

# FINANCIAL REPORT

## **NSW Ministry of Health – Audited Financial Statements**

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## INDEPENDENT AUDITOR'S REPORT

### Ministry of Health

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Ministry of Health (the Ministry), 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, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Ministry and the consolidated entity. The consolidated entity comprises the Ministry 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 Ministry and the consolidated entity, as at 30 June 2014, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

### Secretary's Responsibility for the Financial Statements

The Secretary 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 Secretary 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 Secretary, 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 Ministry or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about 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.



Grant Hehir  
Auditor-General

19 September 2014  
SYDNEY

**Ministry of Health**  
**Certification of the Parent/Consolidated 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 Ministry of Health 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 Ministry of Health; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Dr Mary Foley  
**Secretary, NSW Health**  
18 September 2014



John Roach PSM  
**Chief Financial Officer**

**Ministry of Health**  
**Statement of Comprehensive Income for the year ended 30 June 2014**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2014	2014	2013		2014	2014	2013	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>Expenses excluding losses</b>							
Operating Expenses							
128,116	131,110	111,867	Employee Related	3	11,014,190	10,902,923	10,262,357
770,862	717,898	687,698	Other Operating Expenses	4	5,117,265	5,230,219	4,803,327
3,432	3,392	3,845	Depreciation and Amortisation	2(i), 5	609,388	621,073	586,781
14,456,182	14,450,360	13,813,936	Grants and Subsidies	6	1,171,571	1,067,763	1,233,511
----	----	----	Finance Costs	7	50,077	49,140	40,122
<b>15,358,592</b>	<b>15,305,845</b>	<b>14,617,346</b>	<b>Total Expenses excluding losses</b>		<b>17,962,491</b>	<b>17,871,118</b>	<b>16,926,098</b>
<b>Revenue</b>							
9,677,107	9,677,107	9,192,268	Recurrent Appropriation	2(d)	9,677,107	9,738,473	9,192,268
965,139	965,139	806,182	Capital Appropriation	2(d)	965,139	965,159	806,182
39,120	----	----	Transfers to the Ministry of Health		----	----	----
6,813	6,982	1,392	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 11	525,760	363,535	268,340
178,288	191,067	211,533	Sale of Goods and Services	8	2,287,212	2,262,000	2,207,901
12,145	7,450	13,505	Investment Revenue	9	67,962	78,700	69,258
4,517,122	4,506,135	4,290,915	Grants and Contributions	10	4,881,100	4,849,688	4,678,169
22,155	20,215	25,744	Other Revenue	12	114,989	62,900	133,659
<b>15,417,889</b>	<b>15,374,095</b>	<b>14,541,539</b>	<b>Total Revenue</b>		<b>18,519,269</b>	<b>18,320,455</b>	<b>17,355,777</b>
(2,306)	(1,563)	(434)	Gain / (Loss) on Disposal	13	(25,388)	----	(90,612)
(226)	----	(9)	Other Gains / (Losses)	14	(73,855)	(10,283)	(63,722)
<b>56,765</b>	<b>66,687</b>	<b>(76,250)</b>	<b>Net Result</b>	35	<b>457,535</b>	<b>439,054</b>	<b>275,345</b>
<b>Other Comprehensive Income</b>							
<b>Items that will not be reclassified to net result</b>							
Net Increase/(Decrease) in Property, Plant &							
----	----	(1,139)	Equipment Revaluation Surplus		125,477	----	526,297
----	----	(1,139)	<b>Total Other Comprehensive Income</b>		<b>125,477</b>	----	<b>526,297</b>
<b>56,765</b>	<b>66,687</b>	<b>(77,389)</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>583,012</b>	<b>439,054</b>	<b>801,642</b>

The accompanying notes form part of these financial statements.

**Ministry of Health**  
**Statement of Financial Position as at 30 June 2014**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual	
2014	2014	2013	Notes	2014	2014	2013	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>ASSETS</b>							
<b>Current Assets</b>							
249,771	255,278	233,534	Cash and Cash Equivalents	17	1,668,493	1,400,633	1,482,967
92,971	94,892	50,702	Receivables	18	526,766	534,590	548,572
28,798	32,922	32,922	Inventories	19	138,487	152,542	142,095
----	----	----	Financial Assets at Fair Value	20	39,401	117,349	78,892
12,873	13,626	2,487	Other Financial Assets	21	223	----	1,349
<u>384,413</u>	<u>396,718</u>	<u>319,645</u>			<u>2,373,370</u>	<u>2,205,114</u>	<u>2,253,875</u>
----	----	----	Non-Current Assets Held for Sale	25	15,653	26,841	19,290
<b>384,413</b>	<b>396,718</b>	<b>319,645</b>	<b>Total Current Assets</b>		<b>2,389,023</b>	<b>2,231,955</b>	<b>2,273,165</b>
<b>Non-Current Assets</b>							
----	----	----	Receivables	18	8,668	9,095	7,274
----	----	----	Financial Assets at Fair Value	20	39,747	75,088	42,002
38,081	39,952	29,952	Other Financial Assets	21	----	----	----
<b>Property, Plant and Equipment</b>							
120,333	109,446	124,779	- Land and Buildings	22	11,250,178	11,123,351	10,615,140
2,238	10,832	2,154	- Plant and Equipment	22	848,590	851,831	880,942
----	----	----	- Infrastructure Systems	22	439,903	383,156	449,502
----	----	----	- Leasehold Improvements	22	28,530	----	17,304
<u>122,571</u>	<u>120,278</u>	<u>126,933</u>	Total Property, Plant and Equipment		<u>12,567,201</u>	<u>12,358,338</u>	<u>11,962,888</u>
----	----	----	Intangible Assets	23	463,019	512,214	389,102
----	----	----	Other	24	41,626	54,411	37,416
<u>160,652</u>	<u>160,230</u>	<u>156,885</u>	Total Non-Current Assets		<u>13,120,261</u>	<u>13,009,146</u>	<u>12,438,682</u>
<b>545,065</b>	<b>556,948</b>	<b>476,530</b>	<b>Total Assets</b>		<b>15,509,284</b>	<b>15,241,101</b>	<b>14,711,847</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
326,263	327,698	313,966	Payables	28	1,385,355	1,229,221	1,270,714
----	----	----	Borrowings	29	14,285	18,620	14,035
11,131	9,222	9,222	Provisions	30	1,666,268	1,695,863	1,581,830
2,606	2,427	2,427	Other	31	39,971	35,405	38,400
<u>340,000</u>	<u>339,347</u>	<u>325,615</u>	Total Current Liabilities		<u>3,105,879</u>	<u>2,979,109</u>	<u>2,904,979</u>
<b>Non-Current Liabilities</b>							
----	----	----	Borrowings	29	1,063,051	1,084,115	1,047,689
167	304	304	Provisions	30	18,216	13,030	15,625
55,831	58,258	58,258	Other	31	96,351	103,455	103,022
<u>55,998</u>	<u>58,562</u>	<u>58,562</u>	Total Non-Current Liabilities		<u>1,177,618</u>	<u>1,200,600</u>	<u>1,166,336</u>
<u>395,998</u>	<u>397,909</u>	<u>384,177</u>	Total Liabilities		<u>4,283,497</u>	<u>4,179,709</u>	<u>4,071,315</u>
<u>149,067</u>	<u>159,039</u>	<u>92,353</u>	Net Assets		<u>11,225,787</u>	<u>11,061,392</u>	<u>10,640,532</u>
<b>EQUITY</b>							
107,646	108,413	108,413	Reserves		3,159,213	3,053,234	3,034,804
41,421	50,626	(16,060)	Accumulated Funds		8,066,574	8,008,158	7,605,728
<u>149,067</u>	<u>159,039</u>	<u>92,353</u>	Total Equity		<u>11,225,787</u>	<u>11,061,392</u>	<u>10,640,532</u>

The accompanying notes form part of these financial statements.

**Ministry of Health**  
**Statement of Changes in Equity for the year ended 30 June 2014**

PARENT	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2013</b>		(16,060)	108,413	92,353
<b>Net Result for the year</b>		56,765	----	56,765
<b>Other Comprehensive Income:</b>				
-Transfers on Disposal		767	(767)	----
<b>Total Other Comprehensive Income</b>		767	(767)	----
<b>Total Comprehensive Income for the year</b>		57,532	(767)	56,765
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	40	(51)	----	(51)
<b>Balance at 30 June 2014</b>		<b>41,421</b>	<b>107,646</b>	<b>149,067</b>
<b>Balance at 1 July 2012</b>		61,252	109,552	170,804
<b>Net Result for the year</b>		(76,250)	----	(76,250)
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		----	(1,139)	(1,139)
<b>Total Other Comprehensive Income</b>		----	(1,139)	(1,139)
<b>Total Comprehensive Income for the year</b>		(76,250)	(1,139)	(77,389)
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	40	(1,062)	----	(1,062)
<b>Balance at 30 June 2013</b>		<b>(16,060)</b>	<b>108,413</b>	<b>92,353</b>
<b>CONSOLIDATION</b>				
<b>Balance at 1 July 2013</b>		7,605,728	3,034,804	10,640,532
<b>Restated Total Equity at 1 July 2013</b>		<b>7,605,728</b>	<b>3,034,804</b>	<b>10,640,532</b>
<b>Net Result for the year</b>		457,535	----	457,535
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		----	125,477	125,477
Available for Sale Financial Assets:				
-Transfers on Disposal		1,068	(1,068)	----
<b>Total Other Comprehensive Income</b>		1,068	124,409	125,477
<b>Total Comprehensive Income for the year</b>		458,603	124,409	583,012
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	40	2,243	----	2,243
<b>Balance at 30 June 2014</b>		<b>8,066,574</b>	<b>3,159,213</b>	<b>11,225,787</b>
<b>Balance at 1 July 2012</b>		7,254,671	2,508,507	9,763,178
<b>Restated Total Equity at 1 July 2012</b>		<b>7,254,671</b>	<b>2,508,507</b>	<b>9,763,178</b>
<b>Net Result for the year</b>		275,345	----	275,345
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		----	526,297	526,297
Available for Sale Financial Assets:				
<b>Total Other Comprehensive Income</b>		----	526,297	526,297
<b>Total Comprehensive Income for the year</b>		275,345	526,297	801,642
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	40	75,712	----	75,712
<b>Balance at 30 June 2013</b>		<b>7,605,728</b>	<b>3,034,804</b>	<b>10,640,532</b>

The accompanying notes form part of these financial statements.

**Ministry of Health**  
**Statement of Cash Flows for the year ended 30 June 2014**

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2014	2014	2013	Notes	2014	2014	2013
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
(121,646)	(126,393)	(117,060)		(10,542,137)	(10,518,046)	(10,113,447)
(14,456,183)	(14,450,361)	(13,813,936)		(1,171,572)	(1,067,763)	(1,233,511)
----	----	----		(49,555)	(49,140)	(40,122)
(885,671)	(843,739)	(588,697)		(6,113,461)	(5,823,620)	(5,480,322)
(15,463,500)	(15,420,493)	(14,519,693)		(17,876,725)	(17,458,569)	(16,867,402)
<b>Receipts</b>						
9,677,107	9,677,107	9,192,268		9,677,107	9,738,473	9,192,268
965,139	965,139	806,182		965,139	965,159	806,182
39,120	----	----		----	----	----
2,266	----	1,392		171,902	----	163,452
153,491	179,715	268,115		2,468,264	2,200,434	2,171,674
12,145	7,450	13,505		60,418	78,700	69,258
4,534,125	4,523,139	4,290,915		4,981,110	4,591,259	4,678,169
116,284	106,860	29,539		853,525	963,159	832,416
15,499,677	15,459,410	14,601,916		19,177,465	18,537,184	17,913,419
<b>36,177</b>	<b>38,917</b>	<b>82,223</b>		<b>1,300,740</b>	<b>1,078,615</b>	<b>1,046,017</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
145	45	45		17,817	62,000	43,789
----	----	----		123,055	----	110,735
(1,572)	(1,394)	(898)		(1,172,379)	(962,673)	(983,941)
----	----	----		(81,309)	(149,228)	(56,293)
(18,513)	(15,824)	(8,225)		----	----	----
(19,940)	(17,173)	(9,078)		(1,112,816)	(1,049,901)	(885,710)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
----	----	----		15,069	----	3,542
----	----	----		(17,467)	(11,000)	(14,912)
----	----	----		(2,398)	(11,000)	(11,370)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>						
16,237	21,744	73,145		185,526	17,714	148,937
233,534	233,534	160,389		1,482,967	1,382,919	1,302,763
----	----	----		----	----	31,267
249,771	255,278	233,534		1,668,493	1,400,633	1,482,967
<b>CLOSING CASH AND CASH EQUIVALENTS</b>						

The accompanying notes form part of these financial statements.



Ministry of Health

Summary of Compliance with Financial Directives for the year ended 30 June 2014

	2014				2013			
	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000
<b>Original Budget Appropriation/ Expenditure</b>								
• Appropriation Act	9,738,473	9,615,571	965,159	965,139	9,192,556	9,191,198	807,506	806,182
	<b>9,738,473</b>	<b>9,615,571</b>	<b>965,159</b>	<b>965,139</b>	<b>9,192,556</b>	<b>9,191,198</b>	<b>807,506</b>	<b>806,182</b>
<b>Other Appropriations/Expenditure</b>								
• S26 PF&AA Commonwealth Specific Purpose Payments	61,536	61,536	-----	-----	-----	-----	-----	-----
• Additional Appropriations	(46,253)	-----	-----	-----	1,070	1,070	-----	-----
• Transfers to/from another agency (S32 of the Appropriation Act)	(76,649)	-----	-----	-----	-----	-----	1,700	-----
	<b>(61,366)</b>	<b>61,536</b>	-----	-----	<b>1,070</b>	<b>1,070</b>	<b>1,700</b>	-----
<b>Total Appropriations/ Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>9,677,107</b>	<b>9,677,107</b>	<b>965,159</b>	<b>965,139</b>	<b>9,193,626</b>	<b>9,192,268</b>	<b>809,206</b>	<b>806,182</b>
<b>Amount drawn down against Appropriation</b>		<b>9,677,107</b>		<b>965,139</b>		<b>9,192,268</b>		<b>806,182</b>
<b>Liability to Consolidated Fund *</b>		-----		-----		-----		-----

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

\* The "Liability to Consolidated Fund" represents the difference between the "Amount Drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund".

Ministry of Health  
Service Group Statements  
for the year ended 30 June 2014

MINISTRY 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		Total			
	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
Operating Expenses																						
Employee Related	521,047	473,819	47,132	45,123	1,331,452	1,277,072	1,604,517	1,431,600	4,861,143	4,546,211	1,115,551	1,030,623	939,739	892,522	231,844	185,333	361,766	280,054	11,014,190	10,262,357		
Other Operating Expenses	177,767	163,246	17,053	14,599	873,274	769,113	649,845	623,330	2,427,255	2,391,517	289,514	236,414	319,576	317,643	224,578	180,584	138,403	106,881	5,117,265	4,803,327		
Depreciation and Amortisation	22,278	21,517	1,607	1,393	98,356	101,408	78,576	69,770	283,086	272,757	52,127	41,640	48,122	53,509	9,374	9,670	15,862	15,117	609,388	586,781		
Grants and Subsidies	104,693	214,419	21,428	24,828	170,671	111,851	47,609	36,098	370,854	227,245	99,883	61,089	164,727	224,918	72,614	187,795	118,992	145,268	1,171,571	1,233,511		
Finance Costs	502	289	24	7	5,760	5,560	2,940	2,819	22,230	16,373	15,165	12,827	1,904	1,844	111	64	1,441	329	50,077	40,122		
<b>Total Expenses excluding losses</b>	<b>826,287</b>	<b>873,300</b>	<b>87,244</b>	<b>85,950</b>	<b>2,479,513</b>	<b>2,265,004</b>	<b>2,383,487</b>	<b>2,163,617</b>	<b>7,964,568</b>	<b>7,454,103</b>	<b>1,572,340</b>	<b>1,382,593</b>	<b>1,474,067</b>	<b>1,590,436</b>	<b>538,521</b>	<b>563,446</b>	<b>636,464</b>	<b>547,649</b>	<b>17,962,491</b>	<b>16,926,098</b>		
Revenue																			9,677,107	9,192,268	9,192,268	
NSW Ministry of Health Recurrent Allocations **																			965,139	806,182	806,182	
NSW Ministry of Health Capital Allocations **																						
Acceptance by the Crown Entity																						
of Employee Benefits and Other Liabilities	26,870	12,073	2,148	543	59,482	24,982	75,874	48,315	232,134	132,859	53,065	23,120	47,687	15,965	9,693	4,014	18,807	6,469	525,760	268,340		
Sale of Goods and Services	18,813	32,723	3,026	4,356	461,151	243,047	278,664	200,295	1,023,019	1,166,696	99,208	125,439	336,608	382,011	39,092	12,509	27,631	40,825	2,287,212	2,207,901		
Investment Revenue	1,221	2,261	56	129	13,683	7,434	3,335	4,440	35,283	32,717	2,950	2,608	7,443	9,086	1,635	1,548	2,376	9,035	67,962	69,258		
Grants and Contributions	159,828	272,943	9,381	4,664	648,908	633,695	389,015	354,769	2,303,348	2,229,863	802,255	636,507	162,767	152,065	99,448	113,385	296,150	280,288	4,881,100	4,678,169		
Other Revenue	2,753	10,698	267	294	19,517	14,124	9,843	16,370	52,013	57,546	7,876	12,227	14,537	10,881	5,230	4,674	2,953	6,845	114,988	133,659		
<b>Total Revenue</b>	<b>209,485</b>	<b>330,688</b>	<b>14,878</b>	<b>9,986</b>	<b>1,202,721</b>	<b>923,282</b>	<b>766,731</b>	<b>624,189</b>	<b>3,645,797</b>	<b>3,619,681</b>	<b>965,354</b>	<b>799,901</b>	<b>569,042</b>	<b>569,998</b>	<b>155,098</b>	<b>136,130</b>	<b>347,917</b>	<b>343,462</b>	<b>18,519,289</b>	<b>17,355,777</b>		
Gain / (Loss) on Disposal	(297)	(3,439)	(22)	(216)	(1,495)	(14,504)	(1,213)	(10,996)	(13,848)	(43,265)	(3,786)	(6,349)	(2,481)	(8,163)	(297)	(1,473)	(1,939)	(2,207)	(25,388)	(90,612)		
Other Gains / (Losses)	(574)	(3,381)	(35)	(318)	(3,505)	(8,347)	(52,108)	(8,245)	(10,094)	(27,289)	(2,307)	(5,616)	(3,213)	(6,058)	(2,06)	(2,653)	(1,813)	(1,815)	(73,955)	(63,722)		
<b>Net Result</b>	<b>(617,673)</b>	<b>(549,422)</b>	<b>(72,423)</b>	<b>(76,496)</b>	<b>(1,281,792)</b>	<b>(1,364,573)</b>	<b>(1,670,077)</b>	<b>(1,558,669)</b>	<b>(4,342,713)</b>	<b>(3,904,976)</b>	<b>(613,089)</b>	<b>(594,657)</b>	<b>(910,719)</b>	<b>(1,034,659)</b>	<b>(383,926)</b>	<b>(431,442)</b>	<b>(292,299)</b>	<b>(208,209)</b>	<b>9,998,450</b>	<b>9,998,450</b>	<b>9,998,450</b>	
Other Comprehensive Income																						
Increase/(Decrease) in Revaluation Surplus	6,000	31,926	801	1,256	15,369	57,082	14,324	55,504	56,911	267,702	11,918	55,701	17,228	37,743	1,739	7,449	1,187	11,934	125,477	526,297		
<b>Total Other Comprehensive Income</b>	<b>(611,673)</b>	<b>(517,496)</b>	<b>(71,622)</b>	<b>(75,242)</b>	<b>(1,266,423)</b>	<b>(1,307,491)</b>	<b>(1,655,753)</b>	<b>(1,503,165)</b>	<b>(4,285,802)</b>	<b>(3,637,274)</b>	<b>(601,171)</b>	<b>(538,956)</b>	<b>(893,491)</b>	<b>(995,916)</b>	<b>(382,187)</b>	<b>(423,993)</b>	<b>(291,112)</b>	<b>(196,275)</b>	<b>10,642,246</b>	<b>9,998,450</b>	<b>583,012</b>	
<b>Total Comprehensive Income</b>	<b>10,386,816</b>	<b>9,480,952</b>	<b>9,916,815</b>	<b>9,923,709</b>	<b>8,713,090</b>	<b>8,957,513</b>	<b>7,738,728</b>	<b>8,485,452</b>	<b>3,678,686</b>	<b>3,816,829</b>	<b>3,571,169</b>	<b>3,343,637</b>	<b>3,580,576</b>	<b>2,595,060</b>	<b>1,212,831</b>	<b>1,140,453</b>	<b>1,046,785</b>	<b>851,184</b>	<b>20,634,496</b>	<b>19,996,900</b>	<b>20,581,462</b>	

\* The name and purpose of each service group is summarised in Note 16

\*\* Appropriations are made on an entity basis and not to individual service groups. Consequently, appropriations must be included in the 'Not Attributable' column.



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## 1. The Reporting Entity

The Ministry of Health (the Ministry), as a reporting entity, comprises all the entities under its control, namely Local Health Districts established from 1 January 2011 and constituted under the Health Services Act 1997; the Sydney Children's Hospitals Network, Justice and Forensic Mental Health Network, the Clinical Excellence Commission, the Bureau of Health Information, the Agency for Clinical Innovation, the Health Education and Training Institute, NSW Kids and Families, the Albury Base Hospital, the Albury Wodonga Health Special Service Entity, the Graythwaite Trust (per Supreme Court order) and the Health Administration Corporation (which includes the operations of the Ambulance Service of NSW, HealthShare NSW, Health Infrastructure, NSW Health Pathology and Health System Support Group). From 1 April 2013, the Ministry controls the Cancer Institute NSW as a result of it coming under the auspices of the Health Services Act 1997. All of these entities are reporting entities that produce financial statements in their own right.

The Ministry's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Ministry.

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 Total State Sector Accounts. The Ministry 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 Secretary, NSW Health on 18 September 2014.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The Ministry of Health's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010, and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer under Section 9(2)(n) of the Act.

Property, plant and equipment, investment property, 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.

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

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

### Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented 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.

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

**a) Employee Benefits and Other Provisions**

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

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 15.1% to 21.0% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity'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 Ministry'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 Ministry 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 Ministry as shown in Note 30.

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 Ministry's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 28, 'Payables'.

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.

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

**b) Insurance**

The Ministry'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 claim 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 Ministry 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 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.

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

*Department of Veterans' Affairs*

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

*Investment Revenue*

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

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

*Use of Outside Facilities*

The Ministry 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 Ministry obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

*Parliamentary Appropriations & Contributions*

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the Ministry obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

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An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

General operating expenses/revenues of Affiliated Health Organisations have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The Ministry is not deemed to own or control the various assets/liabilities of the Affiliated Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

**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 Ministry 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 is 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 composition of interstate patient flow revenue is disclosed in Note 8.

The cost of NSW residents treated in other states and territories is similarly calculated and is disclosed in note 4.

**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(z)).

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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 Ministry are deemed to be controlled by the Ministry and are reflected as such in the financial statements.



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**h) Capitalisation Thresholds**

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

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

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Ministry. 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%
Leasehold Improvements	10.0%
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

**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(n).

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 26 for further information regarding fair value.

The Ministry revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Ministry was completed in the 30 June 2013 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 by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

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

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

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

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

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

**k) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise.

As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

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

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

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

**n) 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 Ministry does not have any property that meets the definition of Investment Property.

**o) Intangible Assets**

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

Computer software developed or acquired by the Ministry 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.

**p) 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.

**q) 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.

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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.

**r) 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 Ministry of Health.

**s) 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.

**t) 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 Ministry 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 Ministry 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 Ministry's key management personnel.

The risk management strategy of the Ministry 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'.

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

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

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

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

**u) Impairment of financial assets**

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

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

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

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

**v) 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 Ministry transfers the financial asset:

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

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

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

**w) Payables**

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

**x) 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.

**y) Fair Value Hierarchy**

A number of the Ministry's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 Fair Value Measurement, the Ministry 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
- \* Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

Refer Note 26 and Note 41 for further disclosures regarding fair value measurements of financial and non-financial assets.

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**z) Equity Transfers**

The transfer of net assets between entity is 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 agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

**aa) 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 Ministry'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.

**ab) Trust Funds**

The Ministry receives monies in a trustee capacity for various trusts as set out in Note 33.

As the Ministry performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Ministry's own objectives, they are not brought to account in the financial statements.

**ac) Budgeted Amounts**

The consolidated budgeted amounts are drawn from the original budgets presented to Parliament in the State Budget Papers. The parent budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

**ad) Emerging Asset**

The Ministry of Health's emerging interest in car parks and hospitals has been valued in accordance with "Accounting for Privately Financed Projects" (TPP06-8). This policy requires the Ministry of Health and its controlled entities 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 is then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period.

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**ae) 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 determining the Income Statement fractions.

In respect of assets and liabilities the Ministry takes 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 policy set by the Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

**af) 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 26.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer note 30.

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 41.

**(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 comprises changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

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



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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 January 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

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

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

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

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

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

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

AASB 2014-1, Amendments to Australian Accounting Standards is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have already been 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:				
98,491	89,657	Salaries and Wages	8,533,730	8,227,301
3,072	1,976	Superannuation - Defined Benefit Plans	134,437	139,002
6,406	5,708	Superannuation - Defined Contribution Plans	768,604	702,823
5,029	(692)	Long Service Leave	423,018	131,460
7,172	6,832	Annual Leave	925,932	846,205
1,660	2,223	Redundancies	27,226	27,579
879	699	Workers' Compensation Insurance	194,290	181,196
5,407	5,464	Payroll Tax and Fringe Benefits Tax	6,953	6,791
<b>128,116</b>	<b>111,867</b>		<b>11,014,190</b>	<b>10,262,357</b>
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	8,143	10,654
----	----	Employee Related Expenses Capitalised - Intangibles	11,053	13,052
<b>4. Other Operating Expenses</b>				
5,611	6,363	Advertising	21,865	18,561
519	661	Audit of Financial Statements	4,276	4,049
17,405	14,470	Blood and Blood Products	117,013	105,480
1,624	1,498	Consultancies	19,581	15,097
468	576	Domestic Supplies and Services	101,947	90,492
68,617	98,971	Drug Supplies	625,580	639,490
----	----	Food Supplies	89,281	89,768
695	741	Fuel, Light and Power	147,504	148,620
47,022	50,981	Other Expenses (See (a) below)	522,548	459,850
----	----	Hospital Ambulance Transport Costs	22,758	26,941
9,788	7,824	Information Management Expenses	290,229	255,751
228,287	219,893	Insurance	252,138	245,801
355,884	250,002	Interstate Patient Outflows	355,884	250,002
7,688	7,116	Maintenance (See (b) below)	407,484	396,056
4,883	3,902	Medical and Surgical Supplies	731,220	711,912
100	119	Motor Vehicle Expenses	44,190	42,417
1,949	2,173	Postal and Telephone Costs	49,897	45,380
2,072	2,321	Printing and Stationery	47,656	49,099
497	246	Rates and Charges	23,561	24,495
7,390	7,141	Rental	73,571	65,856
4	31	Special Service Departments	299,391	273,788
8,803	10,648	Staff Related Costs	111,619	115,382
1,556	2,021	Travel Related Costs	82,520	79,143
----	----	Visiting Medical Officers	675,552	649,897
<b>770,862</b>	<b>687,698</b>		<b>5,117,265</b>	<b>4,803,327</b>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>(a) Other Expenses Includes</b>		
----	----	Aircraft Expenses (Ambulance Fixed Wing and Rotor Transport)	78,817	72,782
589	1,034	Contract for Patient Services	99,076	82,359
2,391	2,402	Courier and Freight	17,648	17,521
----	----	Isolated Patient Travel and Accommodation Assistance Scheme	15,949	16,194
1,107	1,034	Legal Services	15,841	9,139
87	77	Membership/Professional Fees	7,803	7,948
----	7	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	52,233	52,280
----	----	Public Private Partnership - Operating Facility Payments	79,236	81,034
3	----	Other Operating Lease Expense - Minimum Lease Payments	22,530	26,602
----	----	Quality Assurance/Accreditation	4,306	4,996
371	288	Security Services	10,963	11,693
		<b>(b) Reconciliation of Total Maintenance</b>		
3,070	3,070	Maintenance Contracts	145,576	136,503
1,397	1,877	New/Replacement Equipment under \$10,000	166,338	163,795
2,941	2,148	Repairs Maintenance/Non Contract	94,855	95,102
280	21	Other	715	656
7,688	7,116	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)	407,484	396,056
----	----	Employee Related Expense included in Notes 3	58,019	50,710
<b>7,688</b>	<b>7,116</b>	<b>Total Maintenance Expenses</b>	<b>465,503</b>	<b>446,766</b>
		<b>5. Depreciation and Amortisation</b>		
2,731	2,713	Depreciation - Buildings	376,574	362,391
701	809	Depreciation - Plant and Equipment	176,788	171,975
----	----	Depreciation - Infrastructure Systems	22,110	20,308
----	205	Amortisation - Leasehold Improvements	3,480	5,780
----	----	Amortisation - Other Leased Assets	----	----
----	118	Amortisation - Intangible Assets	30,436	26,327
----	----	Amortisation - Other	----	----
<b>3,432</b>	<b>3,845</b>	<b>Total</b>	<b>609,388</b>	<b>586,781</b>
		<b>6. Grants and Subsidies</b>		
13,764,892	13,030,160	Payments to Controlled Health Entities	----	----
327,457	312,055	Payments to Other Affiliated Health Organisations	609,458	569,352
----	----	Grants -		
47,445	47,733	Community Aged Care Packages	27,508	29,412
66,897	62,566	Grants to Research Organisations	78,008	46,904
----	----	Non-Government Organisations	148,043	139,682
----	116,482	NSW Government Agency	----	----
79,585	76,787	Cancer Institute NSW*	----	116,482
49,451	45,738	Grant payments to NSW Health entities		
----	32,093	Albury Wodonga Health	79,585	76,788
120,455	90,322	Mental Health Housing Accommodation and Support Initiative	49,451	45,738
<b>14,456,182</b>	<b>13,813,936</b>	Westmead Millennium Institute Capital Payment	----	55,137
		Other Grants	179,518	154,016
		<b>Total</b>	<b>1,171,571</b>	<b>1,233,511</b>

\*From 1 April 2013, as result of an administrative transfer, Cancer Institute NSW (CINSW) became a controlled entity of the Ministry of Health. Grants paid effective 1 April 2013 to CINSW are now recognised as payments to controlled health entities.

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>7. Finance Costs</b>		
----	----	Column S	48,754	39,608
----	----	Interest on Loans	554	235
----	----	Other Interest Charges	769	279
-----	-----		-----	-----
<u>-----</u>	<u>-----</u>		<u>50,077</u>	<u>40,122</u>
		<b>8. Sale of Goods and Services</b>		
		(a) Sale of Goods comprise the following:-		
----	----	Sale of Prosthesis	54,545	51,773
----	----	Pharmacy Sales	7,809	6,852
3,296	25	Other	11,062	16,929
		(b) Rendering of Services comprise the following:-		
		Patient Fees		
----	----	- Inpatient Fees	658,216	628,024
----	----	- Nursing Home Fees	16,189	15,553
----	----	- Non Inpatient Fees	14,444	12,819
94,117	111,491	Department of Veterans' Affairs	353,736	372,565
----	----	Staff-Meals and Accommodation	3,554	3,875
----	----	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	300,172	280,601
----	----	- Annual Charge	83,681	81,998
----	----	Cafeteria/Kiosk	12,403	16,240
----	----	Car Parking	27,599	23,778
----	----	Child Care Fees	12,593	11,903
----	----	Clinical Services (excluding Clinical Drug Trials)	53,902	28,385
111	134	Commercial Activities	20,190	18,374
----	----	Fees for Medical Records	2,103	1,878
----	----	High Cost Drugs	230,155	216,823
----	----	Linen Service Revenues	8,482	8,660
----	----	Meals on Wheels	1,228	1,278
----	----	Motor Accident Authority Third Party	140,993	130,083
----	----	Program of Appliances for Disabled People Patient Co-payments	426	546
62,313	64,959	Patient Inflows from Interstate	62,313	64,940
----	----	Patient Transport Fees	85,565	85,492
----	----	Private Use of Motor Vehicles	2,722	2,635
----	----	Salary Packaging Fee	9,067	8,105
----	205	Services Provided to Non NSW Health Organisations	20,495	19,107
----	----	Use of Ambulance Facilities	5,622	4,722
18,451	34,719	Other	87,946	93,963
-----	-----		-----	-----
<u>178,288</u>	<u>211,533</u>		<u>2,287,212</u>	<u>2,207,901</u>
		<b>9. Investment Revenue</b>		
		Interest		
----	----	- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	4,437	2,684
12,145	13,505	- Bank	55,981	66,230
----	----	Royalties	688	313
----	----	Other	6,856	31
-----	-----		-----	-----
<u>12,145</u>	<u>13,505</u>		<u>67,962</u>	<u>69,258</u>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>10. Grants and Contributions</b>				
----	----	Clinical Drug Trials	22,981	21,848
4,438,986	4,250,250	Commonwealth National Health Reform Funding	4,438,986	4,250,250
12,219	18,300	Commonwealth Government Grants	169,309	149,020
----	----	Industry Contributions/Donations	82,138	75,317
----	----	Cancer Institute Grants*	----	58,811
39,189	23,157	NSW Government Grants	66,916	46,566
5,630	----	Grants from NSW Health entities	----	----
----	----	Research Grants	22,954	26,313
----	----	University Commission Grants	91	451
21,098	(792)	Other Grants	77,725	49,593
<u>4,517,122</u>	<u>4,290,915</u>		<u>4,881,100</u>	<u>4,678,169</u>

\*From 1 April 2013, as result of an administrative transfer, Cancer Institute NSW (CINSW) became a controlled entity of the Ministry of Health. Grants received effective 1 April 2013 from CINSW have been eliminated on consolidation.

**11. Acceptance by the Crown Entity of employee benefits**

The following liabilities and expenses have been assumed by the Crown Entity:				
3,072	1,976	Superannuation-defined benefit	134,437	139,002
3,603	(692)	Long Service Leave	391,185	129,230
138	108	Payroll Tax	138	108
<u>6,813</u>	<u>1,392</u>		<u>525,760</u>	<u>268,340</u>

**12. Other Revenue**

Other Revenue comprises the following:-

----	----	Ambulance Death and Disability Employee Contributions	5,457	4,773
3	2	Commissions	3,288	2,461
----	----	Conference and Training Fees	9,473	8,890
3,246	3,379	Discounts	4,830	4,064
----	----	Insurance Refunds	1,536	870
2,291	2,071	Lease and Rental Income	29,457	25,155
----	----	Property not Previously Recognised	9,966	12,099
----	----	Sale of Merchandise, Old Wares and Books	744	730
----	----	Sponsorship Income	1,389	1,467
627	135	Treasury Managed Fund Hindsight Adjustment	3,178	9,103
15,988	20,157	Other	45,671	64,047
<u>22,155</u>	<u>25,744</u>		<u>114,989</u>	<u>133,659</u>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>13. Gain / (Loss) on Disposal</b>				
4,168	1,170	Property, Plant and Equipment	220,939	629,469
<u>1,717</u>	<u>691</u>	Less: Accumulated Depreciation	<u>183,099</u>	<u>543,275</u>
<b>2,451</b>	<b>479</b>	<b>Written Down Value</b>	<b>37,840</b>	<b>86,194</b>
<u>145</u>	<u>45</u>	Less: Proceeds from Disposal	<u>13,927</u>	<u>7,769</u>
<b><u>(2,306)</u></b>	<b><u>(434)</u></b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b><u>(23,913)</u></b>	<b><u>(78,425)</u></b>
----	----	Intangible Assets	189	----
<b><u>-----</u></b>	<b><u>-----</u></b>	<b>Gain/(Loss) on Disposal of Intangible Assets</b>	<b><u>(189)</u></b>	<b><u>-----</u></b>
----	----	Assets Held for Sale	4,999	48,207
<u>-----</u>	<u>-----</u>	Less: Proceeds from Disposal	<u>3,713</u>	<u>36,020</u>
<b><u>-----</u></b>	<b><u>-----</u></b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b><u>(1,286)</u></b>	<b><u>(12,187)</u></b>
<b><u>(2,306)</u></b>	<b><u>(434)</u></b>	<b>Total Gain/(Loss) on Disposal</b>	<b><u>(25,388)</u></b>	<b><u>(90,612)</u></b>
<b>14. Other Gains / (Losses)</b>				
----	----	Emerging Asset Losses	----	(16,995)
<u>(226)</u>	<u>(9)</u>	Impairment of Receivables	<u>(73,855)</u>	<u>(46,727)</u>
<b><u>(226)</u></b>	<b><u>(9)</u></b>		<b><u>(73,855)</u></b>	<b><u>(63,722)</u></b>

**CONSOLIDATION**

**15. Conditions and 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	48,351	106,999	38,811	194,161
Contributions recognised in previous years which were not expended in the current reporting period	175,042	511,661	124,730	811,433
Total amount of unexpended contributions as at balance date	<u>223,393</u>	<u>618,660</u>	<u>163,541</u>	<u>1,005,594</u>

Comment on restricted assets appears in Note 27  
The parent entity has nil items that are captured under this disclosure.

## 16. Service Groups of the Ministry

### 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	2013		2014	2013
\$000	\$000		\$000	\$000
<b>17. Cash and Cash Equivalents</b>				
249,771	233,534	Cash at Bank and On Hand	885,645	929,162
-----	-----	Short Term Deposits	782,848	553,805
<u>249,771</u>	<u>233,534</u>		<u>1,668,493</u>	<u>1,482,967</u>

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

249,771	233,534	Cash and Cash Equivalents (per Statement of Financial Position)	1,668,493	1,482,967
<u>249,771</u>	<u>233,534</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>1,668,493</u>	<u>1,482,967</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits and bank overdraft

*Refer to Note 41 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

**18. Receivables**

		<b>Current</b>		
18,489	15,389	Sale of Goods and Services	357,154	303,381
41,256	9,285	Intra Health Receivables	-----	-----
7,898	6,026	Goods and Services Tax	89,750	72,768
24,197	17,903	Other Debtors	129,981	165,884
<u>91,840</u>	<u>48,603</u>	<b>Sub Total</b>	<u>576,885</u>	<u>542,033</u>
-----	-----	Less Allowance for Impairment	(114,845)	(64,862)
91,840	48,603	<b>Sub Total</b>	462,040	477,171
1,131	2,099	Prepayments	64,726	71,401
<u>92,971</u>	<u>50,702</u>		<u>526,766</u>	<u>548,572</u>

(a) Movement in the Allowance for Impairment

		Sale of Goods and Services		
-----	-----	Balance at Commencement of Reporting Period	(47,265)	(41,240)
-----	-----	Amounts written off during the year	10,869	37,744
-----	-----	(Increase)/decrease in Allowance Recognised in Profit or Loss	(73,734)	(43,769)
-----	-----	Balance at 30 June	(110,130)	(47,265)

(b) Movement in the Allowance for Impairment

		Other Debtors		
-----	-----	Balance at Commencement of Reporting Period	(17,597)	(22,009)
226	-----	Amounts written off during the year	13,003	6,284
(226)	-----	(Increase)/decrease in Allowance Recognised in Profit or Loss	(121)	(1,872)
-----	-----	Balance at 30 June	(4,715)	(17,597)

-----	-----		<u>(114,845)</u>	<u>(64,862)</u>
-------	-------	--	------------------	-----------------

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>18. Receivables (Continued)</b>		
		<b>Non-Current</b>		
----	----	Sale of Goods and Services	706	558
----	----	Other Debtors	1,679	35
-----	-----		-----	-----
----	----	<b>Sub Total</b>	2,385	593
-----	-----		-----	-----
----	----	Less Allowance for Impairment	(549)	(1,086)
-----	-----		-----	-----
----	----	<b>Sub Total</b>	1,836	(493)
-----	-----		-----	-----
----	----	Prepayments	6,832	7,767
-----	-----		-----	-----
=====	=====		=====	=====
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
----	----	Balance at Commencement of Reporting Period	(460)	(938)
----	----	Amounts written off during the year	29	938
-----	-----	(Increase)/decrease in Allowance Recognised in		
----	----	Profit or Loss	-----	(460)
-----	-----	Balance at 30 June	(431)	(460)
-----	-----		-----	-----
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
----	----	Balance at Commencement of Reporting Period	(626)	----
----	----	Amounts written off during the year	626	----
-----	-----	(Increase)/decrease in Allowance Recognised in		
----	----	Profit or Loss	(118)	(626)
-----	-----	Balance at 30 June	(118)	(626)
-----	-----		-----	-----
=====	=====		=====	=====
		The current and non-current sale of goods and services balances		
		above include the following patient fee receivables:		
----	----	Patient Fees - Compensable	17,865	14,281
----	----	Patient Fees - Ineligible	40,151	34,416
-----	-----	Patient Fees - Inpatient & Other	98,980	97,345
-----	-----		-----	-----
=====	=====		=====	=====
			<b>156,996</b>	<b>146,042</b>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>19. Inventories - Current - Held for Distribution</b>				
24,925	28,980	Drugs	63,063	62,262
3,873	3,942	Medical and Surgical Supplies	68,073	50,797
----	----	Food and Hotel Supplies	134	6,405
----	----	Other	7,217	22,631
<u>28,798</u>	<u>32,922</u>		<u>138,487</u>	<u>142,095</u>
<b>20. Financial Assets at Fair Value</b>				
<b>Current</b>				
----	----	Treasury Corporation - Hour-Glass Investment Facilities	39,401	70,928
----	----	Other	----	7,964
<u>----</u>	<u>----</u>		<u>39,401</u>	<u>78,892</u>
<b>Non Current</b>				
----	----	Treasury Corporation - Hour-Glass Investment Facilities	39,747	42,002
<u>----</u>	<u>----</u>		<u>39,747</u>	<u>42,002</u>
<i>Refer to note 41 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial instruments.</i>				
<b>21. Other Financial Assets</b>				
<b>Current</b>				
223	1,348	Other Loans and Deposits	223	1,349
12,650	1,139	Advances Receivable - Intra Health	----	----
<u>12,873</u>	<u>2,487</u>		<u>223</u>	<u>1,349</u>
<b>Non-Current</b>				
38,081	29,952	Advances Receivable - Intra Health	----	----
<u>38,081</u>	<u>29,952</u>		<u>----</u>	<u>----</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>				
203,856	206,988	Gross Carrying Amount	18,635,621	17,515,018
<u>83,523</u>	<u>82,209</u>	Less: Accumulated Depreciation and Impairment	<u>7,385,443</u>	<u>6,899,878</u>
<b><u>120,333</u></b>	<b><u>124,779</u></b>	Net Carrying Amount	<b><u>11,250,178</u></b>	<b><u>10,615,140</u></b>
<b>Plant and Equipment - Fair Value</b>				
6,715	6,243	Gross Carrying Amount	2,005,715	2,027,208
<u>4,477</u>	<u>4,089</u>	Less: Accumulated Depreciation and Impairment	<u>1,157,125</u>	<u>1,146,266</u>
<b><u>2,238</u></b>	<b><u>2,154</u></b>	Net Carrying Amount	<b><u>848,590</u></b>	<b><u>880,942</u></b>
<b>Infrastructure Systems - Fair Value</b>				
-----	-----	Gross Carrying Amount	869,003	849,359
<u>-----</u>	<u>-----</u>	Less: Accumulated Depreciation and Impairment	<u>429,100</u>	<u>399,857</u>
<b><u>-----</u></b>	<b><u>-----</u></b>	Net Carrying Amount	<b><u>439,903</u></b>	<b><u>449,502</u></b>
<b>Leasehold Improvements - Fair Value</b>				
12,380	12,380	Gross Carrying Amount	55,398	41,523
<u>12,380</u>	<u>12,380</u>	Less: Accumulated Depreciation and Impairment	<u>26,868</u>	<u>24,219</u>
<b><u>-----</u></b>	<b><u>-----</u></b>	Net Carrying Amount	<b><u>28,530</u></b>	<b><u>17,304</u></b>
<b><u>122,571</u></b>	<b><u>126,933</u></b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b><u>12,567,201</u></b>	<b><u>11,962,888</u></b>

PARENT

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	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000
<b>2014</b>					
Net Carrying Amount at Start of Year	57,817	66,962	2,154	----	126,933
Additions	----	568	1,004	----	1,572
Disposals	(1,600)	(683)	(168)	----	(2,451)
Administrative Restructures - Transfers In/(Out)	----	----	(51)	----	(51)
Depreciation Expense	----	(2,731)	(701)	----	(3,432)
Net Carrying Amount at End of Year	56,217	64,116	2,238	----	122,571

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$000	\$000	\$000	\$000	\$000
<b>2013</b>					
Net Carrying Amount at Start of Year	66,900	61,207	4,070	205	132,382
Additions	----	524	213	----	737
Reclassifications to Intangibles	----	----	(841)	----	(841)
Disposals	----	----	(479)	----	(479)
Revaluation Decrements Recognised in Reserves	(9,083)	7,944	----	----	(1,139)
Depreciation Expense	----	(2,713)	(809)	(205)	(3,727)
Net Carrying Amount at End of Year	57,817	66,962	2,154	----	126,933

(i) Land and Buildings were valued in the 2012/13 financial year by Land Property Information (LPI) in accordance with note 2(j). Land Property Information (LPI) is not an employee of the Ministry. Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 26.

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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	1,743,378	8,871,762	880,942	449,502	17,304	11,962,888
Additions	7,260	910,168	170,362	498	7,054	1,095,342
Reclassifications to Intangibles	----	----	(595)	----	----	(595)
Recognition of Assets Held for Sale	(1,280)	(82)	----	----	----	(1,362)
Disposals	(5,100)	(12,987)	(19,727)	(26)	----	(37,840)
Administrative Restructures - Transfers In/(Out)	----	----	2,243	----	----	2,243
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	24,264	89,494	----	11,719	----	125,477
Depreciation Expense	----	(376,574)	(176,788)	(22,110)	(3,480)	(578,952)
Reclassifications	(808)	683	(7,847)	320	7,652	----
Net Carrying Amount at End of Year	1,767,714	9,482,464	848,590	439,903	28,530	12,567,201

	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	1,663,949	7,599,830	935,578	363,095	16,747	10,579,199
Additions	31,655	1,131,105	330,983	424	4,473	1,498,640
Reclassifications to Intangibles	----	----	(841)	----	----	(841)
Recognition of Assets Held for Sale	(826)	----	----	----	----	(826)
Disposals	(847)	(62,093)	(23,218)	(16)	(20)	(86,194)
Administrative Restructures - Transfers In/(Out)	----	----	7,011	----	56	7,067
Decrements Recognised in Reserves	49,447	472,681	989	3,180	----	526,297
Depreciation Expense	----	(358,558)	(177,755)	(20,308)	(3,833)	(560,454)
Reclassifications	----	88,797	(191,805)	103,127	(119)	----
Net Carrying Amount at End of Year	1,743,378	8,871,762	880,942	449,502	17,304	11,962,888

(i) Valuations for each of the health entities are performed regularly within a three year cycle. Revaluation details are included in the individual entities' financial statements.

(ii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j).

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 2(y).

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2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>23. Intangible Assets</b>		
		<b>Intangibles</b>		
200	200	Cost (Gross Carrying Amount)	653,058	547,296
200	200	Less Accumulated Amortisation and Impairment	190,039	158,194
<u>-----</u>	<u>-----</u>	<b>Net Carrying Amount</b>	<u><b>463,019</b></u>	<u><b>389,102</b></u>
<u>-----</u>	<u>-----</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u><b>463,019</b></u>	<u><b>389,102</b></u>

**Intangible Reconciliation**

**Parent**

	Intangibles \$000
<b>2014</b>	
Net Carrying Amount at Start of Year	-----
Additions (From Internal Development or Acquired Separately)	-----
<b>Net Carrying Amount at End of Year</b>	<b>-----</b>

	Intangibles \$000
<b>2013</b>	
Net Carrying Amount at Start of Reporting Period	177
Additions (From Internal Development or Acquired Separately)	162
Reclassification From Plant & Equipment	841
Amortisation (Recognised in Depreciation and Amortisation)	(118)
Admin Transfers	(1,062)
<b>Net Carrying Amount at End of Year</b>	<b>-----</b>

**Consolidation**

	Intangibles \$000
<b>2014</b>	
Net Carrying Amount at Start of Year	389,102
Additions (From Internal Development or Acquired Separately)	103,947
Reclassifications from Plant & Equipment	595
Disposals	(189)
Amortisation (Recognised in Depreciation and Amortisation)	(30,436)
<b>Net Carrying Amount at End of Year</b>	<b>463,019</b>

	Intangibles \$000
<b>2013</b>	
Net Carrying Amount at Start of Year	302,764
Additions (From Internal Development or Acquired Separately)	111,824
Reclassifications from Plant & Equipment	841
Amortisation (Recognised in Depreciation and Amortisation)	(26,327)
<b>Net Carrying Amount at End of Year</b>	<b>389,102</b>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>24. Other Assets</b>		
		<b>Non-Current</b>		
----	----	Emerging Rights to Assets (refer Note 2(ad))	41,626	37,416
-----	-----		<u>41,626</u>	<u>37,416</u>
		<b>25. Non-Current Assets (or Disposal Groups) Held for Sale</b>		
		<b>Assets Held for Sale</b>		
----	----	Land and Buildings	15,620	19,257
-----	-----	Infrastructure Systems	33	33
-----	-----		<u>15,653</u>	<u>19,290</u>

**PARENT & CONSOLIDATION**

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

**(a) Fair Value Hierarchy**

Property, Plant and Equipment (Note 22)\*

2014	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>PARENT</b>				
- Land and Buildings	----	55,871	64,462	120,333
	-----	<u>55,871</u>	<u>64,462</u>	<u>120,333</u>
<b>CONSOLIDATION</b>				
- Land and Buildings	----	2,123,891	9,126,287	11,250,178
- Infrastructure Systems	----	----	439,903	439,903
non-current Assets (or Disposal Groups) Held for Sale (Note 25)	----	15,653	----	15,653
	-----	<u>2,139,544</u>	<u>9,566,190</u>	<u>11,705,734</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2013.

\*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.

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

For land, buildings and infrastructure the Ministry and its controlled health entities obtain external valuations by independent valuers every three years. The valuer used by each health entity is an independent person

revaluation and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices, refer note 22 reconciliation.

better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

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

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly. The majority of the restricted land has been classified as level 3 with the exception of work in progress and newly completed assets as discussed below 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 and commercial 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".

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

Level 3 disclosures:

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

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 Ministry is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.



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

(c) Reconciliation of Recurring Level 3 Fair Value Measurements	Land and Buildings \$000	Infrastructure \$000	Level 3 Recurring Total \$000
<b>PARENT</b>			
Fair value as at 1 July 2013	68,855	----	68,855
Additions	568	----	568
Disposals	(2,283)	----	(2,283)
Depreciation	(2,678)	----	(2,678)
	<u>64,462</u>	<u>----</u>	<u>64,462</u>
Fair value as at 30 June 2014	<u>64,462</u>	<u>----</u>	<u>64,462</u>
<b>CONSOLIDATION</b>			
Fair value as at 1 July 2013	9,207,935	449,502	9,657,437
Additions	148,254	498	148,752
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment asset revaluation surplus'	94,571	11,719	106,290
Transfers from Level 2	11,431	----	11,431
Disposals	(4,718)	(26)	(4,744)
Depreciation	(328,256)	(22,110)	(350,366)
Other	(2,930)	320	(2,610)
	<u>9,126,287</u>	<u>439,903</u>	<u>9,566,190</u>
Fair value as at 30 June 2014	<u>9,126,287</u>	<u>439,903</u>	<u>9,566,190</u>

PARENT		CONSOLIDATION	
2014 \$000	2013 \$000	2014 \$000	2013 \$000

**27. Restricted Assets**

The Ministry'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.

PARENT		CONSOLIDATION	
2014 \$000	2013 \$000	2014 \$000	2013 \$000
			<b>Category</b>
----	----	408,056	386,561
----	----	10,153	9,760
----	----	168,183	173,917
----	----	335,155	314,344
----	----	84,047	85,200
		<u>1,005,594</u>	<u>969,782</u>
<u>----</u>	<u>----</u>	<u>1,005,594</u>	<u>969,782</u>

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		<b>28. Payables</b>		
		<b>Current</b>		
1,585	1,340	Accrued Salaries, Wages and On-Costs	259,056	230,612
56,094	169	Taxation and Payroll Deductions	120,013	116,844
145,275	137,189	Trade Operating Creditors	621,628	585,343
----	----	Interest	40	31
		Other Creditors		
----	----	- Capital Works	113,818	104,863
113,708	148,735	- Intra Health Liability	----	----
9,601	26,533	- Other	270,800	233,021
<u>326,263</u>	<u>313,966</u>		<u>1,385,355</u>	<u>1,270,714</u>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.*

		<b>29. Borrowings</b>		
		<b>Current</b>		
----	----	Other Loans and Deposits	1,444	2,571
----	----	Finance Leases [see note 2(q)]	2,191	1,970
		Public Private Partnership		
----	----	- Long Bay Forensic Hospital	1,324	1,277
----	----	- Calvary Mater Newcastle Hospital	9,326	8,217
<u>----</u>	<u>----</u>		<u>14,285</u>	<u>14,035</u>
		<b>Non-Current</b>		
----	----	Other Loans and Deposits	5,587	6,647
----	----	Finance Leases [see note 2(q)]	2,644	4,835
		Public Private Partnership		
----	----	- Long Bay Forensic Hospital	78,451	79,775
----	----	- Calvary Mater Newcastle Hospital	115,173	124,499
----	----	- Orange Hospital and Associated Health Services	162,091	162,091
----	----	- Royal North Shore Hospital Redevelopment	699,105	669,842
<u>----</u>	<u>----</u>		<u>1,063,051</u>	<u>1,047,689</u>

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property. Other loans still to be extinguished represent monies to be repaid to the Treasury.

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.*

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
<b>30. Provisions</b>				
<b>Current</b>				
5,634	5,129	Annual Leave - Short Term Benefit	925,690	811,492
2,322	2,482	Annual Leave - Long Term Benefit	534,187	589,945
----	----	Long Service Leave - Short Term Benefit	----	479
----	----	Long Service Leave - Long Term Benefit	----	16,359
----	----	Death and Disability (Ambulance Officers)	6,633	10,212
----	----	Sick Leave	411	407
3,175	1,611	Long Service Leave Consequential On-Costs	198,971	152,700
----	----	Other	376	236
<b>11,131</b>	<b>9,222</b>	<b>Total Current Provisions</b>	<b>1,666,268</b>	<b>1,581,830</b>
<b>Non-Current</b>				
----	----	Long Service Leave - Conditional	----	3,022
----	----	Death and Disability (Ambulance Officers)	3,956	2,407
167	304	Long Service Leave Consequential On-Costs	10,472	7,364
----	----	Other	3,788	2,832
<b>167</b>	<b>304</b>	<b>Total Non-Current Provisions</b>	<b>18,216</b>	<b>15,625</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
11,131	9,222	Provisions - Current	1,665,892	1,581,594
167	304	Provisions - Non-Current	14,428	12,793
57,679	1,509	Accrued Salaries, Wages and On-Costs (Note 28)	379,069	347,456
<b>68,977</b>	<b>11,035</b>		<b>2,059,389</b>	<b>1,941,843</b>
<b>31. Other Liabilities</b>				
<b>Current</b>				
2,606	2,427	Income in Advance	39,507	38,370
----	----	Other	464	30
<b>2,606</b>	<b>2,427</b>		<b>39,971</b>	<b>38,400</b>
<b>Non-Current</b>				
55,831	58,258	Income in Advance	94,592	99,466
----	----	Other	1,759	3,556
<b>55,831</b>	<b>58,258</b>		<b>96,351</b>	<b>103,022</b>

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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		<b>32. 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	721,586	572,034
----	----	Later than one year and not later than five years	190,978	475,854
----	----	Later than five years	233	----
----	----	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>912,797</u>	<u>1,047,888</u>
		(b) <b>Operating Lease Commitments</b>		
		Future non-cancellable operating lease rentals not provided for and payable:		
7,195	----	Not later than one year	164,258	148,235
32,757	----	Later than one year and not later than five years	322,818	255,909
----	----	Later than five years	155,985	152,768
<u>39,952</u>	----	<b>Total Operating Lease Commitments (Including GST)</b>	<u>643,061</u>	<u>556,912</u>
		The operating lease commitments above are for property, motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		(c) <b>Input Tax recoverable related to Commitments for expenditure</b>		
		The total of 'Commitments for Expenditure' above, i.e. \$1,667M million as at 30 June 2014 includes input tax credits of \$151.6M that are expected to be recoverable from the Australian Taxation Office (2013 \$154.4M).		
		(d) <b>Finance Lease Commitments</b>		
		Minimum lease payment commitments in relation to finance leases are payable as follows:		
----	----	Not later than one year	121,018	64,315
----	----	Later than one year and not later than five years	490,462	478,987
----	----	Later than five years	2,354,787	2,399,073
----	----	<b>Minimum Lease Payments</b>	<u>2,966,267</u>	<u>2,942,375</u>
----	----	Less: Future Finance Charges	<u>1,895,962</u>	<u>1,889,869</u>
----	----	<b>Present Value of Minimum Lease Payments</b>	<u>1,070,305</u>	<u>1,052,506</u>
		<b>The present value of finance lease commitments is as follows:</b>		
----	----	Not later than one year	12,841	11,464
----	----	Later than one year and not later than five years	56,013	57,653
----	----	Later than five years	1,001,451	983,389
----	----	<b>Present Value of Minimum Lease Payments</b>	<u>1,070,305</u>	<u>1,052,506</u>
		<b>Classified as:</b>		
----	----	(a) Current (Note 29)	12,841	11,464
----	----	(b) Non-Current (Note 29)	1,057,464	1,041,042
----	----		<u>1,070,305</u>	<u>1,052,506</u>

**CONSOLIDATION**

**33. Trust Funds**

The Ministry holds trust fund moneys of \$65.3 million which are used 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 Ministry 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	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	5,298	5,246	11,709	12,898	73,430	74,190	90,437
Receipts	6,742	8,912	43,914	37,413	535,592	375,363	586,248
Expenditure	(6,962)	(8,860)	(46,145)	(38,602)	(558,285)	(376,123)	(423,585)
Cash Balance at the end of the financial year	5,078	5,298	9,478	11,709	50,737	73,430	65,293
							90,437

The Parent entity does not administer any trust funds on behalf of others.

## PARENT AND CONSOLIDATION

### 34. 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 adjustment pertaining to the hospitals and community services now forming part of the Ministry will be paid in 2014/15. It is not possible for the Ministry to reliably quantify the benefit to be received or amount payable.

#### b) **Public Private Partnerships**

##### i) Calvary Mater Newcastle Hospital Public, Private Partnership

The liability to pay Novacare for the redevelopment of the Mater Hospital is based on a financing arrangement involving CPI-linked finance and fixed finance. An interest rate adjustment will be made as appropriate for the CPI-linked interest component over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

##### ii) Royal North Shore Hospital Redevelopment Public, Private Partnership

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 estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

##### iii) Orange Hospital and Associated Health Services Public, Private Partnership

The liability to pay Pinnacle Healthcare is based on a financing arrangement involving a CPI indexed annuity bond, the capital financing payment will be adjusted in accordance with a CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

##### iv) Long Bay Forensic Hospital Public, Private Partnership

The liability to pay PPP Solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving non-indexable availability charges and interest rate adjustments. Other service fees are to be indexed in accordance with inflation and wages escalation. The estimated value of the contingent liability associated with indexation and interest rate adjustment is unable to be fully determined because of uncertain future events.

#### c) **Sydney Local Health District Damages Claim**

A claim was made against the former Central Sydney Area Health Service (now SLHD) by the lessee of a property owned by the District on the Royal Prince Alfred Hospital (RPAH) campus, on which the lessee had agreed to construct a car park and private hospital to be operated by the lessee. The lessee sought damages principally because it claimed its failure to commence construction of the hospital and to complete the car park was caused by the former Area Health Service. That claim failed, however the lessee successfully sought to be restored to possession and is claiming substantial damages for having been kept out of possession. SLHD also has a substantial cross-claim for damages. The matters are before the court. The contingent liability is not able to be reliably quantified at this time.

Ministry of Health  
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
<b>35. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
36,177	82,223	Net Cash Flows from Operating Activities	1,300,740	1,046,017
(3,432)	(3,845)	Depreciation and Amortisation	(609,388)	(586,781)
(226)	(9)	Allowance for Impairment	(73,855)	(46,727)
2,249	2,427	(Increase)/ Decrease Income in Advance	3,737	-----
(1,772)	5,069	(Increase)/ Decrease in Provisions	(87,030)	(32,432)
32,062	(67,952)	Increase / (Decrease) in Prepayments and Other Assets	367,901	120,654
(5,986)	(93,729)	(Increase)/ Decrease in Creditors	(432,074)	(129,878)
-----	-----	Rights to Emerging Asset	-----	(16,995)
(2,307)	(434)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(25,388)	(90,612)
-----	-----	Assets Donated or Brought to Account	12,892	12,099
<b>56,765</b>	<b>(76,250)</b>	<b>Net Result</b>	<b>457,535</b>	<b>275,345</b>
<b>36. Non-Cash Financing and Investing Activities</b>				
-----	-----	Assets Donated or Brought to Account	12,892	12,099
-----	-----	Property, Plant and Equipment Acquired by Finance Lease*	29,263	620,277
<b>-----</b>	<b>-----</b>		<b>42,155</b>	<b>632,376</b>

\*Completed in November 2012, Royal North Shore Hospital Acute Services Building of \$620M has been brought into the accounts of the Ministry of Health as part of a Public Private Partnership. Further \$30M recognised in the 2013-14 financial year.

**37. 2013/14 Voluntary Services**

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

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

**38. Unclaimed Moneys**

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

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

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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**39. Budget Review - Consolidation**

The 2013-14 budget represents the initial budget as allocated by Government at the time of the 2013-14 State Budget, presented to Parliament on 18 June 2013.

**NET RESULT**

**\$M**

The actual Net Result was \$18.5M greater than the Statement of Comprehensive Income budget result for the 2013-14 year.

A reconciliation of the movements between actual and budgeted net result follows:

Employee expenses over budget by \$111.3M - includes variation for the end of year LSL actuarial provision held by the Crown which is some \$168M more than the initial budget. A major factor in calculating the LSL actuarial results is the movement in the 10 year Commonwealth Bond rate determined on 30 June and advised to agencies in early July 2014.	(111)
Other operating expenses under budget by \$113M - reflects lower cost increases for a range of operational & clinical supplies including net impact of cross border arrangements	113
Grants and subsidies over budget by \$103.8M - primarily attributable to increases in grants to external organisations, for research and data evaluation projects (\$41M), grants to Affiliated Health Organisations for services (\$24M) and Non Government Organisations (\$34M).	(104)
Recurrent Allocation under budget by \$61.4M due to a decrease in capital to offset proposed reductions in private health insurance rebates for single rooms estimated at \$80M which did not eventuate. Other minor allocations and adjustments were made through the year.	(61)
Variations in the Crown Acceptance of Employee Benefits revenue budget including the Long Service Leave factors and other crown acceptances.	162
A net increase in own source revenues predominately impacted by maintaining private health insurance rebates for single rooms of (\$80M), other revenue (\$53M), and reduced investment revenue (\$10M) due to conversion of investments to cash.	98
Gain and Loss on Disposal of Assets, predominately as a result of the need to de-recognise buildings on the Prince of Wales campus transferred to Lifehouse and other losses (including bad debts written off and other impairments).	(89)
Other	10
<b>Variation from budgeted Net Result</b>	<b>18</b>

**ASSETS AND LIABILITIES**

**\$M**

Net assets exceed budget by \$164M. The major factors are:

Cash and cash equivalents are favourable to budget by \$267.9M as a result of the conversion of Financial Assets at Fair Value to cash and cash equivalents, an increase in net operating revenue, and an increase in payables.	268
Reduction in Financial Assets at Fair value due to conversion to more liquid form, ie cash.	(78)
An increase in property, plant and equipment primarily through asset revaluations and acquisitions.	209
Payables exceeded budget by \$156.1M, primarily due to an increase in services performed where invoices have not yet been received and processed.	(156)
Movement in revaluation reserve arising from full revaluations and use of indices.	(106)
Other	27
<b>Increase above Budgeted Net Assets</b>	<b>164</b>

**STATEMENT OF CASH FLOWS**

**\$M**

The actual Net Cash Flows from Operating Activities varied from the budget by \$222M. This includes the net impact of payment of employee costs (\$24M), grants (\$103M), receipts for the sale of goods and services (\$268M), reimbursements from the Crown Entity (\$172M) and other miscellaneous movements.	222
The Cash Flow budget applied to Investing Activities varied by \$63M due to NSW Health carrying less financial assets and more cash, and increases in the acquisition of property, plant and equipment.	(63)
The Cash Flow from Finance Activities varied to budget primarily as a result of increased borrowings for the Royal North Shore Hospital Acute Services Building PPP.	9



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

**Parent**

Equity transfers effected in the 2013/14 year were:

A value of \$51K Plant & Equipment was transferred to Health System Support Group.

Equity transfers effected in the 2012/13 year were:

An amount of \$1.062M was transferred to Health Education and Training Institute as part of a transfer of a service function.

**Assets and Liabilities transferred are as follows:**

	2014	2013
	\$000	\$000
<b>Assets</b>		
Plant & Equipment	51	----
Intangibles	----	1,062
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>51</b>	<b>1,062</b>

**Consolidation**

Equity transfers effected in the 2013/14 year were:

An increase in net assets of \$2.24M relates to the transfer of plant and equipment from NSW Police to NSW Pathology for forensic equipment related to a transfer of functions.

Equity transfers effected in the 2012/13 year were:

From 1 April 2013, Cancer Institute NSW (CINSW) became a controlled entity of the Ministry of Health. CINSW equity of \$51.06 million transferred into the Ministry.

Effective 1 July 2012, an amount of \$24.65 million was transferred to NSW Crown Entity. This cost relates to a portion of long service leave liability borne by the Crown Entity.

**Assets and Liabilities transferred are as follows:**

	2014	2013
	\$000	\$000
<b>Assets</b>		
Cash & Cash Equivalents	----	53,093
Receivables	----	2,292
Plant & Equipment	2,243	6,342
<b>Liabilities</b>		
Payables	----	(2,104)
Provisions	----	16,089
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>2,243</b>	<b>75,712</b>

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**41. Financial Instruments**

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

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

The Secretary of the Ministry of Health 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 Ministry, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Risk Management & Audit Committee and the internal auditors on a continuous basis.

**(a) Financial Instrument Categories**

**PARENT**

Financial Assets		Carrying	Carrying
Class:	Category	Amount	Amount
		2014	2013
		\$000	\$000
Cash and Cash Equivalents (note 17)	N/A	249,771	233,534
Receivables (note 18)	Loans and receivables (at amortised cost)	83,942	42,577
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	50,954	32,439
Total Financial Assets		<u>384,667</u>	<u>308,550</u>
<b>Financial Liabilities</b>			
Payables (note 28)	Financial liabilities measured at amortised cost	270,169	313,797
Total Financial Liabilities		<u>270,169</u>	<u>313,797</u>

Notes

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

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

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<b>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 17)	N/A	1,668,493	1,482,967
Receivables (note 18)*	Loans and receivables (at amortised cost)	374,126	403,910
Financial Assets at Fair Value (note 20)	At fair value through profit or loss (designated as such upon initial recognition)	79,148	120,894
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	223	1,349
Total Financial Assets		<u>2,121,990</u>	<u>2,009,120</u>
<b>Financial Liabilities</b>			
Borrowings (note 29)	Financial liabilities	1,077,336	1,061,724
Payables (note 28)**	measured at	1,265,342	1,153,870
Other (note 31)	amortised cost	2,223	3,586
Total Financial Liabilities		<u>2,344,901</u>	<u>2,219,180</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)

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

Credit risk associated with the Ministry'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 between rates of approximately 1.3% and 5.2% in 2013/14 compared to 2.9% and 3.4% in the previous year. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

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**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 Ministry 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 Ministry and controlled entities are 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: \$291.746 million; 2013: \$353.501 million) and not more than 3 months past due (2014: \$48.687 million; 2013: \$33.302 million) are not considered impaired and together these represent 70% 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 Ministry'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.

**PARENT**

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	262	262	----
3 months - 6 months overdue	708	708	----
> 6 months overdue	21	21	----
<b>2013</b>			
<3 months overdue	1,411	1,411	----
3 months - 6 months overdue	----	----	----
> 6 months overdue	1,950	1,950	----

**CONSOLIDATION**

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	54,664	48,687	5,977
3 months - 6 months overdue	34,291	17,549	16,742
> 6 months overdue	108,818	16,144	92,674
<b>2013</b>			
<3 months overdue	50,752	33,302	17,450
3 months - 6 months overdue	24,587	10,991	13,596
> 6 months overdue	41,018	6,116	34,902

**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 Ministry 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 between 2.10 - 4.34% (2013: 2.55 - 9.78%), while over the year the weighted average interest rate was between 1.30 - 4.95% (2013: 3.60 - 13.28%). None of these assets are past due or impaired.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Ministry will be unable to meet its payment obligations when they fall due. The Ministry 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 Ministry has negotiated no loan outside of arrangements with the Treasury. During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral.

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 Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

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

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*Maturity Analysis and interest rate exposure of financial liabilities*

PARENT	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2014	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		1,585	----	----	1,585	1,585	----	----
- Creditors		268,584	----	----	268,584	268,584	----	----
		<u>270,169</u>	----	----	<u>270,169</u>	<u>270,169</u>	----	----
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		1,340	----	----	1,340	1,340	----	----
- Creditors		312,457	----	----	312,457	312,457	----	----
		<u>313,797</u>	----	----	<u>313,797</u>	<u>313,797</u>	----	----
CONSOLIDATION								
	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2014	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		259,056	----	----	259,056	259,056	----	----
- Creditors		1,006,286	----	----	1,006,286	1,006,286	----	----
Borrowings:								
- Loans and Deposits	9.55%	2,968,463	2,968,463	----	----	120,271	493,405	2,354,787
- Finance Leases	6.72%	4,835	4,835	----	----	2,191	2,644	----
- Other	4.63%	2,223	2,223	----	----	464	1,759	----
		<u>4,240,863</u>	<u>2,975,521</u>	----	<u>1,265,342</u>	<u>1,388,268</u>	<u>497,808</u>	<u>2,354,787</u>
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		230,612	----	----	230,612	230,612	----	----
- Creditors		923,258	----	----	923,258	923,258	----	----
Borrowings:								
- Loans and Deposits	9.55%	3,035,221	3,035,221	----	----	64,395	492,256	2,478,570
- Finance Leases	6.72%	9,459	9,459	----	----	2,993	6,466	----
- Other	4.63%	3,586	3,586	----	----	30	3,556	----
		<u>4,202,136</u>	<u>3,048,266</u>	----	<u>1,153,870</u>	<u>1,221,288</u>	<u>502,278</u>	<u>2,478,570</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 Ministry 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 of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Ministry's exposures to market risk are primarily through interest rate risk on the Ministry's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Ministry 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 Ministry 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 Ministry's interest bearing liabilities.

However, Health Entities are not permitted to borrow external to the Ministry of Health (energy loans which are negotiated through Treasury excepted).

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

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

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

PARENT	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	249,771	(2,498)	(2,498)	2,498	2,498
Receivables	83,942	----	----	----	----
Other Financial Assets	50,954	(510)	(510)	510	510
<b>Financial Liabilities</b>					
Payables	270,169	----	----	----	----
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	233,534	(2,335)	(2,335)	2,335	2,335
Receivables	42,577	----	----	----	----
Other Financial Assets	32,439	(324)	(324)	324	324
<b>Financial Liabilities</b>					
Payables	313,797	----	----	----	----

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CONSOLIDATED	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2014</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,668,493	(16,685)	(16,685)	16,685	16,685
Receivables	374,126	----	----	----	----
Financial Assets at Fair Value	270,169	(2,702)	(2,702)	2,702	2,702
Other Financial Assets	223	(2)	(2)	2	2
<b>Financial Liabilities</b>					
Payables	1,265,342	----	----	----	----
Borrowings	1,077,336	10,773	10,773	(10,773)	(10,773)
Other	2,223	22	22	(22)	(22)
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,482,967	(14,830)	(14,830)	14,830	14,830
Receivables	403,910	----	----	----	----
Financial Assets at Fair Value	120,894	(1,209)	(1,209)	1,209	1,209
Other Financial Assets	1,349	(13)	(13)	13	13
<b>Financial Liabilities</b>					
Payables	1,153,870	----	----	----	----
Borrowings	1,061,724	10,617	10,617	(10,617)	(10,617)
Other	3,586	36	36	(36)	(36)

*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 Ministry has no direct equity investments. The Ministry 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	15,076	16,861
Strategic cash facility	Cash and money market instruments	1.5 years to 3 years	2,248	41,500
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	15,243	6,546
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	46,581	48,023

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 is trustee for each of the above facilities and 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. However, TCorp, acts as manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.



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

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

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

	Change in unit price	Impact on profit/loss	
		2014 \$'000	2013 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	151	169
Hour-Glass Investment - Strategic cash facility	+/- 1 to 5%	22	394
Hour-Glass Investment - Medium-term growth facility	+/- 6 to 24%	900	21
Hour-Glass Investment - Long-term growth facility	+/- 15 to 22%	5,962	9,412

**(e) Fair Value Measurement**

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 many of the financial instruments.

**Fair Value recognised in the Statement of Financial Position**

The Ministry uses the below hierarchy for disclosing the fair value of financial instruments by valuation technique:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2014 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	79,148	-----	79,148
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	112,930	-----	112,930

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

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

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

**42. Events after the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**

