cash flows.

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

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Steven Martin
Assistant Auditor General

19 September 2014
SYDNEY

**Illawarra Shoalhaven Local Health District
Certification of the Financial Statements
for the year ended 30 June 2014**

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

- 1) The financial statements of the Illawarra Shoalhaven Local Health District for the year ended 30 June 2014 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
 - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Illawarra Shoalhaven Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Sue Browbank
Chief Executive
18 September 2014



Henry Kornacki
Director of Finance

Illawarra Shoalhaven Local Health District
Statement of Comprehensive Income for the year ended 30 June 2014

PARENT							CONSOLIDATION		
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual		
2014 \$000	2014 \$000	2013 \$000			2014 \$000	2014 \$000	2013 \$000		
			Expenses excluding losses						
			Operating Expenses						
			Employee Related	3	508,006	512,033	471,348		
484,246	488,234	458,394	Personnel Services	4	-----	-----	-----		
33,841	33,932	32,290	Visiting Medical Officers		33,841	33,932	32,290		
203,448	203,222	190,836	Other Operating Expenses	5	203,448	203,222	190,836		
20,534	20,600	20,512	Depreciation and Amortisation	2(i), 6	20,534	20,600	20,512		
5,598	5,008	9,852	Grants and Subsidies	7	5,598	5,008	9,852		
5	4	18	Finance Costs	8	5	4	18		
747,672	751,000	711,902	Total Expenses excluding losses		771,432	774,799	724,856		
			Revenue						
623,728	623,728	593,936	NSW Ministry of Health Recurrent Allocations	2(d)	623,728	623,728	593,936		
59,002	60,921	59,680	NSW Ministry of Health Capital Allocations	2(d)	59,002	60,921	59,680		
			Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 12	23,760	23,799	12,954		
88,493	88,466	87,498	Sale of Goods and Services	9	88,493	88,466	87,498		
3,316	3,522	3,009	Investment Revenue	10	3,316	3,522	3,009		
15,470	12,092	11,781	Grants and Contributions	11	15,470	12,092	11,781		
1,986	1,823	1,045	Other Revenue	13	1,986	1,823	1,045		
791,995	790,552	756,949	Total Revenue		815,755	814,351	769,903		
(622)	-----	(343)	Gain / (Loss) on Disposal	14	(622)	-----	(343)		
(432)	(2)	(508)	Other Gains / (Losses)	15	(432)	(2)	(508)		
43,269	39,550	44,196	Net Result	33	43,269	39,550	44,196		
			Other Comprehensive Income						
			Items that will not be reclassified to net result						
			Net Increase/(Decrease) in Property, Plant &						
7,726	-----	6,541	Equipment Revaluation Surplus	22	7,726	-----	6,541		
7,726	-----	6,541	Total Other Comprehensive Income		7,726	-----	6,541		
50,995	39,550	50,737	TOTAL COMPREHENSIVE INCOME		50,995	39,550	50,737		

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Financial Position as at 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014	2014	2013		2014	2014	2013
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
42,287	31,901	35,233	18	42,287	31,901	35,233
14,213	15,212	14,609	19	14,213	15,212	14,609
6,642	7,547	7,537	20	6,642	7,547	7,537
23,951	14,397	14,397	21	23,951	14,397	14,397
87,093	69,057	71,776		87,093	69,057	71,776
Total Current Assets						
Non-Current Assets						
Property, Plant & Equipment						
462,973	462,417	417,534	22	462,973	462,417	417,534
28,714	23,756	23,518	22	28,714	23,756	23,518
29,817	28,797	30,155	22	29,817	28,797	30,155
521,504	514,970	471,207		521,504	514,970	471,207
245	90	400	23	245	90	400
521,749	515,060	471,607		521,749	515,060	471,607
608,842	584,117	543,383		608,842	584,117	543,383
Total Assets						
LIABILITIES						
Current Liabilities						
54,959	42,279	44,083	26	54,959	42,279	44,083
-----	-----	283	27	-----	-----	283
65,574	64,214	61,083	28	65,574	64,214	61,083
716	1,664	1,597	29	716	1,664	1,597
121,249	108,157	107,046		121,249	108,157	107,046
Total Current Liabilities						
Non-Current Liabilities						
451	451	378	28	451	451	378
451	451	378		451	451	378
Total Non-Current Liabilities						
121,700	108,608	107,424		121,700	108,608	107,424
Total Liabilities						
487,142	475,509	435,959		487,142	475,509	435,959
Net Assets						
EQUITY						
42,912	35,186	35,186		42,912	35,186	35,186
444,230	440,323	400,773		444,230	440,323	400,773
487,142	475,509	435,959		487,142	475,509	435,959
Total Equity						

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Changes in Equity for the year ended 30 June 2014

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
Balance at 1 July 2013		400,773	35,186	435,959
Total Equity at 1 July 2013		400,773	35,186	435,959
Net Result for the year		43,269		43,269
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	----	7,726	7,726
Total Other Comprehensive Income		----	7,726	7,726
Total Comprehensive Income for the year		43,269	7,726	50,995
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	38	188	----	188
Balance at 30 June 2014		444,230	42,912	487,142
Balance at 1 July 2012		355,597	28,645	384,242
Total Equity at 1 July 2012		355,597	28,645	384,242
Net Result for the year		44,196		44,196
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	22	----	6,541	6,541
Total Other Comprehensive Income		----	6,541	6,541
Total Comprehensive Income for the year		44,196	6,541	50,737
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	38	980	----	980
Balance at 30 June 2013		400,773	35,186	435,959

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Cash Flows for the year ended 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2014 \$000	2014 \$000	2013 \$000	Notes	2014 \$000	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(485,544)	(495,164)	(464,925)
(6,178)	(5,589)	(10,915)	Grants and Subsidies	(6,178)	(5,589)	(10,915)
(4)	(4)	----	Finance Costs	(4)	(4)	----
(736,505)	(754,947)	(702,956)	Other	(250,961)	(259,783)	(238,031)
<u>(742,687)</u>	<u>(760,540)</u>	<u>(713,871)</u>	Total Payments	<u>(742,687)</u>	<u>(760,540)</u>	<u>(713,871)</u>
Receipts						
623,728	623,728	593,936	NSW Ministry of Health Recurrent Allocations	623,728	623,728	593,936
59,002	60,920	59,680	NSW Ministry of Health Capital Allocations	59,002	60,920	59,680
----	----	----	Asset Sale Proceeds Transferred to the NSW Ministry of Health	----	----	----
6,445	6,445	7,014	Reimbursements from the Crown Entity	6,445	6,445	7,014
90,201	90,077	90,453	Sale of Goods and Services	90,201	90,077	90,453
3,316	1,738	2,977	Interest Received	3,316	1,738	2,977
16,570	13,193	12,853	Grants and Contributions	16,570	13,193	12,853
23,699	25,443	22,381	Other	23,699	25,443	22,381
<u>822,961</u>	<u>821,544</u>	<u>789,294</u>	Total Receipts	<u>822,961</u>	<u>821,544</u>	<u>789,294</u>
<u>80,274</u>	<u>61,004</u>	<u>75,423</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>80,274</u>	<u>61,004</u>	<u>75,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
340	----	440	Proceeds from Sale of Property, Plant & Equipment and Intangibles	340	----	440
(63,722)	(64,053)	(62,127)	Purchases of Property, Plant & Equipment and Intangibles	(63,722)	(64,053)	(62,127)
(9,554)	----	(1,714)	Purchases of Investments	(9,554)	----	(1,714)
<u>(72,936)</u>	<u>(64,053)</u>	<u>(63,401)</u>	NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(72,936)</u>	<u>(64,053)</u>	<u>(63,401)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(284)	(283)	(420)	Repayment of Borrowings and Advances	(284)	(283)	(420)
<u>(284)</u>	<u>(283)</u>	<u>(420)</u>	NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(284)</u>	<u>(283)</u>	<u>(420)</u>
7,054	(3,332)	11,602	NET INCREASE / (DECREASE) IN CASH	7,054	(3,332)	11,602
35,233	35,233	23,828	Opening Cash and Cash Equivalents	35,233	35,233	23,828
----	----	(197)	Cash Transferred In/(Out) as a Result of Administrative Restructuri	----	----	(197)
<u>42,287</u>	<u>31,901</u>	<u>35,233</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>42,287</u>	<u>31,901</u>	<u>35,233</u>

Illawarra Shoalhaven Local Health District
Service Group Statements
for the year ended 30 June 2014

ISLHD EXPENSES AND INCOME	Service Group 1.1 * Primary and Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Expenses																						
Employee Related	17,120	24,274	4,064	3,299	67,768	46,711	54,407	54,016	228,958	211,542	54,153	51,848	68,987	67,403	5,182	5,750	7,366	6,505			508,006	471,348
Visiting Medical Officers	102	161			2,210	1,285	3,868	2,493	24,054	24,557	2,335	2,661	866	639	30	132	376	362			33,841	32,290
Other Operating Expenses	6,978	8,874	753	706	35,807	25,820	29,317	25,648	98,712	96,735	9,766	11,240	19,673	18,836	1,160	1,775	1,282	1,202			203,448	190,836
Depreciation and Amortisation	308	542	55	37	3,803	2,921	1,860	1,895	10,339	9,957	828	1,614	2,906	3,175	37	98	388	273			20,534	20,512
Grants and Subsidies	2,893	5,401	93	166	665	2,725	91	76	415	337	169	930	114	90	43	118	1,115	9			5,598	9,852
Finance Costs		1			1	2	2	2	2	2	2	2	2	2	2	2	2	2				5
Total Expenses excluding losses	27,401	39,253	4,955	4,208	110,254	79,464	89,544	84,130	362,480	343,137	67,251	68,295	92,547	90,145	6,452	7,873	10,537	8,351			771,432	724,856
Revenue																						
NSW Ministry of Health Recurrent Allocations **																						
NSW Ministry of Health Capital Allocations **																						
Acceptance by the Crown Entity																						
of Employee Benefits and Other Liabilities	1,224	667	166	91	2,355	1,284	2,723	1,485	10,662	5,813	2,614	1,425	3,398	1,852	290	158	328	179			23,760	12,954
Sale of Goods and Services	336	332	664	656	14,769	14,603	3,327	3,290	49,777	49,219	2,257	2,231	16,769	16,581	168	166	425	420			88,493	87,498
Investment Revenue	7	6	2	2	428	388	340	308	1,854	1,684	125	113	281	255			279	253			3,316	3,009
Grants and Contributions	984	749	758	577	1,576	1,200	45	34	87	67	43	33	5,227	3,981	1,269	966	5,481	4,174			15,470	11,781
Other Revenue	113	59	25	13	236	124	217	114	816	429	218	115	311	164	16	9	34	18			1,886	1,045
Total Revenue	2,664	1,813	1,615	1,339	19,364	17,599	6,652	5,231	63,196	57,212	5,257	3,917	25,986	22,833	1,743	1,299	6,547	5,044			815,755	769,903
Gain / (Loss) on Disposal	(29)	(16)	(2)	(1)	(84)	(46)	(84)	(46)	(315)	(175)	(37)	(20)	(61)	(34)	(6)	(3)	(4)	(2)			(622)	(343)
Other Gains / (Losses)	(2)	(2)	(3)	(4)	(72)	(85)	(16)	(19)	(243)	(286)	(11)	(13)	(82)	(96)	(1)	(1)	(2)	(2)			(432)	(508)
Net Result	(24,768)	(37,458)	(3,355)	(2,874)	(91,046)	(61,996)	(82,992)	(78,964)	(299,842)	(286,386)	(62,042)	(64,411)	(66,704)	(67,442)	(4,716)	(6,578)	(3,956)	(3,311)			682,730	653,616
Other Comprehensive Income																						
Increase/(Decrease) in Revaluation Surplus	204	173	14	12	1,100	931	714	604	3,750	3,175	608	515	1,196	1,013	37	31	103	87			7,726	6,541
Total Other Comprehensive Income	(24,564)	(37,285)	(3,341)	(2,862)	(89,946)	(61,065)	(82,278)	(78,360)	(296,092)	(283,211)	(61,434)	(63,896)	(65,508)	(66,429)	(4,679)	(6,547)	(3,853)	(3,224)			682,730	653,616
Total Comprehensive Income																					50,995	50,737

* The name and purpose of each service group is summarised in Note 17

** Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

Illawarra Shoalhaven Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2014

ISLHD ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	1,502	1,908	272	205	6,044	3,862	4,908	4,089	19,870	16,678	3,686	3,320	5,073	4,382	354	383	578	406						
Receivables	54	56	107	110	2,372	2,438	534	549	7,996	8,217	362	373	2,693	2,768	27	28	68	70						
Inventories	228	350	25	28	1,169	1,020	957	1,013	3,222	3,821	319	444	642	744	38	70	42	47						
Financial Assets at Fair Value	851	780	154	84	3,423	1,578	2,780	1,671	11,255	6,816	2,088	1,356	2,873	1,790	200	156	327	166						
Total Current Assets	2,635	3,094	558	427	13,008	8,898	9,179	7,322	42,343	35,532	6,455	5,493	11,281	9,684	619	637	1,015	689						
Non-Current Assets																								
Property, Plant and Equipment																								
- Land and Buildings	6,945	11,023	1,250	752	85,743	59,457	41,945	38,580	233,106	202,871	18,658	32,860	65,511	64,634	833	2,004	8,982	5,553						
- Plant and Equipment	431	621	78	42	5,318	3,349	2,601	2,173	14,457	11,415	1,157	1,851	4,063	3,641	52	113	557	313						
- Infrastructure Systems	447	796	81	54	5,522	4,294	2,701	2,786	15,013	14,658	1,202	2,373	4,219	4,668	54	145	578	401						
Intangible Assets	4	11	1	1	45	57	22	37	123	194	10	31	35	62		2	5	5						
Total Non-Current Assets	7,827	12,451	1,410	849	96,628	67,157	47,269	43,576	262,699	228,918	21,027	37,115	73,828	73,005	939	2,264	10,122	6,272						
TOTAL ASSETS	10,462	15,545	1,968	1,276	109,636	76,055	56,448	50,898	305,042	264,450	27,482	42,608	85,109	82,689	1,558	2,901	11,137	6,961						
LIABILITIES																								
Current Liabilities																								
Payables	1,885	2,050	203	163	9,673	5,964	7,920	5,925	26,666	22,346	2,638	2,596	5,315	4,351	313	410	346	278						
Borrowings		15		2		31		33		134		27		35		3		3						
Provisions	2,210	3,146	525	428	8,748	6,053	7,023	7,000	29,553	27,414	6,990	6,719	8,905	8,735	669	745	951	843						
Other	25	86	5	9	102	175	83	185	337	758	62	150	86	199	6	17	10	18						
Total Current Liabilities	4,120	5,297	733	602	18,523	12,223	15,026	13,143	56,556	50,652	9,690	9,492	14,306	13,320	988	1,175	1,307	1,142						
Non-Current Liabilities																								
Provisions	15	19	4	3	60	37	48	43	203	170	48	42	61	54	5	5	7	5						
Total Non-Current Liabilities	15	19	4	3	60	37	48	43	203	170	48	42	61	54	5	5	7	5						
TOTAL LIABILITIES	4,135	5,316	737	605	18,583	12,260	15,074	13,186	56,759	50,822	9,738	9,534	14,367	13,374	993	1,180	1,314	1,147						
NET ASSETS	6,327	10,229	1,231	671	91,053	63,795	41,374	37,712	248,283	213,628	17,744	33,074	70,742	69,315	565	1,721	9,823	5,814						

* The name and purpose of each service group is summarised in Note 17

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

The Illawarra Shoalhaven Local Health District (the ISLHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The ISLHD 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 Special Purposes Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Illawarra Shoalhaven Local Health District Special Purpose Service Entity which was established as a Division of the Health Service on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the ISLHD to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The ISLHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive on 18 September 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The ISLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the ISLHD's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ab).

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

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

Other circumstances why the going concern is appropriate include:

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

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

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.

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.

Statement of Compliance

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

Significant accounting policies used in the preparation of these financial statements are as follows:

a) Employee Benefits and Other Provisions

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

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.5% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were 14.9%). The ISLHD has assessed the actuarial advice based on the ISLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

The ISLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the ISLHD as shown in Note 28.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

iii) Consequential On-Costs

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

iv) Other Provisions

Other provisions exist when the ISLHD 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.

b) Insurance

The ISLHD's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the ISLHD transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion.

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.

High Cost Drugs

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is 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 accidents. The ISLHD, recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

Department of Veterans' Affairs

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

Investment Revenue

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

Dividend revenue is recognised in accordance with AASB 118 Revenue, when the ISLHD's right to receive payment is established.

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

The ISLHD 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.

Grants and Contributions

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

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the ISLHD as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

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

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

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

- * amount of GST incurred by the ISLHD 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.

f) Interstate Patient Flows

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

g) Acquisition of Assets

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

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

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

Land and buildings which are owned by the Health Administration Corporation or the State and administered by the ISLHD are deemed to be controlled by the ISLHD and are reflected as such in the financial statements.

h) Capitalisation Thresholds

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

i) Depreciation of Property, Plant and Equipment

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

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

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

There were no changes to depreciation rates from the previous year.

"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.

j) Revaluation of Non-Current Assets

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

Investment property is separately discussed at Note 2(m).

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 22 and Note 24 for further information regarding fair value.

The ISLHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the ISLHD was completed in the 2011/12 financial year and was based on an independent assessment.

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

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

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

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

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the Net Result.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

k) Impairment of Property, Plant and Equipment

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

l) Restoration Costs

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

m) Investment Properties

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

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

n) Intangible Assets

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

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

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

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

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

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

o) Maintenance

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

p) Leased Assets

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

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 charged to the Statement of Comprehensive Income in the periods in which they are incurred.

q) Inventories

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

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

r) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

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

s) Investments

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

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

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

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the ISLHD's key management personnel.

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

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

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

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

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

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

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

t) Impairment of financial assets

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

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

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

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

u) De-recognition of financial assets and financial liabilities

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

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

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

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

v) Payables

These amounts represent liabilities for goods and services provided to the ISLHD and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

w) Borrowings

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

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

x) Fair Value Hierarchy

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

* Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.

* Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

* Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer Note 24 and Note 39 for further disclosures regarding fair value measurements of financial and non-financial assets.

y) Equity Transfers

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

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

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

z) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

aa) Trust Funds

The ISLHD receives monies in a trustee capacity for various trusts as set out in Note 31.

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

ab) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

ac) Service Group Statements Allocation Methodology

Using the statistical data for six months ending 31 December 2013, the data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2013-14 year.

In respect of assets and liabilities the Ministry requires the ISLHD take action to identify those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

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

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 January 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. No impact to prior year values, increased note disclosures, refer note 24.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer note 3 and 28.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7. Minor Adjustment has been made to note 39.

(ii) Issued but not yet effective

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

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The ISLHD in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted for whole of government reporting.

AASB 9, Financial Instruments, has application from 1 Jan 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 1031, Materiality, is applicable to annual reporting periods beginning on or after 1 January 2014. This Standard provides references to other Standards and the Framework that contain guidance on materiality.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments has application from 1 July 2014.

AASB 2014-1, Amendments to Australian Accounting Standards is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have been already assessed above. This standard has application from 1 July 2014.

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements which should have minimal impact due to exemptions not applying to General Government Sector Entities. This standard has application from 1 July 2014.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		3. Employee Related		
		Employee related expenses comprise the following:		
----	----	Salaries and Wages	325,550	317,138
----	----	Overtime	16,552	17,610
----	----	Penalties	31,217	31,614
----	----	Superannuation - Defined Benefit Plans	6,015	6,163
----	----	Superannuation - Defined Contribution Plans	35,305	32,559
----	----	Long Service Leave	19,209	6,791
----	----	Annual Leave	41,389	35,289
----	----	Sick Leave and Other Leave	22,666	14,966
----	----	Redundancies	255	473
----	----	Workers' Compensation Insurance	9,949	8,808
----	----	Fringe Benefits Tax	(101)	(63)
----	----		508,006	471,348
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
325,550	317,138	Salaries and Wages	----	----
16,552	17,610	Overtime	----	----
31,217	31,614	Penalties	----	----
----	----	Superannuation - Defined Benefit Plans	----	----
35,305	32,559	Superannuation - Defined Contribution Plans	----	----
1,464	----	Long Service Leave	----	----
41,389	35,289	Annual Leave	----	----
22,666	14,966	Sick Leave and Other Leave	----	----
255	473	Redundancies	----	----
9,949	8,808	Workers' Compensation Insurance	----	----
(101)	(63)	Fringe Benefits Tax	----	----
484,246	458,394		----	----
		5. Other Operating Expenses		
323	508	Advertising	323	508
192	187	Auditor's Remuneration - Audit of Financial Statements	192	187
5,159	4,470	Blood and Blood Products	5,159	4,470
145	83	Capital Project Expense	145	83
384	706	Consultancies	384	706
7,707	8,917	Domestic Supplies and Services	7,707	8,917
29,833	28,517	Drug Supplies	29,833	28,517
15,740	15,485	Food Supplies	15,740	15,485
5,373	5,208	Fuel, Light and Power	5,373	5,208
14,269	14,657	Other (See (a) below)	14,269	14,657
4,625	5,021	Hospital Ambulance Transport Costs	4,625	5,021
9,337	7,246	Information Management Expenses	9,337	7,246
1,013	878	Insurance	1,013	878
19,967	13,041	Maintenance (See (b) below)	19,967	13,041
33,451	33,408	Medical and Surgical Supplies	33,451	33,408
1,584	1,404	Motor Vehicle Expenses	1,584	1,404
1,451	1,393	Postal and Telephone Costs	1,451	1,393
1,801	1,376	Printing and Stationery	1,801	1,376
885	842	Rates and Charges	885	842
3,723	3,319	Rental	3,723	3,319
751	854	Hosted services purchased from Other LHDs	751	854
40,756	37,961	Special Service Departments	40,756	37,961
3,042	3,065	Staff Related Costs	3,042	3,065
1,937	2,290	Travel Related Costs	1,937	2,290
203,448	190,836		203,448	190,836

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		(a) Other Includes:		
3,248	3,429	Contract for Patient Services	3,248	3,429
3,064	2,934	Corporate Support Services	3,064	2,934
540	483	Courier and Freight	540	483
401	386	Isolated Patient Travel and Accommodation Assistance Scheme	401	386
301	657	Legal Services	301	657
147	139	Membership/Professional Fees	147	139
2,019	2,045	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,019	2,045
995	1,775	Other Operating Lease Expense - Minimum Lease Payments	995	1,775
154	84	Quality Assurance/Accreditation	154	84
64	229	Security Services	64	229
3,334	2,495	Other Miscellaneous	3,334	2,495
<u>14,267</u>	<u>14,656</u>		<u>14,267</u>	<u>14,656</u>
		(b) Reconciliation of Total Maintenance		
3,724	3,982	Maintenance Contracts	3,724	3,982
9,949	4,220	New/Replacement Equipment under \$10,000	9,949	4,220
6,287	4,787	Repairs Maintenance/Non Contract	6,287	4,787
7	52	Other	7	52
19,967	13,041	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	19,967	13,041
2,777	2,443	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	2,777	2,443
<u>22,744</u>	<u>15,484</u>	Total Maintenance Expenses	<u>22,744</u>	<u>15,484</u>

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
6. Depreciation and Amortisation				
14,291	13,630	Depreciation - Buildings	14,291	13,630
4,701	5,176	Depreciation - Plant and Equipment	4,701	5,176
1,387	1,332	Depreciation - Infrastructure Systems	1,387	1,332
155	374	Amortisation - Intangible Assets	155	374
<u>20,534</u>	<u>20,512</u>		<u>20,534</u>	<u>20,512</u>
7. Grants and Subsidies				
3,499	2,968	Non-Government Organisations	3,499	2,968
678	674	Community Aged Care Packages	678	674
217	416	Grants to Research Organisations	217	416
1,204	5,794	Other Grants	1,204	5,794
<u>5,598</u>	<u>9,852</u>		<u>5,598</u>	<u>9,852</u>
8. Finance Costs				
4	18	Interest on Loans	4	18
1	-----	Other Interest Charges	1	-----
<u>5</u>	<u>18</u>	Total Finance Costs	<u>5</u>	<u>18</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
9. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
674	1,035	Pharmacy Sales	674	1,035
2,468	2,115	Sale of Prosthesis	2,468	2,115
49	84	Other	49	84
(b) Rendering of Services comprise the following:-				
		Patient Fees		
31,892	31,924	- Inpatient Fees	31,892	31,924
591	638	- Nursing Home Fees	591	638
378	259	- Non Inpatient Fees	378	259
16,293	17,043	Department of Veterans' Affairs	16,293	17,043
220	283	Staff-Meals and Accommodation	220	283
9,699	9,565	Infrastructure Fees	9,699	9,565
3,555	3,403	- Monthly Facility Charge	3,555	3,403
		- Annual Charge		
13	18	Cafeteria/Kiosk	13	18
833	827	Car Parking	833	827
395	387	Child Care Fees	395	387
30	144	Commercial Activities	30	144
114	104	Fees for Medical Records	114	104
13,343	11,868	High Cost Drugs	13,343	11,868
3,455	4,381	Motor Accident Authority Third Party	3,455	4,381
339	314	Private Use of Motor Vehicles	339	314
1,766	1,375	Salary Packaging Fee	1,766	1,375
2,023	842	Services Provided to Non NSW Health Organisations	2,023	842
363	889	Other	363	889
88,493	87,498		88,493	87,498
10. Investment Revenue				
1,698	1,232	Interest	1,698	1,232
1,618	1,777	T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	1,618	1,777
3,316	3,009		3,316	3,009

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
11. Grants and Contributions				
482	580	Clinical Drug Trials	482	580
3,155	3,817	Commonwealth Government Grants	3,155	3,817
2,088	930	Commonwealth Teaching Hospital Grants	2,088	930
3,178	2,188	Industry Contributions/Donations	3,178	2,188
1,391	875	Cancer Institute Grants	1,391	875
1,252	1,854	NSW Government Grants	1,252	1,854
42	44	Research Grants	42	44
3,882	1,493	Other Grants	3,882	1,493
<u>15,470</u>	<u>11,781</u>		<u>15,470</u>	<u>11,781</u>
12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	6,015	6,163
----	----	Long Service Leave	17,745	6,791
<u>-----</u>	<u>-----</u>		<u>23,760</u>	<u>12,954</u>
13. Other Revenue				
Other Revenue comprises the following:-				
449	165	Commissions	449	165
108	68	Conference and Training Fees	108	68
-----	1	Discounts	-----	1
127	99	Insurance Refunds	127	99
266	205	Lease and Rental Income	266	205
48	6	Sale of Merchandise, Old Wares and Books	48	6
7	39	Sponsorship Income	7	39
981	462	Other	981	462
<u>1,986</u>	<u>1,045</u>		<u>1,986</u>	<u>1,045</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		14. Gain / (Loss) on Disposal		
11,175	6,314	Property, Plant and Equipment	11,175	6,314
<u>10,214</u>	<u>5,531</u>	Less: Accumulated Depreciation	<u>10,214</u>	<u>5,531</u>
961	783	Written Down Value	961	783
339	440	Less: Proceeds from Disposal	339	440
<u>(622)</u>	<u>(343)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(622)</u>	<u>(343)</u>
<u>(622)</u>	<u>(343)</u>	Total Gain/(Loss) on Disposal	<u>(622)</u>	<u>(343)</u>
		15. Other Gains / (Losses)		
(432)	(508)	Impairment of Receivables	(432)	(508)
<u>(432)</u>	<u>(508)</u>		<u>(432)</u>	<u>(508)</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	2,098	5,104	----	7,202
Contributions recognised in previous years which were not expended in the current reporting period	4,287	13,413	----	17,700
Total amount of unexpended contributions as at balance date	6,385	18,517	----	24,902

Comment on restricted assets appears in Note 25

17. Service Groups of the ISLHD

Service Group 1.1 - Primary and Community Based Services

Service Description: This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

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

Illawarra Shoalhaven Local Health District
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Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 5.1 - Population Health Services

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

Service Group 6.1 - Teaching and Research

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

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

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
18. Cash and Cash Equivalents				
41,409	34,380	Cash at Bank and On Hand	41,409	34,380
878	853	Short Term Deposits	878	853
<u>42,287</u>	<u>35,233</u>		<u>42,287</u>	<u>35,233</u>
<p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>Cash & 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>				
<u>42,287</u>	<u>35,233</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>42,287</u>	<u>35,233</u>
<u>42,287</u>	<u>35,233</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>42,287</u>	<u>35,233</u>

Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
19. Receivables				
Current				
7,359	7,576	Sale of Goods and Services	7,359	7,576
1,979	2,951	Intra Health Receivables	1,979	2,951
2,492	2,218	Goods and Services Tax	2,492	2,218
<u>1,040</u>	<u>1,414</u>	Other Debtors	<u>1,040</u>	<u>1,414</u>
12,870	14,159	Sub Total	12,870	14,159
<u>(813)</u>	<u>(738)</u>	Less Allowance for Impairment	<u>(813)</u>	<u>(738)</u>
12,057	13,421	Sub Total	12,057	13,421
<u>2,156</u>	<u>1,188</u>	Prepayments	<u>2,156</u>	<u>1,188</u>
<u>14,213</u>	<u>14,609</u>		<u>14,213</u>	<u>14,609</u>
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(736)	----	Balance at Commencement of Reporting Period	(736)	----
347	(736)	Amounts written off during the period	347	(736)
(414)	----	(Increase)/decrease in Allowance Recognised in	(414)	----
<u>(803)</u>	<u>(736)</u>	the Income Statement	<u>(803)</u>	<u>(736)</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
(2)	----	Balance at Commencement of Reporting Period	(2)	----
10	(2)	Amounts written off during the period	10	(2)
(18)	----	(Increase)/decrease in Allowance Recognised in	(18)	----
<u>(10)</u>	<u>(2)</u>	the Income Statement	<u>(10)</u>	<u>(2)</u>
<u>(813)</u>	<u>(738)</u>		<u>(813)</u>	<u>(738)</u>
The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
456	419	Patient Fees - Compensable	456	419
1,059	668	Patient Fees - Ineligible	1,059	668
<u>5,208</u>	<u>5,438</u>	Patient Fees - Inpatient & Other	<u>5,208</u>	<u>5,438</u>
<u>6,723</u>	<u>6,525</u>		<u>6,723</u>	<u>6,525</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
20. Inventories - Current - Held for Distribution				
1,938	2,793	Drugs	1,938	2,793
4,490	4,600	Medical and Surgical Supplies	4,490	4,600
214	144	Other Including Goods in Transit	214	144
<u>6,642</u>	<u>7,537</u>		<u>6,642</u>	<u>7,537</u>
21. Financial Assets at Fair Value				
Current				
23,951	14,397	Treasury Corporation - Hour-Glass Investment Facilities	23,951	14,397
<u>23,951</u>	<u>14,397</u>		<u>23,951</u>	<u>14,397</u>

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
740,639	676,250	Gross Carrying Amount	740,639	676,250
<u>277,666</u>	<u>258,716</u>	Less: Accumulated Depreciation and Impairment	<u>277,666</u>	<u>258,716</u>
<u>462,973</u>	<u>417,534</u>	Net Carrying Amount	<u>462,973</u>	<u>417,534</u>
Plant and Equipment - Fair Value				
58,021	57,830	Gross Carrying Amount	58,021	57,830
<u>29,307</u>	<u>34,312</u>	Less: Accumulated Depreciation and Impairment	<u>29,307</u>	<u>34,312</u>
<u>28,714</u>	<u>23,518</u>	Net Carrying Amount	<u>28,714</u>	<u>23,518</u>
Infrastructure Systems - Fair Value				
55,384	54,298	Gross Carrying Amount	55,384	54,298
<u>25,567</u>	<u>24,143</u>	Less: Accumulated Depreciation and Impairment	<u>25,567</u>	<u>24,143</u>
<u>29,817</u>	<u>30,155</u>	Net Carrying Amount	<u>29,817</u>	<u>30,155</u>
<u>521,504</u>	<u>471,207</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>521,504</u>	<u>471,207</u>

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PARENT & CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

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

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2014					
Net Carrying Amount at Start of Year	50,914	366,620	23,518	30,155	471,207
Additions	688	52,613	10,423	----	63,724
Disposals	----	(228)	(734)	----	(962)
Administrative Restructures - Transfers In/(Out)	----	----	188	----	188
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	1,079	5,598	----	1,049	7,726
Depreciation Expense	----	(14,291)	(4,701)	(1,387)	(20,379)
Reclassifications	----	(20)	20	----	----
Net Carrying Amount at End of Year	52,681	410,292	28,714	29,817	521,504

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2013					
Net Carrying Amount at Start of Year	50,308	317,711	24,160	31,298	423,477
Additions	----	57,090	5,037	----	62,127
Disposals	----	----	(783)	----	(783)
Administrative Restructures - Transfers In/(Out)	----	----	(17)	----	(17)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	606	5,746	----	189	6,541
Depreciation Expense	----	(13,630)	(5,176)	(1,332)	(20,138)
Reclassifications	----	(297)	297	----	----
Net Carrying Amount at End of Year	50,914	366,620	23,518	30,155	471,207

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the ISLHD [see note 2(g)].
- (ii) To ensure the land, buildings and infrastructure materially reflects the carrying value since the last revaluation assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j).

The following table details the indices applied to Non Current Assets as determined by CBRE Valuations which is an independent entity not controlled by ISLHD. :

Year	Land	Buildings	Infrastructure
2012/13	0-4%	0-2%	2%
2013/14	0-4%	0-2%	2%

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		23. Intangible Assets		
		Intangibles		
774	774	Cost (Gross Carrying Amount)	774	774
529	374	Less Accumulated Amortisation and Impairment	529	374
<u>245</u>	<u>400</u>	Net Carrying Amount	<u>245</u>	<u>400</u>
<u>245</u>	<u>400</u>	Total Intangible Assets at Net Carrying Amount	<u>245</u>	<u>400</u>

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23. Intangibles - Reconciliation

	Intangibles \$000
2014	
Net Carrying Amount at Start of Year	400
Amortisation (Recognised in Depreciation and Amortisation)	(155)
Net Carrying Amount at End of Year	245

	Intangibles \$000
2013	
Net Carrying Amount at Start of Year	774
Amortisation (Recognised in Depreciation and Amortisation)	(374)
Net Carrying Amount at End of Year	400

PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014. Comparative information for the following has not been provided as permitted by the transitional provisions of the new standard.

a) Fair Value Hierarchy	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2014				
Property, Plant and Equipment (Note 22)*				
- Land and Buildings	----	177,017	285,956	462,973
- Infrastructure Systems	----	----	29,817	29,817
	-----	-----	-----	-----
	-----	177,017	315,773	492,790

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

*For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values for Plant and Equipment are not required to be reported under the fair value hierarchy.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure the ISLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by CBRE Valuations for the 11/12 financial year. CBRE Valuations is an independent entity and is not an employee of the ISLHD.

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

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

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

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

Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

The majority of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations.

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.

For buildings and infrastructure, many assets are of a specialised nature or use, and thus the most appropriate valuation method is current 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.

Work in Progress and Newly Completed Buildings is categorised as level 2, as the initial measurement is recognised at cost and is represented accordingly until subject to revaluation. This is considered appropriate as, once assets are brought into use, there is no longer a identical correlation with the "shelf product".

Level 3 disclosures:

Buildings and Infrastructure

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual building and infrastructure assets is assessed by referencing to building costs in external publications such as the Rawlinson 's Australian Construction Handbook and with allowances made for the regional locations. The useful economic life of the assets is initially assessed at 40 years. The remaining economic life is assessed based upon physical depreciation and obsolescence. The district provides details to the valuer, of any known structural faults and future planning which may involve the demolition or removal of an asset. Any new assets constructed over the past four years have been included and where refurbishment has been undertaken the capital expenditure is reflected in the remaining life of the asset.

Construction costs used to establish gross replacement cost are not expected to have significant variations, unless new construction is impacted by building/construction variations. The District is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

Illawarra Shoalhaven Local Health District
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24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements	Land and Buildings \$000	Infrastructure \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	280,332	30,155	310,487
Additions	53,301	----	53,301
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation	5,558	1,049	6,607
Transfers from Level 2	6,647	----	6,647
Transfers to Level 2	(45,393)	----	(45,393)
Disposals	(228)	----	(228)
Depreciation	(14,241)	(1,387)	(15,628)
Reclassifications	(20)	----	(20)
Fair value as at 30 June 2014	<u>285,956</u>	<u>29,817</u>	<u>315,773</u>

Transfers from Level 2 mainly relate to assets initially recognised at cost (e.g. Work in Progress) which have in the current year, been subject to asset revaluations consistent with the specialised nature/use of the assets.

Illawarra Shoalhaven Local Health District
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2014
\$000

2013
\$000

2014
\$000

2013
\$000

25. Restricted Assets

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

Category

6,850	5,208	Specific Purposes	6,850	5,208
7,300	5,993	Research Grants	7,300	5,993
10,752	9,121	Private Practice Funds	10,752	9,121
<hr/> 24,902 <hr/>	<hr/> 20,322 <hr/>		<hr/> 24,902 <hr/>	<hr/> 20,322 <hr/>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		26. Payables		
		Current		
----	----	Accrued Salaries, Wages and On-Costs	8,647	7,253
----	----	Taxation and Payroll Deductions	4,642	4,185
13,289	11,438	Accrued Liability - Purchase of Personnel Services	----	----
17,815	15,569	Creditors	17,815	15,569
		Other Creditors		
7,716	5,637	- Intra Health Liability	7,716	5,637
16,139	11,439	- Other	16,139	11,439
<u>54,959</u>	<u>44,083</u>		<u>54,959</u>	<u>44,083</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 39.

		27. Borrowings		
		Current		
----	283	Other Loans and Deposits	----	283
----	<u>283</u>		----	<u>283</u>

Illawarra Shoalhaven Local Health District
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for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
28. Provisions				
		Current		
----	----	Annual Leave - Short Term Benefit	40,926	38,000
----	----	Annual Leave - Long Term Benefit	16,082	15,908
----	----	Long Service Leave Consequential On-Costs	8,566	7,175
65,574	61,083	Provision for Personnel Services Liability	----	----
65,574	61,083	Total Current Provisions	65,574	61,083
		Non-Current		
----	----	Long Service Leave Consequential On-Costs	451	378
451	378	Provision for Personnel Services Liability	----	----
451	378	Total Non-Current Provisions	451	378
		Aggregate Employee Benefits and Related On-Costs		
----	----	Provisions - Current	65,574	61,083
----	----	Provisions - Non-Current	451	378
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	13,289	11,438
79,314	72,899	Liability - Purchase of Personnel Services	----	----
79,314	72,899		79,314	72,899
29. Other Liabilities				
		Current		
716	1,597	Income in Advance	716	1,597
716	1,597		716	1,597

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		30. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
		Not later than one year	49,487	61,172
49,487	61,172	Later than one year and not later than five years	5,680	21,606
5,680	21,606			
		Total Capital Expenditure Commitments (Including GST)	55,167	82,778
55,167	82,778			
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	6,403	4,554
6,403	4,554	Later than one year and not later than five years	2,671	3,906
2,671	3,906	Later than five years	192	----
192	----			
		Total Operating Lease Commitments (Including GST)	9,266	8,460
9,266	8,460			
		(c) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$64.433 million as at 30 June 2014 includes input tax credits of \$6.443m that are expected to be recoverable from the Australian Taxation Office (2013 \$9.124m).		

Illawarra Shoalhaven Local Health District
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31. Trust Funds

The ISLHD holds trust fund moneys of \$133,000 deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the ISLHD cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Refundable Deposits		Private Practice Trust Funds		Total
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2013 \$000
Cash Balance at the beginning of the financial year	119	109	-----	-----	119
Receipts	4	10	14,190	14,292	14,302
Expenditure	10	-----	(14,190)	(14,292)	(14,292)
Cash Balance at the end of the financial year	133	119	-----	-----	133

Illawarra Shoalhaven Local Health District
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32. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2007/08 fund year and an interim adjustment for the 2009/10 fund year were not calculated until 2013/14.

As a result, the 2008/09 final and 2010/11 pertaining to the hospitals and community services now forming part of the ISLHD will be paid in 2014/15. It is not possible for the ISLHD to reliably quantify the benefit to be received or amount payable.

Illawarra Shoalhaven Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
80,274	75,423	Net Cash Flows from Operating Activities	80,274	75,423
(20,534)	(20,512)	Depreciation	(20,534)	(20,512)
(432)	(508)	Allowance for Impairment	(432)	(508)
880	(951)	(Increase)/ Decrease Income in Advance	880	(951)
(4,564)	(296)	(Increase)/ Decrease in Provisions	(4,564)	(296)
(775)	(2,611)	Increase / (Decrease) in Prepayments and Other Assets	(775)	(2,611)
(10,958)	(6,006)	(Increase)/ Decrease in Creditors	(10,958)	(6,006)
(622)	(343)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(622)	(343)
43,269	44,196	Net Result	43,269	44,196
34. Non-Cash Financing and Investing Activities				
209	673	Assets Received by Donation	209	673
209	673		209	673

35. 2013/14 Voluntary Services

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

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

36. Unclaimed Monies

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

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

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.

Illawarra Shoalhaven Local Health District
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PARENT AND CONSOLIDATION

37. Budget Review - Parent and Consolidated

Net Result

The actual result was favourable to budget \$3.7m, primarily due to:

Expenses being less than budget by \$3.368m mostly due to employee related, where the District made improvements in Overtime and Workers Compensation incidence. Income was also higher by \$1.403 m with Grants and Contributions being the most significant, especially transfers to Staff Specialists No. 2 accounts.

Assets and Liabilities

Cash and Cash Equivalents increased in value. This is as a result of the favourable Net Result and increases in Payables, especially Intra Health, where settlement did not occur until July 2014. Property, Plant & Equipment increased by \$50m as a result of Work In Progress for major capital works carried out at Wollongong Hospital.

Cash Flows

Operating Payments (both Employee related and Other Expenses) were lower than expected. This resulted in an opportunity to acquit all outstanding loans and invest funds which then resulted in more interest received.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 24 June 2013 are as follows:

	\$000
Initial Allocation, 24 June 2013	603,836
Award Increases	11,293
 Special Projects	
NBN Rollout and HWA Simulated Environment	1,000
Nursing and Midwifery Strategy (Supplementation)	1,336
 Other	
Small Projects under \$250,000 each	2,264
National Partnership Agreement on treating more Public Dental Patients	2,810
NSW Ages Care Assessment Program	401
Treasury Managed Fund	373
Isolated Patient Travel and Accommodation Assistance Scheme	277
Transfers from LHD's due to restructures	138
Balance as per Statement of Comprehensive Income	623,728

Illawarra Shoalhaven Local Health District
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38. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2012/13 year were:

An increase in net assets of \$0.98m relating to the Districts transferring Long Service Leave On-costs to the Crown Entity as per the agreement between NSW Health and NSW Treasury. Right of Private Practice to/from South Eastern Sydney Local Health District to align correctly. Blood Products were also received from NSW Pathology in relation to their restructure.

Equity transfers effected in the 2013/14 year were:

An increase in net assets of \$0.188m relating to the dissolution of the Health Reform Transition Organisation where it has now been determined that some assets were in fact the responsibility of this District rather than of the South Eastern Sydney Local Health District.

	2014	2013
	\$000	\$000
Equity transfers effected comprised:		
South Eastern Sydney Local Health District	188	(214)
Crown Entity - Transfer of Long Service Leave On-costs		965
NSW Pathology		229
	188	980

Assets and Liabilities transferred are as follows:

	2014	2013
	\$000	\$000
Assets		
Cash & Cash Equivalents		(197)
Inventory & Financial Assets		228
Property Plant & Equipment	188	(16)
Liabilities		
Other Liabilities		965
Increase/(Decrease) in Net Assets From Equity Transfers	188	980

Illawarra Shoalhaven Local Health District
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39. Financial Instruments

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

The ISLHD's main risks arising from financial instruments are outlined below, together with the ISLHD'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 risk faced by the ISLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee, Board Finance and Performance Committee, and the internal auditors on a regular basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2014 \$000	Carrying Amount 2013 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 18)	N/A	42,287	35,233
Receivables (note 19)*	Loans and receivables (at amortised cost)	9,565	## 11,203
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	23,951	14,397
Total Financial Assets		<u>75,803</u>	<u>60,833</u>
Financial Liabilities			
Borrowings (note 27)	Financial liabilities	----	283
Payables (note 26)**	measured at	50,317	39,898
Other (note 29)	amortised cost	----	----
Total Financial Liabilities		<u>50,317</u>	<u>40,181</u>

Notes

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

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

Illawarra Shoalhaven Local Health District
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(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.38% in 2013/14 compared to 3.12% in the previous year.

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

Receivables - trade debtors

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

The ISLHD 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 (2014:\$8.445M; 2013: \$9.475M) and not more than 3 months past due (2014: \$1.159M; 2013:\$0.965M) are not considered impaired. Together these represent 87.36% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the ISLHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of

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.

2014	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	1,211	1,159	52
3 months - 6 months overdue	323	210	113
> 6 months overdue	1,015	367	648
2013			
<3 months overdue	973	965	8
3 months - 6 months overdue	391	230	161
> 6 months overdue	1,085	518	569

Notes

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

Illawarra Shoalhaven Local Health District
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Authority Deposits

The ISLHD has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 5.76% (2013 - 9.78%), while over the year the weighted average interest rate was 6.67% (2013 - 5.24%) on a weighted average balance during the year of \$19.659m (2013 - \$15.251). None of these assets are past due or impaired.

(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The ISLHD has exposure to liquidity risk.

However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the ISLHD 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 2).

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

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

Illawarra Shoalhaven Local Health District
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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates		
	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	8,647	-----	-----	8,647	8,647	-----	-----
- Creditors	41,670	-----	-----	41,670	41,670	-----	-----
Borrowings:							
- Loans and Deposits	-----	-----	-----	-----	-----	-----	-----
	50,317	-----	-----	50,317	50,317	-----	-----
2013							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions	7,253	-----	-----	7,253	7,253	-----	-----
- Creditors	32,645	-----	-----	32,645	32,645	-----	-----
Borrowings:							
- Loans and Deposits	283	-----	-----	283	283	-----	-----
	40,181	-----	-----	40,181	40,181	-----	-----

Notes:

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the ISLHD 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.

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(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the ISLHD 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 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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

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

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
2014					
Financial Assets					
Cash and Cash Equivalents	42,287	(423)	(423)	423	423
Receivables	9,565	----	----	----	----
Financial Assets at Fair Value	23,951	(240)	(240)	240	240
Financial Liabilities					
Payables	50,317	----	----	----	----
2013					
Financial Assets					
Cash and Cash Equivalents	35,233	(352)	(352)	352	352
Receivables	11,203	----	----	----	----
Financial Assets at Fair Value	14,397	(144)	(144)	144	144
Financial Liabilities					
Payables	39,898	----	----	----	----
Borrowings	283	3	3	(3)	(3)

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Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2014 \$'000	2013 \$'000
Cash facility	Cash and money market instruments	Up to 1.5 years	878	853
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	2,248	2,178
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	14,869	6,198
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	6,834	6,022

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

NSW TCorp 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 Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

	Change in unit price	Impact on profit/loss	
		2014 \$'000	2013 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	9	9
Hour-Glass Investment - Strategic cash facility	+/- 1%	22	22
Hour-Glass Investment - Medium-term growth facility	+/- 6%	892	372
Hour-Glass Investment - Long-term growth facility	+/- 15%	1,025	903

(e) Fair Value Measurement

(i) Fair value compared to carrying amount

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

(ii) Fair Value recognised in the Statement of Financial Position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2014 Total \$'000
TCorp Hour-Glass Invt.Facility	----	24,829	----	24,829
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 Total \$'000
TCorp Hour-Glass Invt.Facility	----	15,251	----	15,251

(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 2014.

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

40. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS

Annual Financial Statements

of

Illawarra Shoalhaven Local Health District Special Purpose Service Entity

for the Year Ended 30 June 2014

**Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Certification of the Financial Statements
for the year ended 30 June 2014**

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

- 1) The financial statements of the Illawarra Shoalhaven Local Health District Special Purpose Service Entity for the year ended 30 June 2014 have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983* , the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Illawarra Shoalhaven Local Health District Special Purpose Service Entity;
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Sue Browbank
Chief Executive
18 September 2014



Henry Kornacki
Director of Finance

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Statement of Comprehensive Income for the year ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
Revenue		
Personnel Services	484,246	458,394
Acceptance by the Crown Entity of Employee Benefits	23,760	12,954
Total Revenue	508,006	471,348
Expenses		
Salaries and Wages	325,550	317,138
Overtime	16,552	17,610
Penalties	31,217	31,614
Defined Benefit Superannuation	6,015	6,163
Defined Contribution Superannuation	35,305	32,559
Long Service Leave	19,209	6,791
Annual Leave	41,389	35,289
Sick Leave and Other Leave	22,666	14,966
Redundancies	255	473
Workers Compensation Insurance	9,949	8,808
Fringe Benefits Tax	(101)	(63)
Other Staff Related	-	-
Total Expenses	508,006	471,348
Net Result	-	-
Other Comprehensive Income	-	-
Total Comprehensive Income	-	-

The accompanying notes form part of these Financial Statements.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Statement of Financial Position
as at 30 June 2014

	Notes	Actual 2014 \$000	Actual 2013 \$000
ASSETS			
Current Assets			
Receivables	2	78,863	72,521
Total Current Assets		78,863	72,521
Non-Current Assets			
Receivables	2	451	378
Total Non-Current Assets		451	378
Total Assets		79,314	72,899
LIABILITIES			
Current Liabilities			
Payables	3	13,289	11,438
Provisions	4	65,574	61,083
Total Current Liabilities		78,863	72,521
Non-Current Liabilities			
Provisions	4	451	378
Total Non-Current Liabilities		451	378
Total Liabilities		79,314	72,899
Net Assets		-	-
EQUITY			
Accumulated funds		-	-
Total Equity		-	-

The accompanying notes form part of these Financial Statements

**Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Statement of Changes in Equity
for the year ended 30 June 2014**

	Actual	Actual
	2014	2013
	\$000	\$000
Balance at 1 July	-	-
Result for the Year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June	-	-

The accompanying notes form part of these Financial Statements

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Statement of Cash Flows
for the year ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
Net Cash Flows from Operating Activities	-	-
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	-	-
Opening Cash and Cash equivalents	-	-
Closing Cash and Cash Equivalents	-	-

The Illawarra Shoalhaven Local Health District Special Purpose Service Entity does not hold any cash or cash equivalent assets and therefore there are nil cash flows.

The accompanying notes form part of these Financial Statements.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The Illawarra Shoalhaven Local Health District Special Purpose Service Entity

The Illawarra Shoalhaven Local Health District Special Purpose Service Entity (the Entity) is a Division of the NSW Health Service, established pursuant to section 116(4) of the Health Services Act 1997. It is a not-for-profit Entity as profit is not its principal objective.

The Entity is controlled by the Illawarra Shoalhaven Local Health District and it is also consolidated as part of the financial statements prepared for both the Ministry of Health and the NSW Total State Sector Accounts.

The Entity's objective is to provide personnel services to the Illawarra Shoalhaven Local Health District.

The financial statements were authorised for issue by the Chief Executive on 18 September 2014.

b) Basis of Preparation

The Entity's financial statements are general purpose financial statements and have been prepared on an accrual basis, in accordance with applicable Australian Accounting Standards which include Australian Accounting Interpretations. The statements have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and Treasurer's Directions.

Generally, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See Note (g).

Judgments, key assumptions and estimates 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.

Statement of Compliance

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

c) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

d) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the net result for the year when impaired, derecognised or through the amortisation process.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

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

e) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

f) Payables

Payables include accrued wages, salaries and related on costs (such as payroll deduction liability, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

g) Employee Benefits

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

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.5% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were 14.9%). The ISLHD has assessed the actuarial advice based on the ISLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

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

ii) Long Service Leave and Superannuation

The Entity's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity. The Entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the entity as shown in Note 4.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the NSW Health Ministry Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Superannuation Guarantee Charge) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) Consequential On-Costs

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

h) New Australian Accounting Standards Issued But Not Effective

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 4.

(ii) Issued but not yet effective

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

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. For not for profit entities, the changes have application from 1 July 2014 but are assessed as having no material effect.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the polices adopted for whole of government reporting.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments has application from 1 July 2014.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
2. RECEIVABLES		
Current		
Accrued Income - Personnel Services Provided	78,863	72,521
Non-Current		
Accrued Income - Personnel Services Provided	451	378
Total Receivables	79,314	72,899

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

3. PAYABLES

Current

Accrued Salaries, Wages and On Costs	8,647	7,253
Taxation and Payroll Deductions	4,642	4,185
Total Payables	13,289	11,438

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
4. PROVISIONS		
Current Employee Benefits and Related On Costs		
Annual Leave	40,926	38,000
Annual Leave - Long Term Benefit	16,082	15,908
Long Service Leave - Consequential On costs	8,566	7,175
Other	-	-
Total Current Provisions	65,574	61,083
Non-Current Employee Benefits and Related On Costs		
Long Service Leave - Consequential On costs	451	378
Other	-	-
Total Non-Current Provisions	451	378
Aggregate Employee Benefits and Related On Costs		
Provisions - Current	65,574	61,083
Provisions - Non-Current	451	378
Accrued Salaries, Wages and On Costs	13,289	11,438
Total	79,314	72,899

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014

5. Financial Instruments

The Entity's principal financial instruments are outlined below. The Entity's financial instruments arise directly from the Entity's operations or are required to finance the entity's operations.

The Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Entity's main risks arising from financial instruments are outlined below, together with the Entity'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. The Entity carries minimal risks within its operation as it carries only the value of employee provisions and accrued salaries and wages offset in full by accounts receivable from the Parent Entity. Risk management policies are established by the Parent Entity to identify and analyse the risk faced by the Entity, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee, Board Finance and Performance Committee and Internal auditors of the Parent Entity on a regular basis.

a) Financial Instruments Categories

		Actual 2014 \$000	Actual 2013 \$000
Financial Assets			
Class:	Category		
Receivables (note 2) ¹	Receivables measured at amortised cost	79,314	72,899
Total Financial Assets		79,314	72,899
Financial Liabilities			
Class:	Category		
Payables (note 3) ²	Financial liabilities measured at amortised cost	8,647	7,253
Total Financial Liabilities		8,647	7,253

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

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

b) Credit Risk

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the Entity i.e. receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

Illawarra Shoalhaven Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014

Receivables - trade debtors

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The parent entity of the Illawarra Shoalhaven Local Health District Special Purpose Service Entity is the sole debtor of the Entity and it is assessed that there is no risk of default. No accounts receivables are classified as past due but not Impaired or 'Considered Impaired'.

c) Liquidity Risk

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due. No such risk exists with the Entity not having any cash flows. All movements that occur in Payables are fully offset by an increase in Receivables from the Illawarra Shoalhaven Local Health District.

d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Entity's exposures to market risk are considered to be minimal and the Entity has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through interest bearing liabilities.

However the Entity has no such liabilities and the interest rate is assessed as Nil. Similarly it is considered that the Entity is not exposed to other price risks.

e) Fair Value

Financial instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates fair value because of the short term nature of the financial instruments.

6. Related Parties

The Illawarra Shoalhaven Local Health District is deemed to control the Illawarra Shoalhaven Local Health District Special Purpose Service Entity in accordance with Australian Accounting Standards. The controlling entity is incorporated under the Health Services Act 1997.

Transactions and balances in these financial statements relate only to the Entity's function as provider of personnel services to the controlling entity. The Entity's total income is sourced from the Illawarra Shoalhaven Local Health District.

Cash receipts and payments are effected by the Illawarra Shoalhaven Local Health District on the entity's behalf.

7. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS