

# Northern Adelaide Local Health Network Incorporated

Financial report  
for the year ended  
30 June 2018



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## To the Interim Chief Executive Officer Northern Adelaide Local Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Northern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2018.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Northern Adelaide Local Health Network Incorporated as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Interim Chief Executive Officer and the Acting Chief Finance Officer.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Northern Adelaide Local Health Network Incorporated. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

## **Responsibilities of the Interim Chief Executive Officer for the financial report**

The Interim Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Interim Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Interim Chief Executive Officer about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

19 September 2018

## Certification of the financial statements

We certify that the:

- financial statements of the Northern Adelaide Local Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Northern Adelaide Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Debbie Chin  
Interim Chief Executive Officer



Danny De Cesare  
Acting Chief Finance Officer

Date ...13/9/18.....

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Expenses</b>			
Staff benefits expenses	3	463,349	414,077
Supplies and services	4	193,092	172,143
Depreciation and amortisation expense	17,18	27,890	26,986
Net loss from disposal of non-current and other assets	10	33	77
Other expenses	5	189	2,861
<b>Total expenses</b>		<b>684,553</b>	<b>616,144</b>
<b>Income</b>			
Revenues from fees and charges	6	26,762	25,586
Grants and contributions	7	3,139	3,351
Interest revenues	8	88	82
Resources received free of charge	9	2,708	538
Other revenues/income	11	4,436	4,213
<b>Total income</b>		<b>37,133</b>	<b>33,770</b>
<b>Net cost of providing services</b>		<b>647,420</b>	<b>582,374</b>
<b>Revenues from SA Government</b>			
Revenues from SA Government	12	627,371	571,630
<b>Total revenues from SA Government</b>		<b>627,371</b>	<b>571,630</b>
<b>Net result</b>		<b>(20,049)</b>	<b>(10,744)</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in property, plant and equipment asset revaluation surplus		16,244	-
<b>Total other comprehensive income</b>		<b>16,244</b>	<b>-</b>
<b>Total comprehensive result</b>		<b>(3,805)</b>	<b>(10,744)</b>

**The net result and total comprehensive result are attributable to the SA Government as owner**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	13	28,350	18,435
Receivables	14	7,839	8,444
Inventories	15	1,951	1,907
<b>Total current assets</b>		<b>38,140</b>	<b>28,786</b>
<b>Non-current assets</b>			
Receivables	14	1,678	995
Property, plant and equipment	17	435,997	439,901
Intangible assets	18	72	92
<b>Total non-current assets</b>		<b>437,747</b>	<b>440,988</b>
<b>Total assets</b>		<b>475,887</b>	<b>469,774</b>
<b>Current liabilities</b>			
Payables	20	20,488	19,495
Staff benefits	21	57,195	51,326
Provisions	22	2,156	3,274
Other liabilities	23	93	3
<b>Total current liabilities</b>		<b>79,932</b>	<b>74,098</b>
<b>Non-current liabilities</b>			
Payables	20	2,410	2,853
Staff benefits	21	70,720	64,698
Provisions	22	3,486	4,891
<b>Total non-current liabilities</b>		<b>76,616</b>	<b>72,442</b>
<b>Total liabilities</b>		<b>156,548</b>	<b>146,540</b>
<b>Net assets</b>		<b>319,339</b>	<b>323,234</b>
<b>Equity</b>			
Asset revaluation surplus		21,878	5,796
Retained earnings		297,461	317,438
<b>Total equity</b>		<b>319,339</b>	<b>323,234</b>

**The total equity is attributable to the SA Government as owner**

Unrecognised contractual commitments 24

Contingent asset and liabilities 25

The above Statement of Financial Position should be read in conjunction with the accompanying notes

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2018**

	Note	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
<b>Balance at 30 June 2016</b>		<b>5,796</b>	<b>329,643</b>	<b>335,439</b>
<b>Total comprehensive result for 2016-17</b>		<b>-</b>	<b>(10,744)</b>	<b>(10,744)</b>
<b>Transactions with SA Government as owner</b>				
Net assets transferred out as a result of an administrative restructure	2.3	-	(1,461)	(1,461)
<b>Balance at 30 June 2017</b>		<b>5,796</b>	<b>317,438</b>	<b>323,234</b>
<b>Net result for 2017-18</b>		<b>-</b>	<b>(20,049)</b>	<b>(20,049)</b>
Gain/(loss) on revaluation of land and buildings	17	16,135	-	16,135
Gain/(loss) on revaluation of plant and equipment	17	109	-	109
<b>Total comprehensive result for 2017-18</b>		<b>16,244</b>	<b>(20,049)</b>	<b>(3,805)</b>
Transfer between equity components		(162)	162	-
Net assets received from an administrative restructure	2.2	-	(90)	(90)
<b>Balance at 30 June 2018</b>		<b>21,878</b>	<b>297,461</b>	<b>319,339</b>

**All changes in equity are attributable to the SA Government as owner**

The above statement of Changes in Equity should be read in conjunction with the accompanying notes.



**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Staff benefits payments		(451,337)	(409,879)
Payments for supplies and services		(137,482)	(126,068)
Other payments		(72)	(1,403)
<b>Cash used in operations</b>		<u>(588,891)</u>	<u>(537,350)</u>
<b>Cash inflows</b>			
Fees and charges		22,630	20,582
Grants and contributions		3,428	3,520
Interest received		88	82
GST recovered from ATO		10,801	12,306
Other receipts		4,549	4,214
<b>Cash generated from operations</b>		<u>41,496</u>	<u>40,704</u>
<b>Cash flows from SA Government</b>			
Receipts from SA Government		562,490	498,586
<b>Cash generated from SA Government</b>		<u>562,490</u>	<u>498,586</u>
<b>Net cash provided by operating activities</b>		<u>15,095</u>	<u>1,940</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(5,168)	(2,821)
Purchase of intangibles		(12)	(14)
<b>Cash used in investing activities</b>		<u>(5,180)</u>	<u>(2,835)</u>
<b>Net cash provided by/(used in) investing activities</b>		<u>(5,180)</u>	<u>(2,835)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,915</b>	<b>(895)</b>
Cash and cash equivalents at the beginning of the period		18,435	19,330
<b>Cash and cash equivalents at the end of the period</b>	28	<u>28,350</u>	<u>18,435</u>
Non-cash transactions	28		

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Inter-entity non-cash revenue and expense transactions have been excluded.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

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## **1. Basis of financial statements**

### **1.1 Reporting entity**

The Northern Adelaide Local Health Network Incorporated (the Hospital) was incorporated on 1 July 2011 under the *Health Care Act 2008* (the Act).

The financial statements and accompanying notes include all controlled entities of the Hospital.

The Hospital does not control any other entity and has no interests in unconsolidated structured entities.

#### *Administered items*

The financial statements include all controlled activities of the Hospital. Transactions and balances relating to administered resources are not recognised as the Hospital's controlled income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the Schedule of Administered Financial Statements following the general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Hospital transactions.

### **1.2 Statement of compliance**

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and accounting policy statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Hospital has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Hospital is a not-for-profit entity.

### **1.3 Basis of preparation**

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs.

The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

The Hospital did not voluntarily change any of its accounting policies during 2017-18.

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change, or as otherwise noted. The restated comparative amounts do not replace the original financial statements for the preceding period.

Significant accounting policies are set out below or in the notes.

### **1.4 Taxation**

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the year ended 30 June 2018**

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**1.5 Continuity of Operations**

As at 30 June 2018, the Hospital had a working capital deficiency of \$41.792 million (\$45.312 million deficiency). The Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

**1.6 Equity**

The Hospital uses the asset revaluation surplus to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

**2. Objectives and activities**

**2.1 Objectives and activities**

The Hospital is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for all South Australians.

The Hospital is part of the SA Health portfolio providing health services for northern Adelaide, and is responsible to the Minister for Health and Wellbeing.

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital-based tertiary care including medical, surgical and other acute services, rehabilitation, mental and palliative health, breast screening and other community health services to veterans and other persons living within the northern Adelaide metropolitan area.

The Chief Executive Officer administers and manages the Hospital under delegation from the Chief Executive of the Department for Health and Wellbeing (the Department) and is accountable to the Chief Executive of the Department.

The Northern Adelaide Local Health Network Advisory Council Incorporated was established pursuant to the *Health Care Act 2008* (the Act). The Council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

**2.2 Administrative Restructure – Transferred in**

**2017-18**

- In December 2017, the Chief Executives of CALHN, NALHN, SALHN and WCHN agreed that clinical services associated with an LHN be transferred from SA Pathology (a part of CALHN) to that respective LHN. This included 1 employee for NALHN (\$0.090 million in staff benefits) and budget funding of \$0.350 million over five years. The activities and functions transferred include the governance and control of clinical services by SA Pathology staff. Laboratory services will continue to be managed via an SLA between SA Pathology and the respective LHN. The effective date of transfer was 1 February 2018.

**2016-17**

- There were no transfers during this period.

Net assets assumed by the Hospital as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**2.3 Administrative Restructure – Transferred out**

**2017-18**

- There were no transfers during this period.

**2016-17**

- Following an agreement between the Chief Executive Officers of Central Adelaide Local Health Network (CALHN) and Northern Adelaide Local Health Network (NALHN), it was agreed to transfer assets associated with the Older Person's Mental Health Service from NALHN to CALHN effective 1 August 2016.
- Property, plant and equipment was transferred from the NALHN to CALHN as at 1 August 2016, however staff liabilities associated with the function (totalling \$ 2.209 million), did not transfer as they were already recorded with CALHN as at the transfer date. Net assets transferred by the Hospital as a result of the administrative restructures were at the carrying amount immediately prior to the transfer.

The net assets transferred were treated as a distribution to the Government as owner.

**3. Staff benefits expenses**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	372,152	339,203
Targeted Voluntary Separation Packages (refer below)	269	137
Long Service Leave	14,445	4,701
Annual leave	36,072	33,664
Skills and Experience Retention Leave	1,368	1,224
Staff on-costs - superannuation*	37,944	34,126
Staff on-costs - other	1	-
Workers compensation**	(458)	(815)
Board and committee fees	65	64
Other staff related expenses	1,491	1,773
<b>Total staff benefits expenses</b>	<b>463,349</b>	<b>414,077</b>

\* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

\*\* 2018 workers compensation expenditure includes statutory workers compensation obligations under the *Return to Work Act 2014* (\$-0.689 million) and the new workers compensation non-statutory liability introduced in 2017-18 via various enterprise bargaining agreements and awards (\$0.231 million). Refer to note 22 for further information.

**3.1 Targeted voluntary separation packages**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount paid to separated staff:		
Targeted Voluntary Separation Packages	269	137
Leave paid to those staff	73	80
<b>Net cost to the Hospital</b>	<b>342</b>	<b>217</b>

The number of staff who received a TVSP during the reporting period	5	2
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**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**3.2 Key Management Personnel**

Key management personnel (KMP) of the Hospital includes the Minister, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the four members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Health for Health and Wellbeing. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

	2018	2017
	\$'000	\$'000
Salaries and other short term employee benefits	1,293	1,837
Post-employment benefits	117	231
<b>Total</b>	<b>1,410</b>	<b>2,068</b>

For those staff undertaking long term acting in KMP roles, only compensation for the period that they were acting is included.

The Hospital did not enter into any transactions with KMP or their close family in 2017-18 that were not consistent with normal procurement arrangements.

**3.3 Remuneration of staff**

	2018	2017
	No.	No.
The number of staff whose remuneration received or receivable falls within the following bands:		
\$147,000 - \$149,000*	n/a	9
\$149,001 - \$159,000	56	38
\$159,001 - \$169,000	29	29
\$169,001 - \$179,000	34	17
\$179,001 - \$189,000	16	20
\$189,001 - \$199,000	11	16
\$199,001 - \$209,000	11	6
\$209,001 - \$219,000	12	9
\$219,001 - \$229,000	18	5
\$229,001 - \$239,000	7	8
\$239,001 - \$249,000	3	12
\$249,001 - \$259,000	11	8
\$259,001 - \$269,000	7	8
\$269,001 - \$279,000	6	8
\$279,001 - \$289,000	6	5
\$289,001 - \$299,000	7	11
\$299,001 - \$309,000	11	7
\$309,001 - \$319,000	4	3
\$319,001 - \$329,000	7	5
\$329,001 - \$339,000	6	13
\$339,001 - \$349,000	5	11
\$349,001 - \$359,000	9	2
\$359,001 - \$369,000	7	7
\$369,001 - \$379,000	5	9
\$379,001 - \$389,000	10	6
\$389,001 - \$399,000	8	3
\$399,001 - \$409,000	9	6
\$409,001 - \$419,000	5	4
\$419,001 - \$429,000	5	2
\$429,001 - \$439,000	6	3
\$439,001 - \$449,000	3	5
\$449,001 - \$459,000	3	3
\$459,001 - \$469,000	1	3
\$469,001 - \$479,000	2	5
\$479,001 - \$489,000	5	-
\$489,001 - \$499,000	1	4

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

	2018	2017
The number of staff whose remuneration received or receivable falls within the following bands:	<b>No.</b>	<b>No.</b>
\$499,001 - \$509,000	1	4
\$509,001 - \$519,000	7	2
\$519,001 - \$529,000	3	3
\$529,001 - \$539,000	2	-
\$539,001 - \$549,000	3	1
\$549,001 - \$559,000	3	1
\$559,001 - \$569,000	2	-
\$569,001 - \$579,000	-	1
\$579,001 - \$589,000	-	1
\$589,001 - \$599,000	-	1
\$609,001 - \$619,000	1	-
\$619,001 - \$629,000	1	1
\$629,001 - \$639,000	-	1
\$649,001 - \$659,000	2	2
\$659,001 - \$669,000	1	1
\$669,001 - \$679,000	-	3
\$679,001 - \$689,000	1	-
\$689,001 - \$699,000	3	-
\$699,001 - \$709,000	1	-
\$709,001 - \$719,000	-	1
\$719,001 - \$729,000	1	1
\$729,001 - \$739,000	2	1
<b>Total number of staff</b>	<b>380</b>	<b>335</b>

\*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2016-17.

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

**3.4 Remuneration of staff by classification**

The total remuneration received by staff included above:

	2018		2017	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	338	101,044	300	89,017
Executive	6	1,387	4	961
Nursing	34	5,471	29	4,610
Non-medical (i.e. administration)	2	344	2	446
<b>Total</b>	<b>380</b>	<b>108,246</b>	<b>335</b>	<b>95,034</b>

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**4. Supplies and services**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Administration	796	645
Advertising	111	199
Communication	828	764
Computing	4,916	4,901
Consultants	169	188
Contract of services	696	182
Contractors	354	286
Contractors - agency staff	17,740	13,120
Drug supplies	7,853	7,083
Electricity, gas and fuel	6,635	4,203
Fee for service	7,163	5,677
Food supplies	3,726	3,707
Housekeeping	23,519	22,793
Insurance	5,568	5,672
Internal SA Health SLA payments	3,960	4,525
Legal	193	153
Medical, surgical and laboratory supplies	57,907	50,824
Minor equipment	773	1,865
Motor vehicle expenses	133	186
Occupancy rent and rates	5,707	5,493
Patient transport	6,483	6,135
Services from Shared Services SA	2,644	2,401
Postage	961	840
Printing and stationery	2,643	2,277
Rental expense on operating lease	781	787
Repairs and maintenance	9,489	9,586
Security	8,350	5,991
Staff training and development	6,387	5,622
Staff travel expenses	139	163
Other supplies and services	6,468	5,875
<b>Total supplies and services</b>	<b>193,092</b>	<b>172,143</b>

**Operating Leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term as it is representative of the pattern of benefits derived from the leased assets.

*Professional indemnity and general public insurance*

Professional indemnity and general public liability claims arising from the Hospital's operations are managed as part of the State Government Insurance Program. The Hospital pays an annual premium to the Department. The Department and the SA Government Financing Authority, SAICORP Division are responsible for meeting the cost of any claims. Consequently, no provision for these claims is recognised in the Hospital's financial statements.

**Consultancies**

The number of consultancies and dollar amount paid/payable (included in supplies and service expense) that fell within the following bands

	<b>2018</b>		<b>2017</b>	
	<b>No.</b>	<b>\$'000</b>	<b>No.</b>	<b>\$'000</b>
Below \$10,000	5	34	3	22
Above \$10,000	3	135	5	166
<b>Total paid/payable to consultants engaged</b>	<b>8</b>	<b>169</b>	<b>8</b>	<b>188</b>

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**5. Other expenses**

	Note	2018 \$'000	2017 \$'000
Assets transferred to the Department		-	1,276
Bad and doubtful debts	14	(231)	1,076
Bank fees and charges		21	18
Other*		399	491
<b>Total other expenses</b>		<b>189</b>	<b>2,861</b>

\*Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.253 million (\$0.264 million). No other services were provided by the Auditor-General's Department.

**6. Revenues from fees and charges**

	2018 \$'000	2017 \$'000
Ambulance transport	-	3
Fines, fees and penalties	48	60
Insurance recoveries	25	15
Patient and client fees	17,398	14,591
Private practice fees	2,315	2,490
Recoveries	5,082	5,362
Residential and other aged care charges	54	793
Other user charges and fees	1,840	2,272
<b>Total revenues from fees and charges</b>	<b>26,762</b>	<b>25,586</b>

**7. Grants and contributions**

	2018 \$'000	2017 \$'000
Commonwealth grants and donations	259	112
Commonwealth aged care subsidies	60	1,334
Other SA Government grants and contributions	105	78
Private sector grants and contributions	2,715	1,827
<b>Total Grants and contributions</b>	<b>3,139</b>	<b>3,351</b>

Contributions are recognised as an asset and income when the Hospital obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

**Restrictions on contributions received**

Of the \$3.139 million (\$3.351 million) received in 2017-18 for grants and contributions, \$2.370 million (\$2.787 million) was provided for specific purposes, such as research and associated activities.

**8. Interest revenues**

	2018 \$'000	2017 \$'000
Interest on Special Purpose Funds	88	82
<b>Total interest revenues</b>	<b>88</b>	<b>82</b>



**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**9. Resources received free of charge**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings	-	494
Plant and equipment	74	44
Services	2,634	-
<b>Total resources received free of charge</b>	<b>2,708</b>	<b>538</b>

Resources received free of charge includes property, plant and equipment recorded at its fair value.

NALHN receives Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging.

Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

In 2017-18, Audiometric Booths and Audiometers Visual Reinforcement were donated to LMH (\$0.060 million) in addition to Flexible Ureter scopes (\$0.014 million).

**10. Net gain/(loss) from disposal of non-current and other assets**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and equipment:</b>		
Proceeds from disposal	-	-
Less net book value of assets disposed	(33)	(71)
<b>Net gain/(loss) from disposal of plant and equipment</b>	<b>(33)</b>	<b>(71)</b>
<b>Intangibles:</b>		
Less net book value of assets disposed	-	(6)
<b>Net gain/(loss) from disposal of intangibles</b>	<b>-</b>	<b>(6)</b>
<b>Total assets:</b>		
Total proceeds from disposal	-	-
Less total value of assets disposed	(33)	(77)
<b>Total net gain/(loss) from disposal of non-current and other assets</b>	<b>(33)</b>	<b>(77)</b>

Gains or losses on disposal are recognised at the date control of the asset was passed from the Hospital and are determined after deducting the net book value of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

**11. Other revenues/income**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Commissions revenue	7	4
Training revenue	2	53
Donations	5	1
Car parking revenue	2,408	2,229
Rent revenue	1,736	1,715
Other	278	211
<b>Total other revenues/income</b>	<b>4,436</b>	<b>4,213</b>

**12. Revenues from SA Government**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital funding	8,090	23,975
Recurrent funding	619,281	547,655
<b>Total revenues from Department for Health and Wellbeing</b>	<b>627,371</b>	<b>571,630</b>

The Department provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services. Contributions from the Department are recognised as revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**13. Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank or on hand: non-government financial institutions	710	982
Deposits with Treasurer	27,638	17,447
Imprest account/cash on hand	2	6
<b>Total cash</b>	<b>28,350</b>	<b>18,435</b>

Cash is measured at nominal amounts. Government policy ensures that the Hospital will have adequate cash to meet approved expenditure requirements eg staff benefit expenses, capital works etc.

The Hospital receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Hospital, and are used to help achieve the Hospital objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, the amounts are treated as revenue at the time they are earned or at the time control passes to the Hospital.

**Deposits with the Treasurer**

The Hospital operates through the Department's two deposit accounts held with the Treasurer, one general operating account and one special purpose deposit account. The Hospital earns interest on the special deposit account and does not earn interest on the general operating account held with the Treasurer.

**14. Receivables**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Patient/client fees: compensable		435	366
Patient/client fees: other		4,930	5,207
Debtors		950	805
Less: allowance for doubtful debts	14.1	(776)	(1,227)
Prepayments		399	442
Workers compensation provision recoverable		799	1,849
Sundry receivables and accrued revenue		656	733
GST input tax recoverable		446	269
<b>Total current receivables</b>		<b>7,839</b>	<b>8,444</b>
<b>Non-current</b>			
Debtors		58	46
Workers compensation provision recoverable		1,620	949
<b>Total non-current receivables</b>		<b>1,678</b>	<b>995</b>
<b>Total receivables</b>		<b>9,517</b>	<b>9,439</b>

**14.1 Movement in the allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying amount at the beginning of the period</b>	<b>1,227</b>	<b>543</b>
Amounts written off	(65)	(203)
Increase/(Decrease) in allowance recognised in profit or loss	(386)	887
<b>Carrying amount at the end of the period</b>	<b>776</b>	<b>1,227</b>

The Hospital has recognised a bad and doubtful debt expense of \$-0.231 million (\$1.076 million).

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**14.2 Interest rate and credit risk**

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Hospital will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 29 for further information on risk management.

**15. Inventories**

<b>Current</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Inventory imprest stock	1,951	1,907
<b>Total current inventories - held for distribution</b>	<b>1,951</b>	<b>1,907</b>

Inventories held for distribution at no or nominal consideration, are measured at the lower of average weighted cost and replacement cost. All other inventories are measured at the lower of average weighted cost or their net realisable value.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

**16. Property, plant and equipment and intangible assets**

**16.1 Acquisition and recognition of non-current assets**

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

**16.2 Depreciation and amortisation of non-current assets**

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

The useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Land and non-current assets held for sale are not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated or revised remaining useful life of the following classes of assets as follows:

<b><u>Class of asset</u></b>	<b><u>Useful life (years)</u></b>
Buildings and improvements	40 - 80
Leasehold improvements	Life of Lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	5 - 15
• Computing equipment and software	3 - 5
• Other plant and equipment	3 - 25
Intangibles	5 - 10

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

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**16.3 Revaluation of non-current assets**

All non-current tangible assets are valued at fair value (written down current cost).

The Hospital revalues all land, buildings and site improvements triennially via a Certified Practicing Valuer. A triennial revaluation of other non-current assets by a Certified Practicing Valuer is only performed when the assets fair value at the time of acquisition is greater than \$1 million, and the estimated useful life exceeds three years.

If at any time, management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class, but are not offset in respect of assets in different classes.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings.

**16.4 Impairment**

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value and therefore these assets have not been tested for impairment. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

There were no indications of impairment of property, plant and equipment as at 30 June 2018.

**16.5 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of, or internal development of, software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured), and when the amount of expenditure is greater than or equal to \$10,000.

Capitalised software is amortised over the useful life of the asset.

**16.6 Valuation of land and buildings**

An independent valuation of land and buildings, including site improvements, was performed in March and April 2018 by a Certified Practicing Valuer from Jones Lang Lasalle (SA) Pty Ltd, as at 1 June 2018.

The valuer arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

The valuer used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

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**16.7 Valuation of plant and equipment**

All items of plant and equipment that had a fair value at the time of acquisition less than \$1 million have not been revalued in accordance with Accounting Policy Framework III Asset Accounting Framework. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Hospital's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2018, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V, Australian Valuation Solutions Pty Ltd.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2018

**17. Reconciliation of property, plant and equipment**

The following table shows the movement :

2017-18	Land and buildings:		Capital works in progress land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment:		Capital works in progress plant and equipment \$'000	Total \$'000
	Land \$'000	Buildings \$'000			Medical/surgical/dental/biomedical \$'000	Other plant and equipment \$'000		
<b>Carrying amount at the beginning of the period</b>	<b>38,240</b>	<b>380,982</b>	<b>2,534</b>	<b>5,009</b>	<b>10,552</b>	<b>1,132</b>	<b>1,452</b>	<b>439,901</b>
Additions	-	-	4,543	-	2,641	178	307	7,669
Assets received free of charge	-	-	-	-	74	-	-	74
Disposals	-	-	-	-	(27)	(6)	-	(33)
Transfers between asset classes	-	5,112	(5,394)	493	1,340	167	(1,718)	-
<b>Subtotal:</b>	<b>38,240</b>	<b>386,094</b>	<b>1,683</b>	<b>5,502</b>	<b>14,580</b>	<b>1,471</b>	<b>41</b>	<b>447,611</b>
<b>Gains/(losses) for the period recognised in net result:</b>								
Depreciation and amortisation	-	(23,277)	-	(431)	(3,917)	(233)	-	(27,858)
<b>Subtotal:</b>	<b>-</b>	<b>(23,277)</b>	<b>-</b>	<b>(431)</b>	<b>(3,917)</b>	<b>(233)</b>	<b>-</b>	<b>(27,858)</b>
<b>Gains/(losses) for the period recognised in other comprehensive income:</b>								
Revaluation increment / (decrement)	4,760	11,375	-	-	109	-	-	16,244
<b>Subtotal:</b>	<b>4,760</b>	<b>11,375</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>16,244</b>
<b>Carrying amount at the end of the period</b>	<b>43,000</b>	<b>374,192</b>	<b>1,683</b>	<b>5,071</b>	<b>10,772</b>	<b>1,238</b>	<b>41</b>	<b>435,997</b>
<b>Gross carrying amount</b>								
Gross carrying amount	43,000	376,903	1,683	7,609	31,840	5,629	41	466,705
Accumulated depreciation / amortisation	-	(2,711)	-	(2,538)	(21,068)	(4,391)	-	(30,708)
<b>Carrying amount at the end of the period</b>	<b>43,000</b>	<b>374,192</b>	<b>1,683</b>	<b>5,071</b>	<b>10,772</b>	<b>1,238</b>	<b>41</b>	<b>435,997</b>

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified).

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2018

2016-17

	Land and buildings:			Leasehold improvements \$'000	Plant and equipment:		Capital works in progress plant and equipment \$'000	Total \$'000
	Land \$'000	Buildings \$'000	Capital works in progress land and buildings \$'000		Medical/surgical/dental/biomedical \$'000	Other plant and equipment \$'000		
<b>Carrying amount at the beginning of the period</b>	<b>38,790</b>	<b>373,389</b>	<b>15,399</b>	<b>6,895</b>	<b>9,067</b>	<b>1,165</b>	<b>248</b>	<b>444,953</b>
Additions	-	-	17,537	-	4,959	239	1,442	24,177
Assets received free of charge	-	-	494	-	44	-	-	538
Disposals	-	-	-	-	(41)	(30)	-	(71)
Donated assets disposal	(550)	(726)	-	-	-	-	-	(1,276)
Acquisition / (disposal) through administrative restructuring	-	-	-	(1,461)	-	-	-	(1,461)
Transfers between asset classes	-	30,896	(30,896)	-	238	-	(238)	-
<b>Subtotal:</b>	<b>38,240</b>	<b>403,559</b>	<b>2,534</b>	<b>5,434</b>	<b>14,267</b>	<b>1,374</b>	<b>1,452</b>	<b>466,860</b>
<b>Gains/(losses) for the period recognised in net result:</b>								
Depreciation and amortisation	-	(22,577)	-	(425)	(3,715)	(242)	-	(26,959)
<b>Subtotal:</b>	<b>-</b>	<b>(22,577)</b>	<b>-</b>	<b>(425)</b>	<b>(3,715)</b>	<b>(242)</b>	<b>-</b>	<b>(26,959)</b>
<b>Carrying amount at the end of the period</b>	<b>38,240</b>	<b>380,982</b>	<b>2,534</b>	<b>5,009</b>	<b>10,552</b>	<b>1,132</b>	<b>1,452</b>	<b>439,901</b>
<b>Gross carrying amount</b>								
Gross carrying amount	38,240	429,161	2,534	7,116	31,285	6,201	1,452	515,989
Accumulated depreciation / amortisation	-	(48,179)	-	(2,107)	(20,733)	(5,069)	-	(76,088)
<b>Carrying amount at the end of the period</b>	<b>38,240</b>	<b>380,982</b>	<b>2,534</b>	<b>5,009</b>	<b>10,552</b>	<b>1,132</b>	<b>1,452</b>	<b>439,901</b>

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified).

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2018

**18. Reconciliation of intangible assets**

The following table shows the movement :

	Computer software \$'000	2017-18 Capital works in progress intangibles \$'000	Total \$'000	Computer software \$'000	2016-17 Capital works in progress intangibles \$'000	Total \$'000
<b>Carrying amount at the beginning of the period</b>	92	-	92	68	43	111
Additions	12	-	12	14	-	14
Disposals	-	-	-	(6)	-	(6)
Amortisation	(32)	-	(32)	(27)	-	(27)
Transfers between asset classes	-	-	-	43	(43)	-
<b>Carrying amount at the end of the period</b>	<u>72</u>	<u>-</u>	<u>72</u>	<u>92</u>	<u>-</u>	<u>92</u>
<b>Gross carrying amount</b>						
Gross carrying amount	166	-	166	155	-	155
Accumulated amortisation	(94)	-	(94)	(63)	-	(63)
<b>Carrying amount at the end of the period</b>	<u>72</u>	<u>-</u>	<u>72</u>	<u>92</u>	<u>-</u>	<u>92</u>



**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**19. Fair value measurement**

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

In determining fair value, the Hospital has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 16 and 19.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**19.1 Fair value hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement as follows:

**Fair value measurements at 30 June 2018**

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements (Note 17)</b>			
Land	-	43,000	43,000
Buildings and improvements	-	374,192	374,192
Leasehold improvements	-	5,071	5,071
Plant and equipment	-	12,010	12,010
<b>Total recurring fair value measurements</b>	<b>-</b>	<b>434,273</b>	<b>434,273</b>

**Fair value measurements at 30 June 2017**

	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements (Note 17)</b>			
Land	-	38,240	38,240
Buildings and improvements	-	380,982	380,982
Leasehold improvements	-	5,009	5,009
Plant and equipment	-	11,684	11,684
<b>Total recurring fair value measurements</b>	<b>-</b>	<b>435,915</b>	<b>435,915</b>

There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at note 16.

During 2018 and 2017, the Hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels in 2017-18.

**19.2 Valuation techniques and inputs**

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use, and then adjusted with a discount factor. For this reason they are deemed to have been valued using Level 3 valuation inputs.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there were some land and buildings valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all land and buildings have been classified as Level 3.

## 20. Payables

	2018 \$'000	2017 \$'000
<b>Current</b>		
Creditors and accrued expenses	12,256	13,488
Paid Parental Leave Scheme	68	32
Staff on-costs*	6,471	4,992
Other payables	1,693	983
<b>Total current payables</b>	<b>20,488</b>	<b>19,495</b>
<b>Non-current</b>		
Staff on-costs*	2,410	2,853
<b>Total non-current payables</b>	<b>2,410</b>	<b>2,853</b>
<b>Total payables</b>	<b>22,898</b>	<b>22,348</b>

\*Staff on-costs include superannuation contributions. The Hospital makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the DTF the percentage of the portion of long service leave taken as leave has decreased from the 2017 rate of 48% to 35%. Mercer Consulting (Australia) Pty Ltd has determined that the average factors for the calculation of employer superannuation cost on-costs has increased from the 2017 rate of 9.63% to 9.71%. These rates are used in the employment on-cost calculation. The net financial effect of the above changes in the current financial year is a decrease in the employment on-cost of \$0.805 million and employee benefits expense of \$0.805 million. The estimated impact on 2019 and 2020 is \$0.837 million and \$0.871 million respectively.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to normal operations of the Hospital.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period, and where an invoice has not been processed/received.

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**Interest rate and credit risk**

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Refer to note 29 for further information on risk management.

**21. Staff benefits**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Annual leave	38,959	35,082
Long service leave	4,697	4,297
Accrued salaries and wages	10,528	8,928
Skills and experience retention leave	2,994	2,995
Other	17	24
<b>Total current staff benefits</b>	<b>57,195</b>	<b>51,326</b>
<b>Non-current</b>		
Long service leave	70,720	64,698
<b>Total non-current staff benefits</b>	<b>70,720</b>	<b>64,698</b>
<b>Total staff benefits</b>	<b>127,915</b>	<b>116,024</b>

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

**21.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave**

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and SERL liability are payable later than 12 months, the liability will be measured at present value.

No provision has been made for sick leave, as all sick leave is non-vesting, and the average sick leave taken in future years by staff is estimated to be less than the annual entitlement for sick leave.

**21.2 Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method. AASB 119 *Employee Benefits* contains the calculation methodology for the long service leave liability.

The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on staff data over the health sector across government.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2017 (2.61%) to 2018 (2.79%). This increase of the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.570 million and staff benefits expense of \$1.623 million. This decrease has largely been offset by changes to the assumptions associated with the duration of the liability resulting in an overall net increase in the reported LSL liability relative to 2017. The impact on the future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption being the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4.0% and 3.0% for annual leave and SERL liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2018

**22. Provisions**

		2018	2017
	Note	\$'000	\$'000
<b>Current</b>			
Workers compensation	22.1	2,156	3,274
<b>Total current provisions</b>		<b>2,156</b>	<b>3,274</b>
<b>Non-current</b>			
Workers compensation	22.1	3,486	4,891
<b>Total non-current provisions</b>		<b>3,486</b>	<b>4,891</b>
<b>Total provisions</b>		<b>5,642</b>	<b>8,165</b>

**22.1 Workers Compensation**

*Workers compensation statutory provision*

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2018 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. There is a high level of uncertainty as to the valuation of the liability (including future claim costs). The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

*Workers compensation non-statutory provision*

Additional insurance/compensation arrangements for certain work related injuries have been introduced for most public sector employees through various enterprise bargaining agreements and industrial awards. This insurance/compensation is intended to provide continuing benefits to non-seriously injured workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme.

The workers compensation non-statutory provision is an actuarial assessment of the outstanding claims liability, for the first time, as at 30 June 2018 provided by a consulting actuary (PricewaterhouseCoopers) engaged through the Office of the Commissioner for Public Sector Employment. There is a high level of uncertainty as to the valuation of the liability (including future claim costs), this is largely due to the enterprise bargaining agreements and industrial awards being in place for a short period of time and the emerging experience is unstable. The average claim size has been estimated based on applications to date and this may change as more applications are made. As at 30 June 2018, the Hospital recognised a workers compensation non-statutory provision of \$0.231 million, as this provision was introduced in 2017-18 there are no comparatives available.

*Reconciliation of workers compensation (statutory and non-statutory)*

	2018	2017
	\$'000	\$'000
<b>Carrying amount at the beginning of the period</b>	<b>8,165</b>	<b>11,683</b>
Increase / (Decrease) in provisions recognised	(1,795)	(2,329)
Reductions arising from payments/other sacrifices of future economic benefits	(728)	(1,189)
<b>Carrying amount at the end of the period</b>	<b>5,642</b>	<b>8,165</b>

**23. Other liabilities**

	2018	2017
	\$'000	\$'000
<b>Current</b>		
Unclaimed monies	-	3
Unearned revenue	85	-
Other	8	-
<b>Total current other liabilities</b>	<b>93</b>	<b>3</b>
<b>Total other liabilities</b>	<b>93</b>	<b>3</b>

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**24. Unrecognised contractual commitments**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Unrecognised contractual commitments are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the commitments are disclosed on a gross basis.

**24.1 Operating lease expenditure commitments**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	4,668	4,265
Later than one year but not longer than five years	16,843	16,109
Later than five years	23,905	28,863
<b>Total operating lease commitments</b>	<b>45,416</b>	<b>49,237</b>
Representing:		
Non-cancellable operating leases	45,416	49,237
<b>Total operating lease commitments</b>	<b>45,416</b>	<b>49,237</b>

The Hospital has a number of lease agreements. Lease terms vary in length. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. The majority of the operating lease arrangements are for the use of properties.

**24.2 Expenditure commitments**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenditure commitments</b>		
Within one year	4,780	13,852
Later than one year but not longer than five years	572	682
<b>Total expenditure commitments</b>	<b>5,352</b>	<b>14,534</b>

The Hospital expenditure commitments are for agreements for goods and services ordered but not received.

**25. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable, are measured at nominal value. Contingencies are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the contingencies are disclosed on a gross basis.

**25.1 Contingent Assets**

The Hospital is not aware of any contingent assets.

**25.2 Contingent Liabilities**

The Hospital is not aware of any contingent liabilities.

**25.3 Guarantees**

The Hospital has made no guarantees.

**26. Related party transactions**

The Hospital is controlled by SA Government.

Related parties of the Hospital include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

**26.1 Significant transactions with government related entities**

Significant transactions with the SA Government are identifiable throughout this financial report. In addition, the Hospital received funding from the SA Government via the Department (note 12), and incurred expenditure via the Department for medical, surgical and laboratory supplies, inter-health staff recharging, insurance and computing (note 4 and 27). The Department transferred capital works in progress of \$2.299 million (\$21.284 million) to the Hospital. The Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for property repairs and maintenance of \$9.484 million (\$8.910 million) and capital works of \$1.144 million (\$1.557 million) (note 4 and 27).

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

Quantitative information about transactions and balances between the Hospital and other SA Government controlled entities are disclosed at note 27.

In addition, the Hospital has lease arrangements (both as lessee and as lessor) with other SA Government controlled entities. These premises are provided/received at nil or nominal rental with outgoings such as utilities being paid by the lessee.

**26.2 Transactions with Key Management Personnel and other related parties**

Compensation of key management personnel is disclosed at note 3.2

The Consolidated Entity did not enter into any transactions with key management personnel or their close family in 2017-18 that were not consistent with normal procurement arrangements.

**27. Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Note	SA Government		Non-SA Government		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>EXPENSE</b>						
3 Staff benefits expenses	1,699	1,726	461,650	412,351	463,349	414,077
4 Supplies and services	79,222	69,062	113,870	103,081	193,092	172,143
Administration	217	141	579	504	796	645
Advertising	104	181	7	18	111	199
Communication	282	235	546	529	828	764
Computing	4,820	4,572	96	329	4,916	4,901
Consultants	-	-	169	188	169	188
Contract of services	-	49	696	133	696	182
Contractors	7	-	347	286	354	286
Contractors - agency staff	4,296	5,018	13,444	8,102	17,740	13,120
Drug supplies	7,400	581	453	6,502	7,853	7,083
Electricity, gas and fuel	-	2	6,635	4,201	6,635	4,203
Fee for service	59	39	7,104	5,638	7,163	5,677
Food supplies	420	421	3,306	3,286	3,726	3,707
Housekeeping	756	584	22,763	22,209	23,519	22,793
Insurance	5,183	5,295	385	377	5,568	5,672
Internal SA Health SLA payments	3,960	4,525	-	-	3,960	4,525
Legal	77	103	116	50	193	153
Medical, surgical and laboratory supplies	30,280	27,088	27,627	23,736	57,907	50,824
Minor equipment	52	111	721	1,754	773	1,865
Motor vehicle expenses	115	140	18	46	133	186
Occupancy rent and rates	1,009	972	4,698	4,521	5,707	5,493
Patient transport	6,007	5,662	476	473	6,483	6,135
Services from Shared Services SA	2,644	2,401	-	-	2,644	2,401
Postage	40	43	921	797	961	840
Printing and stationery	553	550	2,090	1,727	2,643	2,277
Rental expense on operating lease	780	786	1	1	781	787
Repairs and maintenance	9,484	8,910	5	676	9,489	9,586
Security	18	48	8,332	5,943	8,350	5,991
Staff training and development	227	222	6,160	5,400	6,387	5,622
Staff travel expenses	-	-	139	163	139	163
Other supplies and services	432	383	6,036	5,492	6,468	5,875
Depreciation and amortisation expense	-	-	27,890	26,986	27,890	26,986
10 Net loss from disposal of non-current and other assets	-	-	33	77	33	77
Less total value of assets disposed	-	-	33	77	33	77
5 Other expenses	437	1,670	(248)	1,191	189	2,861
Assets transferred to the Department	-	1,276	-	-	-	1,276
Bad and doubtful debts	-	-	(231)	1,076	(231)	1,076
Bank fees and charges	-	-	21	18	21	18
Other	437	394	(38)	97	399	491
<b>TOTAL EXPENSES</b>	<b>81,358</b>	<b>72,458</b>	<b>603,195</b>	<b>543,686</b>	<b>684,553</b>	<b>616,144</b>

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

Note	SA Government		Non-SA Government		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>INCOME</b>						
6 Revenues from fees and charges	4,232	4,464	22,530	21,122	26,762	25,586
Ambulance transport	-	-	-	3	-	3
Fines, fees and penalties	-	-	48	60	48	60
Insurance recoveries	25	15	-	-	25	15
Patient and client fees	-	-	17,398	14,591	17,398	14,591
Private practice fees	-	-	2,315	2,490	2,315	2,490
Recoveries	4,131	4,288	951	1,074	5,082	5,362
Residential and other aged care charges	-	-	54	793	54	793
Other user charges and fees	76	161	1,764	2,111	1,840	2,272
7 Grants and contributions	105	78	3,034	3,273	3,139	3,351
Commonwealth grants and donations	-	-	259	112	259	112
Commonwealth aged care subsidies	-	-	60	1,334	60	1,334
Other SA Government grants and contributions	105	78	-	-	105	78
Private sector grants and contributions	-	-	2,715	1,827	2,715	1,827
8 Interest revenues	88	82	-	-	88	82
9 Resources received free of charge	2,634	494	74	44	2,708	538
11 Other revenues/income	18	24	4,418	4,189	4,436	4,213
Commissions revenue	-	-	7	4	7	4
Training revenue	2	1	-	52	2	53
Donations	-	-	5	1	5	1
Car parking revenue	-	10	2,408	2,219	2,408	2,229
Rent revenue	-	-	1,736	1,715	1,736	1,715
Other	16	13	262	198	278	211
12 Revenues from SA Government	627,371	571,630	-	-	627,371	571,630
<b>TOTAL INCOME</b>	<b>634,448</b>	<b>576,772</b>	<b>30,056</b>	<b>28,628</b>	<b>664,504</b>	<b>605,400</b>
<b>FINANCIAL ASSETS</b>						
13 Cash and cash equivalents	27,638	17,447	712	988	28,350	18,435
14 Receivables	2,446	2,991	7,071	6,448	9,517	9,439
Patient/client fees: compensable	-	-	435	366	435	366
Patient/client fees: other	-	-	4,930	5,207	4,930	5,207
Debtors	27	193	981	658	1,008	851
Less: allowance for doubtful debts	-	-	(776)	(1,227)	(776)	(1,227)
Prepayments	-	-	399	442	399	442
Workers compensation provision recoverable	2,419	2,798	-	-	2,419	2,798
Sundry receivables and accrued revenue	-	-	656	733	656	733
GST input tax recoverable	-	-	446	269	446	269
<b>TOTAL FINANCIAL ASSETS</b>	<b>30,084</b>	<b>20,438</b>	<b>7,783</b>	<b>7,436</b>	<b>37,867</b>	<b>27,874</b>
<b>FINANCIAL LIABILITIES</b>						
20 Payables	1,621	1,759	21,277	20,589	22,898	22,348
Creditors and accrued expenses	1,621	1,759	10,635	11,729	12,256	13,488
Paid Parental Leave Scheme	-	-	68	32	68	32
Staff on-costs	-	-	8,881	7,845	8,881	7,845
Other payables	-	-	1,693	983	1,693	983
23 Other liabilities	(1)	(1)	94	4	93	3
Unclaimed monies	-	-	-	3	-	3
Unearned revenue	-	-	85	-	85	-
Other	(1)	(1)	9	1	8	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,620</b>	<b>1,758</b>	<b>21,371</b>	<b>20,593</b>	<b>22,991</b>	<b>22,351</b>

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2018

**28. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at the end of the reporting period	2018	2017
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	28,350	18,435
<b>Cash as per Statement of Financial Position</b>	<b>28,350</b>	<b>18,435</b>
<hr/>		
<b>Balance as per Statement of Cash Flows</b>	<b>28,350</b>	<b>18,435</b>
<hr/>		
<b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b>		
Net cash provided by (used in) operating activities	15,095	1,940
Department for Health and Wellbeing contributions for the provision of health services	(627,371)	(571,630)
<b>Add/less non-cash items</b>		
Asset donated free of charge	-	(1,276)
Capital revenues	3,043	21,284
Depreciation and amortisation expense of non-current assets	(27,890)	(26,986)
Gain/(loss) on sale or disposal of non-current assets	(33)	(77)
Resources received free of charge	74	538
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	78	(85)
Increase/(decrease) in inventories	44	(65)
(Increase)/decrease in staff benefits	(11,801)	(5,941)
(Increase)/decrease in payables and provisions	1,431	(203)
(Increase)/decrease in other liabilities	(90)	127
<b>Net cost of providing service</b>	<b>(647,420)</b>	<b>(582,374)</b>

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as per the Statement of Financial Position, net of bank overdrafts.

**29. Financial instruments/financial risk management**

**29.1 Financial risk management**

Risk management is managed by the Department's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

**29.2 Liquidity Risk**

The Hospital is funded principally by the Department. The Department works with DTF to determine the cash flows associated with the Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 20 for further information.

**29.3 Credit and market risk**

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. The Hospital does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to notes 13 and 14 for further information.

The Hospital has no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.



**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**29.4 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: Loans and receivables; and financial liabilities measured at cost are detailed below.

The Hospital does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes , 14 and 20).

Category of financial asset and financial liability	Notes	2018 Carrying amount/ Fair value \$'000	2017 Carrying amount/ Fair value \$'000
<b>Financial assets</b>			
Cash and equivalent			
Cash and cash equivalents	13,28	28,350	18,435
Loans and receivables			
Receivables <sup>(1)(2)</sup>	14	6,124	5,857
<b>Total financial assets</b>		<b>34,474</b>	<b>24,292</b>
<b>Financial liabilities</b>			
Financial liabilities at cost			
Payables <sup>(1)</sup>	20	13,695	14,217
Other liabilities	23	8	3
<b>Total financial liabilities</b>		<b>13,703</b>	<b>14,220</b>

<sup>(1)</sup> Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

<sup>(2)</sup> Receivable amount disclosed here excludes prepayments. Prepayments are presented in note 14 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

**30. Impact of Standards and Statements not yet implemented**

The Hospital did not voluntarily change any of its accounting policies during 2017-18.

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. The material impacts on the Hospital are outlined below.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

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### **30.1 AASB 9 Financial Instruments**

AASB 9 applies to reporting periods commencing after 1 January 2018. The application date for the Hospital is 1 July 2018. AASB 9 changes the requirements for classification, impairment and disclosures associated with the Hospital's financial assets.

AASB 9 introduces different criteria for whether financial assets can be measured at amortised cost or fair value.

The Hospital has reviewed the impact of AASB 9 on the classification and measurement of its financial assets. The following summarises the estimated impact on categorisation and valuation of the amounts reported in notes 13 and 14.

- there will be no change to either the classification or valuation of cash and cash equivalent items;
- trade receivables will be classified as 'Debt' and measured at amortised cost, similar to the current classification of 'loans and receivables'.

However, the new impairment requirements will result in a provision being applied to all receivables (expected loss) rather than only on those receivables that are credit impaired (incurred loss). The Hospital will be adopting the simplified impairment approach under AASB 9 and will measure the impairment allowance at lifetime expected credit losses on all trade receivables and contract assets using a provision matrix as a practical expedient.

Applying this approach, the Hospital has estimated the opening impairment provision on 1 July 2018 to be \$0.398 million, a decrease of \$0.378 million compared to the amount reported at 30 June 2018, resulting in net receivables of \$9.895 million on transition and will not restate comparatives on adopting AASB 9.

There will be no additional impairment provisions for State, Territory or Commonwealth Government receivables due to the Government's high quality credit rating.

### **30.2 AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not For Profit Entities**

AASB 15 and AASB 1058 apply to reporting periods commencing after 1 January 2019. The application date for the Hospital is 1 July 2019.

AASB 15 establishes a comprehensive framework for determining the nature, amount and timing of revenue arising from contracts with customers. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not for profit entities, in conjunction with AASB 15. These standards replace AASB 111, AASB 118 and a large part of AASB 1004.

The Hospital has commenced consideration and analysis of the new revenue recognition requirements and has not yet finalised its assessment of their impact. The Hospital will continue its assessment of the impact over the next 12 months.

Potential impacts identified at this time are:

- grants presently recognised as revenue upfront may be progressively recognised as the associated performance obligations are satisfied, where those performance obligations are enforceable and sufficiently specific.
- grants that are not enforceable and/or sufficiently specific will continue to be recognised as revenue upfront i.e. no change to current treatment.
- peppercorn lease arrangements currently recognised at nominal amounts, will now be recognised at fair value under AASB 1058.
- depending on the respective contractual terms, AASB 15 may potentially result in a change to the timing of revenue from contracts and fees and charges. Some revenue may need to be deferred to a future reporting period if the Hospital receives funds prior to completing the associated obligations.
- Contributed services will continue to be recognised by the Hospital when a fair value can be determined reliably and the services would be purchased if they had not been donated.

### **30.3 AASB 16 Leases**

AASB 16 will apply to reporting periods commencing after 1 January 2019. The application date for the Hospital is 1 July 2019. This standard replaces AASB 117 and Interpretation 4, 115 and 127.

AASB 16 largely retains the current lessor accounting model but does introduce a single lessee accounting model. It requires a lessee to recognise assets (representing rights to use the underlying leased asset) and liabilities (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying asset value is low. In effect, the majority of leases presently classified as operating leases will be recognised in the Statement of Financial Position.

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

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The right of use asset will initially be recognised at cost and will give rise to a depreciation expense. The lease liability will initially be recognised as the present value of the lease payments during the term of the lease. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. These payments will now reduce the recognised liability over time and the finance charge component recognised as an expense.

The Hospital has commenced its analysis and assessment of right to use arrangements and notes the significant work involved to capture, assess and report these arrangements due to the large scale of its leasing activities.

The Hospital has not yet quantified the exact impact on the Statement of Comprehensive Income and Statement of Financial Position as a result of applying AASB 16 to its right to use asset arrangements. However, the Hospital's current operating lease commitments note (see note 24.1) provides an indication of the amounts to be recognised 'on-balance sheet' at transition (an expected increase in lease liabilities with a corresponding right-of-use asset). The reclassification between supplies and services expense and depreciation/interest expense has not yet been estimated.

The Hospital will continue its assessment of the impact over the next 12 months. It is envisaged that the Hospital will apply the cumulative approach via an adjustment to accumulated surplus at the date of initial application and will not restate comparatives.

### **31. Events after balance date**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue, where the events relate to a condition which arose after 30 June, and which may have a material impact on the results of subsequent years.

The Hospital is aware of the following non-adjusting event: The State Government is reforming SA Health's governance arrangements and accordingly a *Health Care (Governance) Amendment Act* (amending Act) was proclaimed on 2 August 2018 and will come into effect 1 July 2019. The amended Act, amongst other matters, will enable the hospital to be governed by a Board (Governing Board).

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**32. Remuneration of board and committee members**

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APFII were:

Board/Committee name:	Government employee members*	Other members
Northern Adelaide Local Health Network Consumer Advisory Board	4	White A (Chair), Mossop J (Vice Chairperson), Whatley G, Green L, Turner M, Isemonger J, Lowden H, Davies I, Putsey P, Moffatt N
Northern Adelaide Local Health Network Governing Council	2	Hains S (Presiding Member), Durrant M, Isemonger J, Lampard F, Smith J, Wilson B, Moffatt N, Vinci G, Frost M
Northern Adelaide Local Health Network Risk Management & Audit Committee	1	Connor G (Chair, appointed 10/10,2016), Smith J, McGowan C

The number of members whose remuneration received or receivable falls within the following bands is:

	2018 No. of Members	2017 No. of Members
\$0	7	12
\$1 - \$9,999	18	17
\$10,000 - \$19,999	1	2
<b>Total</b>	<b>26</b>	<b>31</b>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$0.070 million (\$0.070 million).

\*In accordance with *the Department of the Premier and Cabinet Circular No. 016*, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 For the year ended 30 June 2018

### 33. Schedules of administered items

#### 33.1 Basis of preparation

The basis of preparation for the Schedule of administered items is the same as the basis outlined in note 1.

#### 33.2 Categories of administered items

*Private Practice Funds* represents funds billed on behalf of salaried medical officers and subsequently distributed to the LHN and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

*Consumer Funds* represents funds held by the Hospital on behalf of consumers that reside in a Hospital facility whilst the consumer is receiving residential mental health services. The Hospital performs only a custodial role in respect of these funds.

The Hospital cannot use these administered funds for the achievement of its objectives.

*Other* administered items includes the Nurses Education Fund only.

#### 33.3 Administered contingent assets and liabilities

The Hospital has no administered contingent assets and liabilities.

#### 33.4 Schedules

##### Schedule of Administered Expenses and Income

	Private Practice		Consumer Funds		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses								
Supplies and services	-	-	-	-	46	44	46	44
Other expenses	6,255	5,575	529	258	-	-	6,784	5,833
<b>Total administered expenses</b>	<b>6,255</b>	<b>5,575</b>	<b>529</b>	<b>258</b>	<b>46</b>	<b>44</b>	<b>6,830</b>	<b>5,877</b>
Administered income								
Revenue from fees and charges	7,171	5,517	-	265	-	-	7,171	5,782
Other revenue	-	-	421	-	55	51	476	51
<b>Total administered income</b>	<b>7,171</b>	<b>5,517</b>	<b>421</b>	<b>265</b>	<b>55</b>	<b>51</b>	<b>7,647</b>	<b>5,833</b>
<b>Net result</b>	<b>916</b>	<b>(58)</b>	<b>(108)</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>817</b>	<b>(44)</b>

NORTHERN ADELAIDE LOCAL HEALTH NETWORK  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 For the year ended 30 June 2018

**Schedule of Administered Assets and Liabilities**

	Private Practice		Consumer Funds		Other		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Administered current assets</b>								
Cash and cash equivalents	684	391	233	359	168	127	1,085	877
Receivables	974	353	-	-	-	30	974	383
<b>Total Administered current assets</b>	<b>1,658</b>	<b>744</b>	<b>233</b>	<b>359</b>	<b>168</b>	<b>157</b>	<b>2,059</b>	<b>1,260</b>
<b>Total administered assets</b>	<b>1,658</b>	<b>744</b>	<b>233</b>	<b>359</b>	<b>168</b>	<b>157</b>	<b>2,059</b>	<b>1,260</b>
<b>Administered current liabilities</b>								
Payables	-	1	-	17	-	-	-	18
<b>Total Administered current liabilities</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>Total administered liabilities</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>Net administered assets</b>	<b>1,658</b>	<b>743</b>	<b>233</b>	<b>342</b>	<b>168</b>	<b>157</b>	<b>2,059</b>	<b>1,242</b>

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2018**

**Schedule of Administered Changes in Equity**

	<b>Total 2018 \$'000</b>	<b>Total 2017 \$'000</b>
<b>Balance at the beginning of the reporting period</b>	<b>1,242</b>	<b>951</b>
<b>Net result</b>	<b>817</b>	<b>(44)</b>
Transfer of Patient Trust Account Oakden from CALHN to NALHN	-	17
Transfer of James Nash House from CALHN to NALHN	-	318
<b>Total comprehensive result for the period</b>	<b>817</b>	<b>(51)</b>
<b>Balance at the end of the reporting period</b>	<b>2,059</b>	<b>900</b>

**Schedule of Administered Cash Flows**

	<b>Total 2018 \$'000</b>	<b>Total 2017 \$'000</b>
<b><u>Cash flows from operating activities</u></b>		
<b>Cash inflows</b>		
Fees and charges	6,549	5,633
Other revenue	506	286
<b>Total Cash inflows</b>	<b>7,055</b>	<b>5,919</b>
<b>Cash outflows</b>		
Supplies and services	46	43
Other payments	6,801	5,816
<b>Total Cash outflows</b>	<b>6,847</b>	<b>5,859</b>
<b>Net cash inflows/cash outflows from operating activities</b>	<b>208</b>	<b>60</b>
<b>Net increase/(decrease) in cash held</b>		
Cash at the beginning of the reporting period	877	482
Transfer of Patient Trust Account Oakden from CALHN to NALHN	-	17
Transfer of James Nash House from CALHN to NALHN	-	318
<b>Cash at the end of the reporting period</b>	<b>1,085</b>	<b>877</b>