



## INDEPENDENT AUDITOR'S REPORT

### Northern Sydney Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Northern Sydney 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 their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (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 entity'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 entity'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.



Chris Clayton  
Director, Financial Audit Services

30 September 2014  
SYDNEY

**Northern Sydney 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 Northern Sydney 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 Northern Sydney 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.



Adj. Assoc. Professor Vicki Taylor  
Chief Executive

17-09-2014



Lee Gregory

Director Finance & Corporate Services

17.9.14.



Northern Sydney Local Health District  
Statement of Financial Position as at 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
<b>ASSETS</b>						
<b>Current Assets</b>						
100,326	85,160	84,071	19	100,326	85,160	84,071
61,751	70,564	70,437	20	61,751	70,564	70,437
10,382	10,283	10,282	21	10,382	10,283	10,282
----	6,331	----	24	----	6,331	----
<b>172,459</b>	<b>172,338</b>	<b>164,790</b>		<b>172,459</b>	<b>172,338</b>	<b>164,790</b>
<b>Non-Current Assets</b>						
1,223	1,296	1,296	20	1,223	1,296	1,296
Property, Plant & Equipment						
1,665,499	1,640,034	1,501,705	22	1,665,499	1,640,034	1,501,705
86,446	80,644	93,212	22	86,446	80,644	93,212
63,506	66,169	66,166	22	63,506	66,169	66,166
401	501	501	22	401	501	501
<b>1,815,852</b>	<b>1,787,348</b>	<b>1,661,584</b>		<b>1,815,852</b>	<b>1,787,348</b>	<b>1,661,584</b>
335	----	----	23	335	----	----
6,736	----	6,331	24	6,736	----	6,331
<b>1,824,146</b>	<b>1,788,644</b>	<b>1,669,211</b>		<b>1,824,146</b>	<b>1,788,644</b>	<b>1,669,211</b>
<b>1,996,605</b>	<b>1,960,982</b>	<b>1,834,001</b>		<b>1,996,605</b>	<b>1,960,982</b>	<b>1,834,001</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
100,208	81,938	77,263	27	100,208	81,938	77,263
128,240	132,003	125,144	29	128,240	132,003	125,144
4,430	4,133	4,000	30	4,430	4,133	4,000
<b>232,878</b>	<b>218,074</b>	<b>206,407</b>		<b>232,878</b>	<b>218,074</b>	<b>206,407</b>
<b>Non-Current Liabilities</b>						
699,105	669,842	669,842	28	699,105	669,842	669,842
771	878	656	29	771	878	656
27,672	29,007	29,007	30	27,672	29,007	29,007
<b>727,548</b>	<b>699,727</b>	<b>699,505</b>		<b>727,548</b>	<b>699,727</b>	<b>699,505</b>
<b>960,426</b>	<b>917,801</b>	<b>905,912</b>		<b>960,426</b>	<b>917,801</b>	<b>905,912</b>
<b>1,036,179</b>	<b>1,043,181</b>	<b>928,089</b>		<b>1,036,179</b>	<b>1,043,181</b>	<b>928,089</b>
<b>EQUITY</b>						
35,805	40,955	35,387		35,805	40,955	35,387
1,000,374	1,002,226	892,702		1,000,374	1,002,226	892,702
<b>1,036,179</b>	<b>1,043,181</b>	<b>928,089</b>		<b>1,036,179</b>	<b>1,043,181</b>	<b>928,089</b>

The accompanying notes form part of these financial statements.

**Northern Sydney 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
<b>Balance at 1 July 2013</b>		892,702	35,387	928,089
<b>Total Equity at 1 July 2013</b>		<b>892,702</b>	<b>35,387</b>	<b>928,089</b>
<b>Net Result for the year</b>		108,090		108,090
<b>Other Comprehensive Income:</b>				
Available for Sale Financial Assets:				
-Transfers on Disposal		(418)	418	-----
<b>Total Other Comprehensive Income</b>		<b>(418)</b>	<b>418</b>	<b>-----</b>
<b>Total Comprehensive Income for the year</b>		<b>107,672</b>	<b>418</b>	<b>108,090</b>
<b>Balance at 30 June 2014</b>		<b>1,000,374</b>	<b>35,805</b>	<b>1,036,179</b>
<b>Balance at 1 July 2012</b>		879,027	40,955	919,982
<b>Total Equity at 1 July 2012</b>		<b>879,027</b>	<b>40,955</b>	<b>919,982</b>
<b>Net Result for the year</b>		11,665		11,665
<b>Other Comprehensive Income:</b>				
Available for Sale Financial Assets:				
-Transfers on Disposal		5,568	(5,568)	-----
<b>Total Other Comprehensive Income</b>		<b>5,568</b>	<b>(5,568)</b>	<b>-----</b>
<b>Total Comprehensive Income for the year</b>		<b>17,233</b>	<b>(5,568)</b>	<b>11,665</b>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	38	(3,558)	-----	(3,558)
<b>Balance at 30 June 2013</b>		<b>892,702</b>	<b>35,387</b>	<b>928,089</b>

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District  
Statement of Cash Flows for the year ended 30 June 2014

PARENT							CONSOLIDATION		
Actual	Budget <small>Unaudited</small>	Actual		Notes	Actual	Budget <small>Unaudited</small>	Actual		
2014 \$000	2014 \$000	2013 \$000			2014 \$000	2014 \$000	2013 \$000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
<b>Payments</b>									
		---	Employee Related		(831,427)	(815,084)	(785,699)		
(63,354)	(63,892)	(74,422)	Grants and Subsidies		(63,354)	(63,892)	(74,422)		
(15,420)	(15,901)	(5,106)	Finance Costs		(15,420)	(15,901)	(5,106)		
(1,241,513)	(1,236,911)	(1,218,232)	Other		(410,086)	(421,827)	(432,533)		
<u>(1,320,287)</u>	<u>(1,316,704)</u>	<u>(1,297,760)</u>	<b>Total Payments</b>		<u>(1,320,287)</u>	<u>(1,316,704)</u>	<u>(1,297,760)</u>		
<b>Receipts</b>									
1,016,610	1,003,206	989,604	NSW Ministry of Health Recurrent Allocations		1,016,610	1,003,206	989,604		
187,909	188,078	114,710	NSW Ministry of Health Capital Allocations		187,909	188,078	114,710		
(9,726)	---	---	Asset Sale Proceeds Transferred to the NSW Ministry of Health		(9,726)	---	---		
12,803	12,803	13,015	Reimbursements from the Crown Entity		12,803	12,803	13,015		
215,415	191,380	180,499	Sale of Goods and Services		215,415	191,380	180,499		
2,755	3,983	2,449	Interest Received		2,755	3,983	2,449		
44,759	42,809	42,983	Grants and Contributions		44,759	42,809	42,983		
46,724	56,155	48,646	Other		46,724	56,155	48,646		
<u>1,517,249</u>	<u>1,498,414</u>	<u>1,391,906</u>	<b>Total Receipts</b>		<u>1,517,249</u>	<u>1,498,414</u>	<u>1,391,906</u>		
<u>196,962</u>	<u>181,710</u>	<u>94,146</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	34	<u>196,962</u>	<u>181,710</u>	<u>94,146</u>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
32	7,712	7,507	Proceeds from Sale of Property, Plant & Equipment and Intangibles		32	7,712	7,507		
(180,739)	(188,333)	(107,249)	Purchases of Property, Plant & Equipment and Intangibles		(180,739)	(188,333)	(107,249)		
<u>(180,707)</u>	<u>(180,621)</u>	<u>(99,742)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>(180,707)</u>	<u>(180,621)</u>	<u>(99,742)</u>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
---	---	---	Repayment of Borrowings and Advances		---	---	---		
----	----	----	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		----	----	----		
16,255	1,089	(5,596)	<b>NET INCREASE / (DECREASE) IN CASH</b>		16,255	1,089	(5,596)		
84,071	84,071	89,667	Opening Cash and Cash Equivalents		84,071	84,071	89,667		
<u>100,326</u>	<u>85,160</u>	<u>84,071</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	19	<u>100,326</u>	<u>85,160</u>	<u>84,071</u>		

The accompanying notes form part of these financial statements.

Northern Sydney Local Health District  
Service Group Statements  
for the year ended 30 June 2014

NSLHD 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	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																							
Operating Expenses																							
Employee Related	32,749	39,274	424	193	105,241	84,671	78,498	69,271	363,136	350,754	135,936	112,687	64,438	75,459	12,585	11,116	71,148	68,721					864,154
Visiting Medical Officers	464	217	1		5,778	6,356	3,401	3,357	30,313	29,424	1,513	891	1,094	403	1,001	1,168	4,281	4,224					47,846
Other Operating Expenses	11,781	10,443	93	46	69,520	61,666	24,876	22,988	166,099	161,936	24,028	15,419	18,646	19,913	4,988	4,110	17,876	18,334					337,908
Depreciation and Amortisation	832	1,246	7	7	10,776	9,965	4,617	4,006	25,778	23,909	5,314	4,450	2,680	2,103	435	467	4,178	4,274					54,618
Grants and Subsidies	6,906	9,422	1	1		23		1	15	9	1,228	1,179	5,764	7,412	191	156	1,254	352					15,358
Finance Costs	213	132			3,087	1,090	1,056	283	8,440	2,916	699	16	665	175	6		1,253	498					15,420
Payments to Affiliated Health Organisations		478								24	31	5,466	41,273	40,830				954					41,304
Total Expenses excluding losses	52,945	61,212	526	247	194,402	163,771	112,448	99,906	593,781	568,972	168,749	140,108	134,560	146,295	19,206	17,017	99,990	97,357					1,376,608
Revenue																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Transfers to the NSW Ministry of Health	(9,726)																						
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	2,048	1,253	14	3	4,356	2,924	3,618	2,074	17,115	11,687	5,564	3,401	2,634	2,170	646	267	3,582	1,695					25,474
Sale of Goods and Services	474	1,548	1		35,618	1,421	1,324	5,456	136,587	136,028	10,846	9,297	18,893	38,197	86	71	767	1,217					193,235
Investment Revenue	29	6			550	227	56	59	2,113	1,699	212	102	334	596	8	8	48	4					2,701
Grants and Contributions	852	899	45		4,850	6,035	260	54	5,617	2,782	1,299	516	13,191	14,836	5,660	6,633	8,057	6,884					38,639
Other Revenue	258	30	1		742	1,095	256	140	3,068	2,739	549	183	473	497	41	99	247	142					5,634
Total Revenue	(6,065)	3,736	61	3	46,116	11,702	5,514	7,783	164,500	154,935	18,470	13,499	35,525	56,296	6,441	7,078	12,701	9,942					1,487,779
Gain / (Loss) on Disposal	(3)	(1,637)		(2)	(19)	(7,288)	(10)	(4,282)	(81)	(28,686)	(20)	(6,398)	(12)	(4,846)	(1)	(306)	(10)	(4,283)					(156)
Other Gains / (Losses)	(58)	(160)			(314)	(543)	(184)	(346)	(1,312)	(2,364)	(618)	(753)	(235)	(437)	(12)	(22)	(192)	(385)					(2,925)
Net Result	(59,071)	(59,273)	(465)	(246)	(148,619)	(159,900)	(107,128)	(96,751)	(430,674)	(445,087)	(150,917)	(133,760)	(99,282)	(95,282)	(12,778)	(10,267)	(87,491)	(92,083)					108,090
Total Comprehensive Income	(59,071)	(59,273)	(465)	(246)	(148,619)	(159,900)	(107,128)	(96,751)	(430,674)	(445,087)	(150,917)	(133,760)	(99,282)	(95,282)	(12,778)	(10,267)	(87,491)	(92,083)					108,090

\* The name and purpose of each service group is summarised in Note 18

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



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

NSLHD 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
<b>ASSETS</b>																								
Current Assets																								
Cash and Cash Equivalents	3,659	3,974	38	16	14,168	10,633	8,195	6,486	43,274	36,941	12,288	9,097	9,807	9,498	1,400	1,105	7,287	6,321					100,326	84,071
Receivables	143	564			10,750	518	400	1,989	41,224	49,584	3,274	3,389	5,702	13,923	26	26	232	444					61,751	70,437
Inventories	362	341	3	1	2,136	2,014	754	751	5,103	5,288	738	504	573	650	153	134	549	599					10,382	10,282
<b>Total Current Assets</b>	<b>4,364</b>	<b>4,879</b>	<b>41</b>	<b>17</b>	<b>27,054</b>	<b>13,165</b>	<b>9,359</b>	<b>9,226</b>	<b>89,601</b>	<b>91,813</b>	<b>16,310</b>	<b>12,980</b>	<b>16,082</b>	<b>24,071</b>	<b>1,579</b>	<b>1,265</b>	<b>8,068</b>	<b>7,364</b>					<b>172,459</b>	<b>164,790</b>
Non-Current Assets																								
Receivables	3	10			213	10	8	37	816	912	65	62	113	256	1		5	9					1,223	1,296
Property, Plant and Equipment																								
- Land and Buildings	25,376	37,110	198	195	328,593	296,742	140,803	119,296	786,079	711,994	162,054	132,528	81,723	62,637	13,263	13,916	127,410	127,288					1,665,499	1,501,705
- Plant and Equipment	1,317	2,303	10	12	17,055	18,419	7,308	7,405	40,801	44,194	8,411	8,226	4,242	3,888	688	864	6,613	7,900					86,446	93,212
- Infrastructure Systems	968	1,635	8	9	12,529	13,075	5,369	5,256	29,973	31,371	6,179	5,839	3,116	2,760	506	613	4,858	5,608					63,506	66,166
- Leasehold Improvements	6	12			79	99	34	39	189	238	39	44	20	21	3	5	31	42					401	501
Intangible Assets	5				66		28		158		33		16		3		26						335	
Other	259	289	3	1	951	801	550	488	2,905	2,782	826	685	658	715	94	83	489	477					6,736	6,331
<b>Total Non-Current Assets</b>	<b>27,934</b>	<b>41,369</b>	<b>219</b>	<b>217</b>	<b>359,486</b>	<b>329,146</b>	<b>154,100</b>	<b>132,521</b>	<b>860,921</b>	<b>791,491</b>	<b>177,607</b>	<b>147,384</b>	<b>89,888</b>	<b>70,277</b>	<b>14,558</b>	<b>15,481</b>	<b>139,432</b>	<b>141,324</b>					<b>1,824,146</b>	<b>1,665,211</b>
<b>TOTAL ASSETS</b>	<b>32,298</b>	<b>46,248</b>	<b>260</b>	<b>234</b>	<b>386,540</b>	<b>342,311</b>	<b>163,459</b>	<b>141,747</b>	<b>950,522</b>	<b>883,304</b>	<b>193,917</b>	<b>160,374</b>	<b>105,970</b>	<b>94,348</b>	<b>16,137</b>	<b>16,746</b>	<b>147,500</b>	<b>148,688</b>					<b>1,996,605</b>	<b>1,834,001</b>
<b>LIABILITIES</b>																								
Current Liabilities																								
Payables	3,494	2,563	28	11	20,616	15,132	7,377	5,641	49,257	39,738	7,126	3,784	5,530	4,887	1,479	1,009	5,301	4,498					100,208	77,263
Provisions	4,860	6,052	63	30	15,618	13,047	11,649	10,674	53,889	54,048	20,173	17,364	9,563	11,628	1,868	1,713	10,558	10,588					128,240	125,144
Other	170	189	2	1	626	506	362	309	1,911	1,758	543	433	433	452	62	53	322	299					4,430	4,000
<b>Total Current Liabilities</b>	<b>8,524</b>	<b>8,804</b>	<b>93</b>	<b>42</b>	<b>36,860</b>	<b>28,685</b>	<b>19,388</b>	<b>16,624</b>	<b>105,057</b>	<b>95,544</b>	<b>27,842</b>	<b>21,581</b>	<b>15,526</b>	<b>16,967</b>	<b>3,409</b>	<b>2,775</b>	<b>16,181</b>	<b>15,385</b>					<b>232,878</b>	<b>206,407</b>
Non-Current Liabilities																								
Borrowings	26,888	31,665	267	128	98,726	84,718	57,106	51,681	301,549	294,328	85,699	72,478	68,336	75,678	9,754	8,803	50,780	50,363					699,105	669,842
Provisions	29	32			94	68	70	56	324	283	121	91	57	61	11	9	63	56					771	656
Other	1,064	1,371	11	6	3,908	3,669	2,260	2,238	11,936	12,746	3,392	3,139	2,705	3,277	386	381	2,010	2,180					27,672	29,007
<b>Total Non-Current Liabilities</b>	<b>27,981</b>	<b>33,068</b>	<b>278</b>	<b>134</b>	<b>102,728</b>	<b>88,455</b>	<b>59,436</b>	<b>53,975</b>	<b>313,809</b>	<b>307,357</b>	<b>89,212</b>	<b>75,708</b>	<b>71,098</b>	<b>79,016</b>	<b>10,151</b>	<b>9,193</b>	<b>52,853</b>	<b>52,599</b>					<b>727,548</b>	<b>699,505</b>
<b>TOTAL LIABILITIES</b>	<b>36,505</b>	<b>41,872</b>	<b>371</b>	<b>176</b>	<b>139,588</b>	<b>117,140</b>	<b>78,824</b>	<b>70,599</b>	<b>418,866</b>	<b>402,901</b>	<b>117,054</b>	<b>97,289</b>	<b>86,624</b>	<b>95,983</b>	<b>13,560</b>	<b>11,968</b>	<b>69,034</b>	<b>67,984</b>					<b>960,426</b>	<b>905,912</b>
<b>NET ASSETS</b>	<b>(4,207)</b>	<b>4,376</b>	<b>(111)</b>	<b>58</b>	<b>246,952</b>	<b>225,171</b>	<b>84,635</b>	<b>71,148</b>	<b>531,665</b>	<b>480,403</b>	<b>76,863</b>	<b>63,085</b>	<b>19,346</b>	<b>(1,635)</b>	<b>2,577</b>	<b>4,778</b>	<b>78,466</b>	<b>80,704</b>					<b>1,036,179</b>	<b>928,089</b>

\* The name and purpose of each service group is summarised in Note 18

Northern Sydney Local Health District  
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## 1. The Reporting Entity

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

The NSLHD 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 Northern Sydney 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 NSLHD 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 NSLHD 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 17 September 2014.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The NSLHD'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 NSLHD'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(aa).

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

The Secretary of Health, the Chair of Northern Sydney Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the NSLHD'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 NSLHD 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.

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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 NSLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- \* The NSLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the NSLHD 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).

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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 NSLHD has assessed the actuarial advice based on the NSLHD'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 NSLHD'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 NSLHD 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 NSLHD as shown in Note 29.

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 NSLHD 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.

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**b) Insurance**

The NSLHD'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 NSLHD transfers the significant risks and rewards of ownership of the assets.

*Rendering of Services*

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

*Patient Fees*

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

*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 NSLHD, recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

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*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 NSLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

*Investment Revenue*

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

*Use of Outside Facilities*

The NSLHD 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 NSLHD 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 NSLHD 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.

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**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 NSLHD 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(x)).

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 NSLHD are deemed to be controlled by the NSLHD 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.

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**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 NSLHD. 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%

"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.



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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 25 for further information regarding fair value.

The NSLHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the NSLHD was completed in the 30 June 2012 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.

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**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 NSLHD does not have any property that meets the definition of Investment Property.

**n) Intangible Assets**

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

Computer software developed or acquired by the NSLHD 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.

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**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.

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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 NSLHD 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 NSLHD 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 NSLHD's key management personnel.

The risk management strategy of the NSLHD 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'.

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 NSLHD 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.

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**t) 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 NSLHD transfers the financial asset:

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

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

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

**u) Payables**

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

**v) 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.

**w) Fair Value Hierarchy**

A number of the NSLHD'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 NSLHD 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 NSLHD recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 25 and Note 39 for further disclosures regarding fair value measurements of financial and non-financial assets.

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

**y) 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 NSLHD's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

**(iii) Separate Reserves**

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

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**z) Trust Funds**

The NSLHD receives monies in a trustee capacity for various trusts as set out in Note 32.

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

**aa) 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".

**ab) Emerging Asset**

The NSLHD's emerging interest in the Royal North Shore Hospital Car Park has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the NSLHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 0.06 at commencement of the concession period.

**ac) Service Group Statements Allocation Methodology**

Using the statistical data for twelve months ending 30 June 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 NSLHD 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.

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**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 25.

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 29.

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 NSLHD 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.



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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.

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	545,014	522,086
----	----	Overtime	25,231	29,317
----	----	Penalties	56,980	53,766
----	----	Superannuation - Defined Benefit Plans	9,508	10,049
----	----	Superannuation - Defined Contribution Plans	63,311	57,003
----	----	Long Service Leave	32,360	15,579
----	----	Annual Leave	75,497	71,485
----	----	Sick Leave and Other Leave	42,569	39,193
----	----	Redundancies	4,586	2,921
----	----	Workers' Compensation Insurance	8,979	10,699
----	----	Fringe Benefits Tax	119	48
-----	-----		<b>864,154</b>	<b>812,146</b>
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
545,014	522,086	Salaries and Wages	----	----
25,231	29,317	Overtime	----	----
56,980	53,766	Penalties	----	----
63,311	57,003	Superannuation - Defined Contribution Plans	----	----
2,291	154	Long Service Leave	----	----
75,497	71,485	Annual Leave	----	----
42,569	39,193	Sick Leave and Other Leave	----	----
4,586	2,921	Redundancies	----	----
8,979	10,699	Workers' Compensation Insurance	----	----
119	48	Fringe Benefits Tax	----	----
<b>824,577</b>	<b>786,672</b>		-----	-----
<b>5. Other Operating Expenses</b>				
271	247	Advertising	271	247
225	156	Auditor's Remuneration - Audit of Financial Statements	225	156
7,679	6,841	Blood and Blood Products	7,679	6,841
2	72	Capital Project Expense	2	72
758	355	Consultancies	758	355
13,044	12,027	Domestic Supplies and Services	13,044	12,027
42,945	40,507	Drug Supplies	42,945	40,507
13,223	13,260	Food Supplies	13,223	13,260
11,583	13,342	Fuel, Light and Power	11,583	13,342
64,652	57,911	Other (See (a) below)	64,652	57,911
3,508	3,531	Hospital Ambulance Transport Costs	3,508	3,531
15,465	11,595	Information Management Expenses	15,465	11,595
1,344	1,397	Insurance	1,344	1,397
31,322	25,685	Maintenance (See (b) below)	31,322	25,685
69,230	65,271	Medical and Surgical Supplies	69,230	65,271
1,854	1,708	Motor Vehicle Expenses	1,854	1,708
2,635	2,036	Postal and Telephone Costs	2,635	2,036
2,266	2,178	Printing and Stationery	2,266	2,178
1,526	1,857	Rates and Charges	1,526	1,857
1,997	1,410	Rental	1,997	1,410
41,935	41,053	Special Service Departments	41,935	41,053
5,642	7,600	Staff Related Costs	5,642	7,600
4,802	4,816	Travel Related Costs	4,802	4,816
<b>337,908</b>	<b>314,855</b>		<b>337,908</b>	<b>314,855</b>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>(a) Other Includes:</b>		
3	—	Aircraft Expenses (Ambulance)	3	—
2,945	27	Contract for Patient Services	2,945	27
5,812	5,161	Corporate Support Services	5,812	5,161
630	811	Courier and Freight	630	811
12	15	Isolated Patient Travel and Accommodation Assistance Scheme	12	15
402	418	Legal Services	402	418
615	464	Membership/Professional Fees	615	464
1,774	1,613	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,774	1,613
41,730	41,688	Public Private Partnership	41,730	41,688
599	472	Other Operating Lease Expense - Minimum Lease Payments	599	472
37	118	Quality Assurance/Accreditation	37	118
338	330	Security Services	338	330
—	555	Services Purchased from Health Reform Transition Organisations	—	555
9,755	6,239	Other Miscellaneous	9,755	6,239
<u>64,652</u>	<u>57,911</u>		<u>64,652</u>	<u>57,911</u>
		<b>(b) Reconciliation of Total Maintenance</b>		
11,375	8,269	Maintenance Contracts	11,375	8,269
15,784	12,368	New/Replacement Equipment under \$10,000	15,784	12,368
5,154	5,830	Repairs Maintenance/Non Contract	5,154	5,830
(991)	(782)	Other	(991)	(782)
31,322	25,685	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	31,322	25,685
3,519	4,010	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	3,519	4,010
<u>34,841</u>	<u>29,695</u>	Total Maintenance Expenses	<u>34,841</u>	<u>29,695</u>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>6. Depreciation and Amortisation</b>				
36,331	34,139	Depreciation - Buildings	36,331	34,139
15,444	14,388	Depreciation - Plant and Equipment	15,444	14,388
2,660	1,799	Depreciation - Infrastructure Systems	2,660	1,799
100	101	Amortisation - Leasehold Improvements	100	101
83	-----	Amortisation - Intangible Assets	83	-----
<b><u>54,618</u></b>	<b><u>50,427</u></b>		<b><u>54,618</u></b>	<b><u>50,427</u></b>
<b>7. Grants and Subsidies</b>				
7,555	7,972	Non-Government Organisations	7,555	7,972
2,073	2,186	Community Aged Care Packages	2,073	2,186
952	592	Grants to Research Organisations	952	592
4,778	7,805	Other Grants	4,778	7,805
<b><u>15,358</u></b>	<b><u>18,555</u></b>		<b><u>15,358</u></b>	<b><u>18,555</u></b>
<b>8. Finance Costs</b>				
15,420	5,105	Finance Lease Interest Charges	15,420	5,105
-----	4	Interest on Loans	-----	4
-----	1	Other Interest Charges	-----	1
<b><u>15,420</u></b>	<b><u>5,110</u></b>		<b><u>15,420</u></b>	<b><u>5,110</u></b>
<b>9. Payments to Affiliated Health Organisations</b>				
(a) Recurrent Sourced				
20,649	23,875	Greenwich & Neringah Hospitals (Hope Healthcare)	20,649	23,875
20,655	23,877	Royal Rehabilitation Centre Sydney	20,655	23,877
<b><u>41,304</u></b>	<b><u>47,752</u></b>		<b><u>41,304</u></b>	<b><u>47,752</u></b>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>10. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
376	605	Pharmacy Sales	376	605
9,750	7,558	Sale of Prosthesis	9,750	7,558
3,612	2,684	Other	3,612	2,684
(b) Rendering of Services comprise the following:-				
		Patient Fees		
82,641	77,922	- Inpatient Fees	82,641	77,922
111	66	- Nursing Home Fees	111	66
2,337	2,122	- Non Inpatient Fees	2,337	2,122
29,468	33,445	Department of Veterans' Affairs	29,468	33,445
19	47	Staff-Meals and Accommodation	19	47
18,655	15,219	Infrastructure Fees - Monthly Facility Charge	18,655	15,219
7,623	5,439	- Annual Charge	7,623	5,439
145	69	Car Parking	145	69
2,961	2,721	Child Care Fees	2,961	2,721
523	232	Clinical Services (excluding Clinical Drug Trials)	523	232
2,551	2,499	Commercial Activities	2,551	2,499
117	126	Fees for Medical Records	117	126
2	5	Information Retrieval	2	5
11,110	11,855	High Cost Drugs	11,110	11,855
14,866	10,995	Motor Accident Authority Third Party	14,866	10,995
179	171	Private Use of Motor Vehicles	179	171
438	404	Salary Packaging Fee	438	404
8,565	10,107	Hosted services provided to Other LHDs	8,565	10,107
2,551	2,836	Services Provided to Non NSW Health Organisations	2,551	2,836
21	76	Shared Corporate Services	21	76
5,976	6,032	Other	5,976	6,032
<b>204,597</b>	<b>193,235</b>		<b>204,597</b>	<b>193,235</b>
<b>11. Investment Revenue</b>				
2,755	2,449	Interest	2,755	2,449
593	252	Other	593	252
<b>3,348</b>	<b>2,701</b>		<b>3,348</b>	<b>2,701</b>

Northern Sydney Local Health District  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>12. Grants and Contributions</b>				
1,576	1,825	Clinical Drug Trials	1,576	1,825
11,735	10,552	Commonwealth Government Grants	11,735	10,552
8,293	8,505	Industry Contributions/Donations	8,293	8,505
6,710	5,784	Cancer Institute Grants	6,710	5,784
2,557	2,908	NSW Government Grants	2,557	2,908
2,871	923	Research Grants	2,871	923
6,088	8,142	Other Grants	6,088	8,142
<u>39,830</u>	<u>38,639</u>		<u>39,830</u>	<u>38,639</u>
<b>13. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	9,508	10,049
----	----	Long Service Leave	30,069	15,425
<u>----</u>	<u>----</u>		<u>39,577</u>	<u>25,474</u>
<b>14. Other Revenue</b>				
Other Revenue comprises the following:-				
(16)	28	Bad Debts Recovered	(16)	28
66	137	Commissions	66	137
120	135	Conference and Training Fees	120	135
239	37	Insurance Refunds	239	37
3,910	2,980	Lease and Rental Income	3,910	2,980
85	96	Sale of Merchandise, Old Wares and Books	85	96
150	399	Sponsorship Income	150	399
----	918	Treasury Managed Fund Hindsight Adjustment	----	918
1,080	195	Other	1,080	195
<u>5,634</u>	<u>4,925</u>		<u>5,634</u>	<u>4,925</u>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>15. Gain / (Loss) on Disposal</b>		
4,100	416,957	Property, Plant and Equipment	4,100	416,957
<u>3,912</u>	<u>351,137</u>	Less: Accumulated Depreciation	<u>3,912</u>	<u>351,137</u>
<b>188</b>	<b>65,820</b>	<b>Written Down Value</b>	<b>188</b>	<b>65,820</b>
<u>32</u>	<u>196</u>	Less: Proceeds from Disposal	<u>32</u>	<u>196</u>
<b>(156)</b>	<b>(65,624)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(156)</b>	<b>(65,624)</b>
----	----	Financial Assets at Fair Value	----	----
<u>----</u>	<u>380</u>	Less: Proceeds from Disposal	<u>----</u>	<u>380</u>
<b>----</b>	<b>380</b>	<b>Gain/(Loss) on Disposal of Financial Assets at Fair Value</b>	<b>----</b>	<b>380</b>
----	----	Assets Held for Sale	----	----
<u>----</u>	<u>7,516</u>	Less: Proceeds from Disposal	<u>----</u>	<u>7,516</u>
<b>----</b>	<b>7,516</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>----</b>	<b>7,516</b>
<b>(156)</b>	<b>(57,728)</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(156)</b>	<b>(57,728)</b>
		<b>16. Other Gains / (Losses)</b>		
<u>(2,925)</u>	<u>(5,010)</u>	Impairment of Receivables	<u>(2,925)</u>	<u>(5,010)</u>
<b>(2,925)</b>	<b>(5,010)</b>		<b>(2,925)</b>	<b>(5,010)</b>

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**PARENT & CONSOLIDATION**

**17. 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	155	23,016	119	23,290
Contributions recognised in previous years which were not expended in the current reporting period	1,268	58,791	516	60,575
Total amount of unexpended contributions as at balance date	1,423	81,807	635	83,865

Comment on restricted assets appears in Note 26



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18. Service Groups of the NSLHD

**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.

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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
		<b>19. Cash and Cash Equivalents</b>		
39,868	26,544	Cash at Bank and On Hand	39,868	26,544
<u>60,458</u>	<u>57,527</u>	Short Term Deposits	<u>60,458</u>	<u>57,527</u>
<u><b>100,326</b></u>	<u><b>84,071</b></u>		<u><b>100,326</b></u>	<u><b>84,071</b></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 &amp; cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>100,326</u>	<u>84,071</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>100,326</u>	<u>84,071</u>
<u><b>100,326</b></u>	<u><b>84,071</b></u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u><b>100,326</b></u>	<u><b>84,071</b></u>

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

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>20. Receivables</b>		
		<b>Current</b>		
32,226	45,224	Sale of Goods and Services	32,226	45,224
12,814	11,920	Intra Health Receivables	12,814	11,920
5,591	3,370	Goods and Services Tax	5,591	3,370
9,813	10,108	Other Debtors	9,813	10,108
<u>60,444</u>	<u>70,622</u>	<b>Sub Total</b>	<u>60,444</u>	<u>70,622</u>
(5,479)	(4,755)	Less Allowance for Impairment	(5,479)	(4,755)
54,965	65,867	<b>Sub Total</b>	54,965	65,867
6,786	4,570	Prepayments	6,786	4,570
<u><b>61,751</b></u>	<u><b>70,437</b></u>		<u><b>61,751</b></u>	<u><b>70,437</b></u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(3,071)	(1,646)	Balance at Commencement of Reporting Period	(3,071)	(1,646)
1,507	3,140	Amounts written off during the period	1,507	3,140
(3,198)	(4,565)	(Increase)/decrease in Allowance Recognised In	(3,198)	(4,565)
(4,761)	(3,071)	the Income Statement	(4,761)	(3,071)
		Balance at 30 June	(4,761)	(3,071)
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(1,684)	(1,370)	Balance at Commencement of Reporting Period	(1,684)	(1,370)
694	130	Amounts written off during the period	694	130
272	(445)	(Increase)/decrease in Allowance Recognised in	272	(445)
(718)	(1,684)	the Income Statement	(718)	(1,684)
		Balance at 30 June	(718)	(1,684)
<u>(5,479)</u>	<u>(4,755)</u>		<u>(5,479)</u>	<u>(4,755)</u>
		<b>Non-Current</b>		
1,223	1,296	Prepayments	1,223	1,296
<u>1,223</u>	<u>1,296</u>		<u>1,223</u>	<u>1,296</u>
		The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
1,470	1,372	Patient Fees - Compensable	1,470	1,372
5,007	4,414	Patient Fees - Ineligible	5,007	4,414
13,643	16,309	Patient Fees - Inpatient & Other	13,643	16,309
<u>20,120</u>	<u>22,095</u>		<u>20,120</u>	<u>22,095</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	2013		2014	2013
\$000	\$000		\$000	\$000
<b>21. Inventories - Current - Held for Distribution</b>				
2,304	2,551	Drugs	2,304	2,551
6,240	5,817	Medical and Surgical Supplies	6,240	5,817
80	85	Engineering Supplies	80	85
<u>1,758</u>	<u>1,829</u>	Other Including Goods in Transit	<u>1,758</u>	<u>1,829</u>
<u><b>10,382</b></u>	<u><b>10,282</b></u>		<u><b>10,382</b></u>	<u><b>10,282</b></u>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>22. Property, Plant and Equipment</b>				
		<b>Land and Buildings - Fair Value</b>		
2,142,663	1,944,871	Gross Carrying Amount	2,142,663	1,944,871
<u>477,164</u>	<u>443,166</u>	Less: Accumulated Depreciation and Impairment	<u>477,164</u>	<u>443,166</u>
<b><u>1,665,499</u></b>	<b><u>1,501,705</u></b>	Net Carrying Amount	<b><u>1,665,499</u></b>	<b><u>1,501,705</u></b>
		<b>Plant and Equipment - Fair Value</b>		
162,304	154,453	Gross Carrying Amount	162,304	154,453
<u>75,858</u>	<u>61,241</u>	Less: Accumulated Depreciation and Impairment	<u>75,858</u>	<u>61,241</u>
<b><u>86,446</u></b>	<b><u>93,212</u></b>	Net Carrying Amount	<b><u>86,446</u></b>	<b><u>93,212</u></b>
		<b>Infrastructure Systems - Fair Value</b>		
106,397	106,398	Gross Carrying Amount	106,397	106,398
<u>42,891</u>	<u>40,232</u>	Less: Accumulated Depreciation and Impairment	<u>42,891</u>	<u>40,232</u>
<b><u>63,506</u></b>	<b><u>66,166</u></b>	Net Carrying Amount	<b><u>63,506</u></b>	<b><u>66,166</u></b>
		<b>Leasehold Improvements - Fair Value</b>		
1,006	1,006	Gross Carrying Amount	1,006	1,006
<u>605</u>	<u>505</u>	Less: Accumulated Depreciation and Impairment	<u>605</u>	<u>505</u>
<b><u>401</u></b>	<b><u>501</u></b>	Net Carrying Amount	<b><u>401</u></b>	<b><u>501</u></b>
<b><u>1,815,852</u></b>	<b><u>1,661,584</u></b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b><u>1,815,852</u></b>	<b><u>1,661,584</u></b>

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**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	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2014</b>						
Net Carrying Amount at Start of Year	324,103	1,177,603	93,212	66,166	501	1,661,585
Additions	-----	200,457	8,758	-----	-----	209,215
Reclassifications to Intangibles	-----	-----	219	-----	-----	219
Disposals	-----	(114)	(80)	-----	-----	(194)
Depreciation Expense	-----	(36,331)	(15,444)	(2,660)	(100)	(54,535)
Reclassifications	-----	(219)	(219)	-----	-----	(438)
<b>Net Carrying Amount at End of Year</b>	<b>324,103</b>	<b>1,341,396</b>	<b>86,446</b>	<b>63,506</b>	<b>401</b>	<b>1,815,852</b>

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2013</b>						
Net Carrying Amount at Start of Year	321,583	613,369	71,747	35,502	620	1,042,821
Additions	-----	706,736	25,260	-----	-----	731,996
Recognition of Assets Held for Sale	2,520	1,021	-----	-----	-----	3,541
Disposals	-----	(58,414)	(7,406)	-----	-----	(65,820)
Administrative Restructures - Transfers In/(Out)	-----	(388)	(59)	-----	-----	(447)
Depreciation Expense	-----	(34,139)	(14,388)	(1,799)	(101)	(50,427)
Reclassifications	-----	(50,583)	18,058	32,463	(18)	(80)
<b>Net Carrying Amount at End of Year</b>	<b>324,103</b>	<b>1,177,602</b>	<b>93,212</b>	<b>66,166</b>	<b>501</b>	<b>1,661,584</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 25.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the NSLHD [see note 2(g)].
- (ii) Indices provided by Corporeal Pty Ltd were not applied as immaterial.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>23. Intangible Assets</b>		
		<b>Intangibles</b>		
418	-----	Cost (Gross Carrying Amount)	418	-----
83	-----	Less Accumulated Amortisation and Impairment	83	-----
<u>335</u>	<u>-----</u>	<b>Net Carrying Amount</b>	<u>335</u>	<u>-----</u>
<u>335</u>	<u>-----</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>335</u>	<u>-----</u>



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**23. Intangibles - Reconciliation**

	Intangibles \$000
<b>2014</b>	
Net Carrying Amount at Start of Year	-----
Additions (From Internal Development or Acquired Separately)	199
Reclassifications from Plant & Equipment	219
Amortisation (Recognised in Depreciation and Amortisation)	(83)
<b>Net Carrying Amount at End of Year</b>	<b>335</b>

	Intangibles \$000
<b>2013</b>	
Net Carrying Amount at Start of Year	-----
Additions (From Internal Development or Acquired Separately)	-----
Reclassifications from Plant & Equipment	-----
Disposals	-----
Assets Held for Sale	-----
Impairment Losses	-----
Amortisation (Recognised in Depreciation and Amortisation)	-----
Other Movements	-----
<b>Net Carrying Amount at End of Year</b>	<b>-----</b>

Northern Sydney Local Health District  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>24. Other Assets</b>		
		<b>Non-Current</b>		
6,736	6,331	Emerging Rights to Assets (refer Note 2(ab))	6,736	6,331
<u>6,736</u>	<u>6,331</u>		<u>6,736</u>	<u>6,331</u>

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25. 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
<b>2014</b>				
Property, Plant and Equipment (Note 22)*				
- Land and Buildings	----	445,987	1,219,512	1,665,499
- Infrastructure Systems	----	----	63,506	63,506
	-----	-----	-----	-----
	-----	445,987	1,283,018	1,729,005

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 NSLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Corporeal Pty Ltd for the 2011/12 financial year. Corporeal Pty Ltd is an independent entity and is not an employee of the NSLHD.

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 not 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.

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

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:**

**Land & Buildings and Infrastructure**

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual land & building and infrastructure assets is assessed by referencing to land & 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 NSLHD 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 NSLHD is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

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**PARENT & CONSOLIDATION**

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

<b>c) Reconciliation of Recurring Level 3 Fair Value Measurements</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2013	638,206	66,166	704,372
Transfers from Level 2	615,180	-----	615,180
Disposals	(114)	-----	(114)
Depreciation	(33,760)	(2,660)	(36,420)
	<u>1,219,512</u>	<u>63,506</u>	<u>1,283,018</u>
Fair value as at 30 June 2014	<u>1,219,512</u>	<u>63,506</u>	<u>1,283,018</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.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>26. Restricted Assets</b>		
<p>The NSLHD's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
		<b>Category</b>		
33,339	33,172	Specific Purposes	33,339	33,172
20,596	21,137	Research Grants	20,596	21,137
<u>29,930</u>	<u>24,378</u>	Private Practice Funds	<u>29,930</u>	<u>24,378</u>
<u><b>83,865</b></u>	<u><b>78,687</b></u>		<u><b>83,865</b></u>	<u><b>78,687</b></u>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>27. Payables</b>		
		<b>Current</b>		
-----	-----	Accrued Salaries, Wages and On-Costs	19,583	17,482
-----	-----	Taxation and Payroll Deductions	4,994	5,370
24,577	22,852	Accrued Liability - Purchase of Personnel Services	-----	-----
31,036	28,039	Creditors	31,036	28,039
		Other Creditors		
11,762	6,951	- Intra Health Liability	11,762	6,951
32,833	19,421	- Other	32,833	19,421
<u>100,208</u>	<u>77,263</u>		<u>100,208</u>	<u>77,263</u>

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

**28. Borrowings**

		<b>Non-Current</b>		
<u>699,105</u>	<u>669,842</u>	Public Private Partnership	<u>699,105</u>	<u>669,842</u>
<u>699,105</u>	<u>669,842</u>		<u>699,105</u>	<u>669,842</u>

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

Final Repayment is scheduled for 2037

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

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>29. Provisions</b>				
		<b>Current</b>		
----	----	Annual Leave - Short Term Benefit	77,765	70,000
----	----	Annual Leave - Long Term Benefit	35,827	42,673
----	----	Long Service Leave Consequential On-Costs	14,648	12,471
128,240	125,144	Provision for Personnel Services Liability	----	----
<b>128,240</b>	<b>125,144</b>	<b>Total Current Provisions</b>	<b>128,240</b>	<b>125,144</b>
		<b>Non-Current</b>		
---	---	Long Service Leave Consequential On-Costs	771	656
771	656	Provision for Personnel Services Liability	----	----
<b>771</b>	<b>656</b>	<b>Total Non-Current Provisions</b>	<b>771</b>	<b>656</b>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
----	----	Provisions - Current	128,240	125,144
----	----	Provisions - Non-Current	771	656
153,588	148,652	Accrued Salaries, Wages and On-Costs (Note 27)	24,577	22,852
<b>153,588</b>	<b>148,652</b>	Liability - Purchase of Personnel Services	----	----
<b>30. Other Liabilities</b>				
		<b>Current</b>		
4,430	4,000	Income in Advance	4,430	4,000
<b>4,430</b>	<b>4,000</b>		<b>4,430</b>	<b>4,000</b>
		<b>Non-Current</b>		
27,672	29,007	Income in Advance	27,672	29,007
<b>27,672</b>	<b>29,007</b>		<b>27,672</b>	<b>29,007</b>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>31. Commitments for Expenditure</b>		
		(a) <b>Capital Commitments</b>		
		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	71,881	95,202
71,881	95,202	Later than one year and not later than five years	1,258	48,489
1,258	48,489	Later than five years	---	---
<u>73,139</u>	<u>143,691</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>73,139</u>	<u>143,691</u>
		(b) <b>Operating Lease Commitments</b>		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	2,432	2,755
2,432	2,755	Later than one year and not later than five years	1,812	2,947
1,812	2,947	Later than five years	---	7
<u>4,244</u>	<u>5,709</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>4,244</u>	<u>5,709</u>
		The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		(c) <b>Finance Lease Commitments</b>		
		Minimum lease payment commitments in relation to finance leases are payable as follows:		
		Not later than one year	71,368	15,347
71,368	15,347	Later than one year and not later than five years	302,498	282,828
302,498	282,828	Later than five years	1,730,936	1,733,619
<u>1,730,936</u>	<u>1,733,619</u>	<b>Minimum Lease Payments</b>	<u>2,104,802</u>	<u>2,031,794</u>
2,104,802	2,031,794	Less: Future Finance Charges	1,405,697	1,361,952
<u>1,405,697</u>	<u>1,361,952</u>	<b>Present Value of Minimum Lease Payments</b>	<u>699,105</u>	<u>669,842</u>
699,105	669,842	<b>The present value of finance lease commitments is as follows:</b>		
<u>699,105</u>	<u>669,842</u>	Later than five years	699,105	669,842
699,105	669,842	<b>Present Value of Minimum Lease Payments</b>	<u>699,105</u>	<u>669,842</u>
<u>699,105</u>	<u>669,842</u>			
		(d) <b>Contingent Asset Related to Commitments for Expenditure</b>		
		The total of 'Commitments for Expenditure' above, i.e. \$776m as at 30 June 2014 (2013: \$819m) includes input tax credits of \$153m that are expected to be recoverable from the Australian Taxation Office (2013: \$28m).		



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**32. Trust Funds**

The NSLHD holds trust fund moneys of \$3.1 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds			Total
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	719	530	157	42	4,939	2,347	5,815	2,919
Receipts	1,672	1,761	240	302	41,164	39,006	43,076	41,069
Expenditure	(1,786)	(1,572)	(170)	(187)	(43,869)	(36,414)	(45,826)	(38,173)
Cash Balance at the end of the financial year	605	719	227	157	2,233	4,939	3,065	5,815

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**33. 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 NSLHD will be paid in 2014/15. It is not possible for the NSLHD to reliably quantify the benefit to be received or amount payable.

**b) Affiliated Health Organisations**

Based on the definition of control in Australian Accounting Standard AASB127, Consolidated and Separate Financial Statements, Affiliated Health Organisations listed in Schedule 3 of the Health Services Act, 1997 are only recognised in the District's consolidated financial statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation.

**Royal North Shore Hospital Redevelopment Public Private Partnership (PPP)**

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with CPI index over the project term. The District receives funding from NSW Treasury via the Ministry of Health to meet the PPP Capital financing payments associated with the campus redevelopment. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

**Royal North Shore Hospital Hazmat Claim**

As part of the renovation and upgrade of the RNS Public Hospital, a claim was made in June 2013 of the discovery of asbestos and, in turn, for variation to the work in the amount of \$16.75m. The claim is disputed. The dispute is now subject to formal dispute resolution.

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2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>34. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
196,962	94,146	Net Cash Flows from Operating Activities	196,962	94,146
(54,619)	(50,427)	Depreciation	(54,619)	(50,427)
(2,925)	(5,010)	Allowance for Impairment	(2,925)	(5,010)
905	3,163	(Increase)/ Decrease Income in Advance	905	3,163
(3,209)	(7,970)	(Increase)/ Decrease in Provisions	(3,209)	(7,970)
(5,768)	24,913	Increase / (Decrease) in Prepayments and Other Assets	(5,768)	24,913
(23,100)	10,577	(Increase)/ Decrease in Creditors	(23,100)	10,577
(156)	(57,727)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(156)	(57,727)
<b>108,090</b>	<b>11,665</b>	<b>Net Result</b>	<b>108,090</b>	<b>11,665</b>

**35. 2013/14 Voluntary Services**

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

- Chaplaincies and Pastoral Care - Patient & Family Support
- Pink Ladies/Hospital Auxiliaries - Patient Services, Fund Raising
- Patient Support Groups - Practical Support to Patients and Relative
- Community Organisations - 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 NSLHD 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 NSLHD.

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

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**PARENT AND CONSOLIDATION**

**37. Budget Review - Parent and Consolidated**

**Net Result**

The actual Net Result was lower than budget by \$7 million, primarily due to actual operating expenditure which was \$24m greater than budget, largely driven by employee related expenditure due to increase in beds in Hornsby and Graithwaite and 2.5% award increase for the financial year 2013/14. This was offset by actual revenue which was \$17m greater than budget, primarily due to sale of goods and services due to extra single beds in Hornsby and Royal North Shore Hospitals , recovery of facility fees and reduction of PBRC Billing lag.

**Assets and Liabilities**

Total assets are unfavourable to budget by \$36 million. This unfavourability is primarily driven by the capitalisation of Douglas Building refurbishment and demolition of old Royal North Shore Hospital building.

Total liabilities are unfavourable by \$43m primarily due to the increase in payables and PPP Liability.

**Cash Flows**

Operating cash flow reflect a variance of \$15 million favourable to budget. This is primarily driven by the increase in employee-related expenses.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 30 June 2013 are as follows:

	<b>\$000</b>
Initial Allocation, <b>01 July 2013</b>	921,648
Award Increases	47,689
Other	13,241
PPP	19,940
NTO Transition	(3)
TMF	<u>690</u>
Balance as per Statement of Comprehensive Income	<u><u>1,003,206</u></u>

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

**Equity transfers effected in the 2012/13 year were:**

A decrease in net assets of \$3.6 million relating to outstanding assets and liabilities resulted in equity transfers.

**Equity transfers effected in the 2013/14 year were:**

Nil equity transfers were effected in 2013/14.

	2014	2013
	\$000	\$000
Equity transfers effected comprised:		
Central Coast Local Health District	-----	(4,683)
Healthshare NSW	-----	(638)
Crown Entity - Transfer of Long Service Leave On-Costs	-----	1,870
Crown Entity- Year End Consequential Liability Adjustment		(107)
	-----	<u>(3,558)</u>
Assets and Liabilities transferred are as follows:		
	2014	2013
	\$000	\$000
<b>Assets</b>		
<b>Current Assets</b>		
Receivables	-----	(2,209)
<b>Total Current Assets</b>	-----	<u>(2,209)</u>
<b>Non-Current Assets</b>		
Property, Plant and Equipment		
- Plant and Equipment	-----	(114)
Total Property, Plant and Equipment	-----	(114)
Total Non-Current Assets	-----	(114)
<b>Total Assets</b>	-----	<u>(2,323)</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables	-----	(1,041)
Provisions	-----	(754)
Other	-----	560
<b>Total Current Liabilities</b>	-----	<u>(1,235)</u>
<b>Total Liabilities</b>	-----	<u>(1,235)</u>
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	-----	<u>(3,558)</u>

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**39. Financial Instruments**

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

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

**(a) Financial Instrument Categories**

<b>PARENT AND CONSOLIDATION</b>		<b>Carrying Amount 2014 \$000</b>	<b>Carrying Amount 2013 \$000</b>
<b>Class:</b>	<b>Category</b>		
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 19)	N/A	100,326	84,071
Receivables (note 20)*	Loans and receivables (at amortised cost)	49,374	62,497
<b>Total Financial Assets</b>		<u>149,700</u>	<u>146,568</u>
<b>Financial Liabilities</b>			
Borrowings (note 28)	Financial liabilities	699,105	669,842
Payables (note 27)**	measured at amortised cost	95,214	71,893
<b>Total Financial Liabilities</b>		<u>794,319</u>	<u>741,735</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)

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

Credit risk associated with the NSLHD'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 3.35% in 2013/14 compared to 3.6% 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 NSLHD 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 NSLHD 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:\$13.6m; 2013: \$12.8m) and not more than 3 months past due (2014: \$2.8m; 2013:\$5.9m) are not considered impaired. Together these represent 74% 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 NSLHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2014	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<3 months overdue	2,808	2,808	----
3 months - 6 months overdue	2,216	2,216	----
> 6 months overdue	3,652	----	3,652
<b>2013</b>			
<3 months overdue	5,939	5,939	----
3 months - 6 months overdue	2,072	2,072	----
> 6 months overdue	3,051	----	3,051

**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.

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### Authority Deposits

The NSLHD 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 3.03% (2013 - 2.58%), while over the year the weighted average interest rate was 2.92% (2013 - 3.68%) on a weighted average balance during the year of \$58.9m (2013 - \$56.4m). None of these assets are past due or impaired.

### (c) Liquidity Risk

Liquidity risk is the risk that the NSLHD will be unable to meet its payment obligations when they fall due. The NSLHD 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 NSLHD 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 NSLHD 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 NSLHD 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.

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

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

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



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*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2014</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		19,583	---	---	19,583	19,583	---	---
- Creditors		75,631	---	---	75,631	75,631	---	---
Borrowings:								
- Public Private Partnership	10.93%	2,104,802	---	2,104,802	---	71,368	302,498	1,730,936
		<u>2,200,016</u>	<u>---</u>	<u>2,104,802</u>	<u>95,214</u>	<u>166,582</u>	<u>302,498</u>	<u>1,730,936</u>
<b>2013</b>								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		17,482	---	---	17,482	17,482	---	---
- Creditors		54,411	---	---	54,411	54,411	---	---
Borrowings:								
- Public Private Partnership	10.66%	2,031,794	---	2,031,794	---	15,347	282,828	1,733,619
		<u>2,103,687</u>	<u>---</u>	<u>2,031,794</u>	<u>71,893</u>	<u>87,240</u>	<u>282,828</u>	<u>1,733,619</u>

Notes:

<sup>1</sup> The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the NSLHD 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 NSLHD's exposures to market risk are primarily through interest rate risk on the NSLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The NSLHD 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 NSLHD 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 NSLHD's interest bearing liabilities.

However, the NSLHD 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 NSLHD 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.

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	100,326	(1,003)	(1,003)	1,003	1,003
Receivables	49,374	----	----	----	----
<b>Financial Liabilities</b>					
Payables	95,214	----	----	----	----
Borrowings	699,105	6,991	6,991	(6,991)	(6,991)
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	84,071	(841)	(841)	841	841
Receivables	62,497	----	----	----	----
<b>Financial Liabilities</b>					
Payables	71,893	----	----	----	----
Borrowings	669,842	6,698	6,698	(6,698)	(6,698)

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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 NSLHD has no direct equity investments. The NSLHD 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	60,458	57,527

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 NSLHD's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

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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).

	Change in unit price	Impact on profit/loss	
		2014 \$'000	2013 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	605	575

**(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.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of the financial instruments. Therefore the fair value of the financial instruments do not differ from the carrying amount.

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**(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	----	60,458	----	60,458
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 Total \$'000
TCorp Hour-Glass Invt.Facility	----	57,527	----	57,527

(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.

**40. Events after the Reporting Period**

There are no events after the reporting period that require amendment to the financial statements

**END OF AUDITED FINANCIAL STATEMENTS**