

Southern Adelaide Local Health Network Incorporated

Financial report
for the year ended
30 June 2018



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To the Chief Executive Officer Southern 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 Southern 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 Southern 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 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 Southern 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 Chief Executive Officer for the financial report

The 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 issues 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 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 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 'Andrew Richardson', with a long horizontal line extending to the right.

Andrew Richardson

Auditor-General

19 September 2018

Certification of the financial statements

We certify that the:

- financial statements of the Southern 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 Southern Adelaide Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Susan O’Neill
Chief Executive Officer



Danny De Cesare
Acting Chief Finance Officer

Date 13.9.18

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

	Note	2018 \$'000	2017 \$'000
Expenses			
Staff benefits expenses	3	736,064	675,875
Supplies and services	4	295,703	268,585
Depreciation and amortisation expense	21	31,725	31,439
Grants and subsidies	5	4,145	3,491
Borrowing costs	6	745	1,046
Net loss from disposal of non-current and other assets	12	100	255
Other expenses	7	1,273	857
Total expenses		<u>1,069,755</u>	<u>981,548</u>
Income			
Revenues from fees and charges	8	56,541	59,861
Grants and contributions	9	4,427	6,954
Interest revenues	10	160	171
Resources received free of charge	11	4,064	26
Other revenues/income	13	10,217	12,889
Total income		<u>75,409</u>	<u>79,901</u>
Net cost of providing services		994,346	901,647
Revenues from SA Government			
Revenues from SA Government	14	996,191	1,014,875
Total revenues from SA Government		<u>996,191</u>	<u>1,014,875</u>
Net result		<u>1,845</u>	<u>113,228</u>
Other Comprehensive Income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		82,613	767
Total other comprehensive income		<u>82,613</u>	<u>767</u>
Total comprehensive result		<u>84,458</u>	<u>113,995</u>

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.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	15	32,953	25,487
Receivables	16	19,358	21,208
Inventories	18	3,069	3,135
		<u>55,380</u>	<u>49,830</u>
Non-current assets classified as held for sale	19	-	15,924
Total current assets		<u>55,380</u>	<u>65,754</u>
Non-current assets			
Receivables	16	6,050	4,060
Other financial assets	17	2,657	2,695
Property, plant and equipment	21	767,065	649,256
Total non-current assets		<u>775,772</u>	<u>656,011</u>
Total assets		<u>831,152</u>	<u>721,765</u>
Current liabilities			
Payables	23	32,267	32,552
Borrowings	24	3,908	3,546
Staff benefits	25	101,184	91,756
Provisions	26	4,880	6,604
Other liabilities	27	184	112
Total current liabilities		<u>142,423</u>	<u>134,570</u>
Non-current liabilities			
Payables	23	4,344	4,966
Borrowings	24	3,007	6,915
Staff benefits	25	121,883	113,439
Provisions	26	33,740	19,700
Other liabilities	27	334	312
Total non-current liabilities		<u>163,308</u>	<u>145,332</u>
Total liabilities		<u>305,731</u>	<u>279,902</u>
Net assets		<u>525,421</u>	<u>441,863</u>
Equity			
Asset revaluation surplus		83,668	1,055
Retained earnings		441,753	440,808
Total equity		<u>525,421</u>	<u>441,863</u>

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	28
Contingent assets and liabilities	29

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

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

	Asset		
Note	revaluation	Retained	Total
	surplus	earnings	equity
	\$ '000	\$ '000	\$ '000
Balance at 30 June 2016	288	327,580	327,868
Net result for 2016-17	-	113,228	113,228
Gain/(loss) on revaluation of land and buildings	21 767	-	767
Total comprehensive result for 2016-17	767	113,228	113,995
Balance at 30 June 2017	1,055	440,808	441,863
Net result for 2017-18	-	1,845	1,845
Gain/(loss) on revaluation of land and buildings	21 82,613	-	82,613
Total comprehensive result for 2017-18	82,613	1,845	84,458
Transactions with SA Government as owner			
Net assets received from an administrative restructure	2.2 -	(900)	(900)
Balance at 30 June 2018	83,668	441,753	525,421

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

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

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

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash outflows			
Staff benefits payments		(704,366)	(676,502)
Payments for supplies and services		(198,377)	(185,134)
Payments of grants and subsidies		(4,491)	(3,793)
Interest paid		-	-
Other payments		(775)	(306)
Cash used in operations		<u>(908,009)</u>	<u>(865,735)</u>
Cash inflows			
Fees and charges		45,795	51,642
Grants and contributions		6,603	7,684
Interest received		160	171
GST recovered from ATO		15,095	16,698
Other receipts		9,841	8,035
Cash generated from operations		<u>77,494</u>	<u>84,230</u>
Cash flows from SA Government			
Receipts from SA Government		892,114	799,654
Cash generated from SA Government		<u>892,114</u>	<u>799,654</u>
Net cash provided by operating activities		<u>61,599</u>	<u>18,149</u>
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(50,965)	(20,698)
Cash used in investing activities		<u>(50,965)</u>	<u>(20,698)</u>
Cash inflows			
Proceeds from sale of property, plant and equipment		-	(187)
Cash generated from investing activities		<u>-</u>	<u>(187)</u>
Net cash provided by/(used in) investing activities		<u>(50,965)</u>	<u>(20,885)</u>
Cash flows from financing activities			
Cash outflows			
Repayment of borrowings		(3,546)	(3,033)
Cash used in financing activities		<u>(3,546)</u>	<u>(3,033)</u>
Cash inflows			
Cash received from restructuring activities		378	-
Cash generated from financing activities		<u>378</u>	<u>-</u>
Net cash provided by/(used in) financing activities		<u>(3,168)</u>	<u>(3,033)</u>
Net increase/(decrease) in cash and cash equivalents		<u>7,466</u>	<u>(5,769)</u>
Cash and cash equivalents at the beginning of the period		25,487	31,256
Cash and cash equivalents at the end of the period	33	<u>32,953</u>	<u>25,487</u>
Non-cash transactions	33		

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.

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

1. Basis of financial statements

1.1 Reporting Entity

The Southern Adelaide Local Health Network (the Hospital) was established as an incorporated hospital under the *Health Care Act 2008* on 1 July 2011.

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

The Hospital does not control any other entity. It does have an interest in an unconsolidated structured entity (Flinders Fertility). Information on the Hospital's interests in other entities is at note 31.

Administered items

The Hospital has administered activities and resources. 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 items 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's 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.

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

1.5 Continuity of Operations

As at 30 June 2018, the Hospital had working capital deficiency of \$87.043 million (\$68.816 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

Government policy ensures that the Hospital will have adequate cash to meet expenditure requirements e.g. staff benefit expenses, capital works etc.

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

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 southern 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 and other community health services to veterans and other persons living within the southern 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 Southern 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 18 employees for SALHN and budget funding of \$11.957 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.

These resulted in net assets of \$0.900 million transferred into the Hospital; \$0.378 million cash, \$1.194 million staff benefits and \$0.084 million payables.

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.

2016-17

There were no transfers in during this period.

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

3. Staff benefits expenses

	2018	2017
	\$'000	\$'000
Salaries and wages	568,807	547,286
Targeted Voluntary Separation Packages (refer below)	3,103	-
Long Service Leave	26,614	8,478
Annual leave	55,252	50,776
Skills and Experience Retention Leave	2,410	2,284
Staff on-costs - superannuation*	59,583	55,465
Workers compensation**	17,658	8,886
Board and committee fees	116	106
Other staff related expenses	2,521	2,594
Total staff benefits expenses	736,064	675,875

* 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* (\$17.345 million) and the new workers compensation non-statutory liability introduced in 2017-18 via various enterprise bargaining agreements and awards (\$0.313 million). Refer to note 26 for further information.

3.1 Targeted voluntary separation packages

	2018	2017
	\$'000	\$'000
Amount paid to separated staff:		
Targeted Voluntary Separation Packages	3,103	-
Leave paid to those employees	859	-
Net cost to the Hospital	3,962	-

The number of staff who received a TVSP during the reporting period	60	-
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3.2 Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Ministers, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the 2 (11) 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 remuneration and allowances for Minister for Health and Wellbeing are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via 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).

Compensation	2018	2017
	\$'000	\$'000
Salaries and other short term employee benefits	777	2,207
Post-employment benefits	137	734
Total	914	2,941

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

3.3 Remuneration of staff

	2018	2017
	Number	Number
The number of staff whose remuneration received or receivable falls within the following bands:		
\$147,000 - \$149,000*	n/a	19
\$149,001 - \$159,000	61	56
\$159,001 - \$169,000	62	54
\$169,001 - \$179,000	36	45
\$179,001 - \$189,000	35	23
\$189,001 - \$199,000	17	21
\$199,001 - \$209,000	23	20
\$209,001 - \$219,000	17	9
\$219,001 - \$229,000	21	17
\$229,001 - \$239,000	21	14
\$239,001 - \$249,000	16	17
\$249,001 - \$259,000	17	13

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

	2018	2017
	Number	Number
The number of staff whose remuneration received or receivable falls within the following bands:		
\$259,001 - \$269,000	11	6
\$269,001 - \$279,000	6	7
\$279,001 - \$289,000	8	8
\$289,001 - \$299,000	14	18
\$299,001 - \$309,000	7	6
\$309,001 - \$319,000	6	13
\$319,001 - \$329,000	12	15
\$329,001 - \$339,000	12	8
\$339,001 - \$349,000	12	8
\$349,001 - \$359,000	11	8
\$359,001 - \$369,000	10	11
\$369,001 - \$379,000	12	16
\$379,001 - \$389,000	10	11
\$389,001 - \$399,000	13	8
\$399,001 - \$409,000	10	14
\$409,001 - \$419,000	13	7
\$419,001 - \$429,000	13	11
\$429,001 - \$439,000	4	11
\$439,001 - \$449,000	15	7
\$449,001 - \$459,000	13	10
\$459,001 - \$469,000	7	4
\$469,001 - \$479,000	6	3
\$479,001 - \$489,000	3	6
\$489,001 - \$499,000	4	3
\$499,001 - \$509,000	4	6
\$509,001 - \$519,000	7	7
\$519,001 - \$529,000	4	7
\$529,001 - \$539,000	4	3
\$539,001 - \$549,000	4	-
\$549,001 - \$559,000	2	2
\$559,001 - \$569,000	1	-
\$569,001 - \$579,000	1	-
\$609,001 - \$619,000	-	1
\$649,001 - \$659,000	1	1
Total	586	554

*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)	537	155,017	515	145,386
Executive	9	1,752	6	1,256
Nursing	34	5,409	32	5,087
Non-medical (i.e. administration)	6	1,151	1	154
Total	586	163,329	554	151,883

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

4. Supplies and services

	2018 \$'000	2017 \$'000
Administration	217	215
Advertising	2,285	1,933
Communication	1,732	1,504
Computing	10,645	9,418
Consultants	37	51
Contractors	4,383	2,248
Contractors - agency staff	21,022	15,208
Drug supplies	17,030	17,845
Electricity, gas and fuel	9,410	6,157
Fee for service	36,254	32,849
Food supplies	11,129	10,455
Housekeeping	11,660	10,895
Insurance	5,678	6,164
Internal SA Health SLA payments	7,109	7,918
Legal	209	216
Medical, surgical and laboratory supplies	88,001	86,971
Minor equipment	3,328	2,236
Motor vehicle expenses	2,239	2,741
Occupancy rent and rates	3,374	3,693
Patient transport	6,281	5,884
Services from Shared Services SA	4,092	5,119
Postage	1,250	1,090
Printing and stationery	2,235	2,126
Rental expense on operating lease	1,293	567
Repairs and maintenance	17,856	11,206
Security	7,497	5,665
Staff training and development	9,836	9,080
Staff travel expenses	517	557
Other supplies and services	9,104	8,574
Total supplies and services	295,703	268,585

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.

The aggregate benefit of lease incentives received by the Hospital in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

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:

	2018		2017	
	No.	\$'000	No.	\$'000
Above \$10,000	1	37	3	51
Total paid/payable to consultants engaged	1	37	3	51

5. Grants and subsidies

	2018 \$'000	2017 \$'000
Subsidies	-	41
Funding to non-government organisations	4,145	3,438
Other	-	12
Total grants and subsidies	4,145	3,491

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

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

6. Borrowing costs

	2018	2017
	\$'000	\$'000
Interest paid/payable on borrowings	745	1,046
Total borrowing costs	745	1,046

The Hospital does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through the Statement of Comprehensive Income was \$0.745 million (\$1.046 million).

7. Other expenses

	Note	2018	2017
		\$'000	\$'000
Bad and doubtful debts	16.1	147	(135)
Bank fees and charges		39	39
Net loss on revaluation of investments		38	3
Other*		1,049	950
Total other expenses		1,273	857

*Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.318 million (\$0.333 million). No other services were provided by the Auditor-General's Department. Other expenses includes Ex-Gratia payment of \$0.037 million (\$0.019 million).

8. Revenues from fees and charges

	2018	2017
	\$'000	\$'000
Fines, fees and penalties	19	39
Insurance recoveries	-	10
Patient and client fees	28,019	27,544
Private practice fees	3,895	5,296
Recoveries	19,997	22,184
Sale of goods - medical supplies	465	568
Other user charges and fees	4,146	4,220
Total revenues from fees and charges	56,541	59,861

9. Grants and contributions

	2018	2017
	\$'000	\$'000
Commonwealth grants and donations	265	868
Other SA Government grants and contributions	1,559	1,749
Private sector grants and contributions	2,603	4,337
Total grants and contributions	4,427	6,954

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 \$4.427 million (\$6.954 million) received in 2017-18 for grants and contributions, \$1.230 million (\$1.721 million) was provided for specific purposes, such as research and associated activities.

10. Interest revenues

	2018	2017
	\$'000	\$'000
Interest on Special Purpose Funds	160	171
Total interest revenues	160	171

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11. Resources received free of charge

	2018 \$'000	2017 \$'000
Plant and equipment	-	26
Services	4,064	-
Total resources received free of charge	4,064	26

Resources received free of charge include plant and equipment recorded at their fair value. The Hospital receives payroll, accounts payable and accounts receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging.

Contributions 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.

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

	2018 \$'000	2017 \$'000
Land and buildings:		
Proceeds from disposal	-	-
Less net book value of assets disposed	-	-
Less other costs of disposal	-	(211)
Net gain/(loss) from disposal of land and buildings	-	(211)
Plant and equipment:		
Proceeds from disposal	-	24
Less net book value of assets disposed	(100)	(68)
Net gain/(loss) from disposal of plant and equipment	(100)	(44)
Total assets:		
Total proceeds from disposal	-	24
Less total value of assets disposed	(100)	(68)
Less other costs of disposal	-	(211)
Total net gain/(loss) from disposal of non-current and other assets	(100)	(255)

Gains or losses on disposal are recognised at the date control of the asset is 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.

13. Other revenues/income

	2018 \$'000	2017 \$'000
Commissions revenue	24	35
Training revenue	10	2
Donations	408	1
Car parking revenue	2,133	2,328
Reversal of prior period impairment expense	-	3,979
Other	7,642	6,544
Total other revenues/income	10,217	12,889

Donations for 2017-18 include \$0.400 million returned from the Health Services Charitable Gifts Board (HSCGB) to partially fund purchase of an O-Arm imaging system for utilisation by the Hospital.

14. Revenues from SA Government

	2018 \$'000	2017 \$'000
Recurrent funding	942,284	868,446
Capital funding	53,907	146,429
Total revenues from Department for Health and Wellbeing	996,191	1,014,875

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.

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15. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank or on hand: non-government financial institutions	1,517	1,602
Deposits with Treasurer	31,343	23,817
Imprest account/cash on hand	93	68
Total cash	32,953	25,487

Cash is measured at nominal amounts.

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's 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.

16. Receivables

		2018	2017
	Note	\$'000	\$'000
Current			
Patient/client fees: compensable		1,059	984
Patient/client fees: other		8,220	9,167
Debtors		4,441	4,386
Less: allowance for doubtful debts	16.1	(1,838)	(1,878)
Prepayments		4,115	3,552
Workers compensation provision recoverable		1,809	3,302
Sundry receivables and accrued revenue		877	1,435
GST input tax recoverable		675	260
Total current receivables		19,358	21,208
Non-current			
Debtors		903	83
Prepayments		1,656	1,765
Workers compensation provision recoverable		3,491	2,212
Total non-current receivables		6,050	4,060
Total receivables		25,408	25,268

16.1 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 in the profit or loss statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the period	1,878	3,418
Amounts written off	(156)	(742)
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	116	(798)
Carrying amount at the end of the period	1,838	1,878

The Hospital has recognised a bad and doubtful debt expense of \$0.147 million (\$-0.135 million)

16.2 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 34 for further information on risk management.

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17. Other financial assets	2018	2017
	\$'000	\$'000
Non-current		
Other investments*	2,657	2,695
Total non-current investments	2,657	2,695

The Hospital measures financial assets and debts at historical cost.

* Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the Hospital participates.

According to the terms of the joint venture, profit earned during the financial year is to be distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. However, it has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. Therefore the Hospital recognises their ownership interest of the distribution as a financial asset.

Refer to note 34 for further information on risk management.

18. Inventories	2018	2017
	\$'000	\$'000
Drug supplies	643	653
Inventory imprest stock	2,020	2,138
Other	406	344
Total current inventories - held for distribution	3,069	3,135

Inventories held for distribution at no or nominal consideration, are measured at the lower of average weighted cost and replacement cost.

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.

19. Non-current assets classified as held for sale	2018	2017
	\$'000	\$'000
Land	-	2,572
Buildings and improvements	-	13,352
Total non-current assets classified as held for sale	-	15,924

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

In 2017-18, the previous year's decision to sell the Repatriation General Hospital (RGH) was reversed and was subsequently reclassified from Held for Sale in accordance with AASB 116 *Property Plant and Equipment*.

20. Property, plant and equipment

20.1 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. However, if the assets are acquired at no or nominal values 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 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.

20.2 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.

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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 useful life of the following classes of assets as follows:

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

20.3 Revaluation of non-current assets

The Hospital revalues all land, buildings and site improvements triennially via a Certified Practising Valuer. A triennial revaluation of other non-current assets by a Certified Practising 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.

20.4 Impairment

The Hospital holds its property, plant and equipment 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. 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.

Following the release of the Expression of Interest for Reactivating the Repat Health Precinct in August 2018, certain buildings were identified that could potentially be demolished depending on the proposal adopted. As a consequence it was deemed appropriate that these buildings be impaired to nil value.

20.5 Valuation of land and building

An independent valuation of land and buildings including site improvements was performed in March 2018 by a certified practising valuer from James 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.

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21. Reconciliation of property, plant and equipment

The following table shows the movement:
2017-18

	Land and buildings:			Plant and equipment:				Total \$'000
	Land \$'000	Buildings \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at the beginning of the period	28,011	436,329	167,146	4,460	9,251	3,029	1,030	649,256
Additions	-	-	44,710	-	6,328	40	18	51,096
Disposals	-	-	-	-	(62)	(38)	-	(100)
Transfers between asset classes	-	191,243	(191,756)	-	766	-	(253)	-
Reclassified from held for sale	2,572	13,353	-	-	-	-	-	15,925
Subtotal:	30,583	640,925	20,100	4,460	16,283	3,031	795	716,177
Gains/(losses) for the period recognised in net result:								
Depreciation and amortisation	-	(27,078)	-	(395)	(3,825)	(427)	-	(31,725)
Subtotal:	-	(27,078)	-	(395)	(3,825)	(427)	-	(31,725)
Gains/(losses) for the period recognised in other comprehensive income:								
Revaluation increment / (decrement)	12,672	69,941	-	-	-	-	-	82,613
Subtotal:	12,672	69,941	-	-	-	-	-	82,613
Carrying amount at the end of the period	43,255	683,788	20,100	4,065	12,458	2,604	795	767,065
Gross carrying amount								
Gross carrying amount	43,255	687,547	20,100	5,767	40,495	10,507	795	808,466
Accumulated depreciation / amortisation	-	(3,759)	-	(1,702)	(28,037)	(7,903)	-	(41,401)
Carrying amount at the end of the period	43,255	683,788	20,100	4,065	12,458	2,604	795	767,065

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

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2016-17	Land and buildings:			Plant and equipment:				Total \$'000
	Land \$'000	Buildings \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at the beginning of the period	29,816	463,043	36,226	4,799	8,080	3,055	831	545,850
Additions	-	368	141,860	-	1,615	308	1,914	146,065
Assets received free of charge	-	-	-	-	26	-	-	26
Disposals	-	-	-	-	(34)	(34)	-	(68)
Transfers between asset classes	-	10,016	(10,940)	-	2,510	129	(1,715)	-
Reclassified to held for sale	(2,572)	(13,352)	-	-	-	-	-	(15,924)
Subtotal:	27,244	460,075	167,146	4,799	12,197	3,458	1,030	675,949
Gains/(losses) for the period recognised in net result:								
Depreciation and amortisation	-	(27,725)	-	(339)	(2,946)	(429)	-	(31,439)
Impairment (losses) / reversals	-	3,979	-	-	-	-	-	3,979
Subtotal:	-	(23,746)	-	(339)	(2,946)	(429)	-	(27,460)
Gains/(losses) for the period recognised in other comprehensive income:								
Revaluation increment / (decrement)	767	-	-	-	-	-	-	767
Subtotal:	767	-	-	-	-	-	-	767
Carrying amount at the end of the period	28,011	436,329	167,146	4,460	9,251	3,029	1,030	649,256
Gross carrying amount								
Gross carrying amount	28,011	483,261	167,146	5,781	36,506	11,267	1,030	733,002
Accumulated depreciation / amortisation	-	(46,932)	-	(1,321)	(27,255)	(8,238)	-	(83,746)
Carrying amount at the end of the period	28,011	436,329	167,146	4,460	9,251	3,029	1,030	649,256

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

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22. 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 20 and 22.2 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

22.1 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 hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements at 30 June 2018

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements (Note 21)		
Land	43,255	43,255
Buildings and improvements	683,788	683,788
Leasehold improvements	4,065	4,065
Plant and equipment	15,062	15,062
Total recurring fair value measurements	746,170	746,170
Non-recurring fair value measurements (Note 19)		
Land held for sale	-	-
Buildings and improvements held for sale	-	-
Total non-recurring fair value measurements	-	-
Total	746,170	746,170

Fair value measurements at 30 June 2017

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements (Note 21)		
Land	28,011	28,011
Buildings and improvements	436,329	436,329
Leasehold improvements	4,460	4,460
Plant and equipment	12,280	12,280
Total recurring fair value measurements	481,080	481,080
Non-recurring fair value measurements (Note 19)		
Land held for sale	2,572	2,572
Buildings and improvements held for sale	13,352	13,352
Total non-recurring fair value measurements	15,924	15,924
Total	497,004	497,004

There are no non-recurring fair value measurements.

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The Hospital has measured land and buildings held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* because the assets' fair value less costs to sell is lower than its carrying amount. Refer to note 19.

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.

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 20 and 22.2.

22.2 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.

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.

23. Payables

	2018	2017
	\$'000	\$'000
Current		
Creditors and accrued expenses	19,335	20,223
Paid Parental Leave Scheme	47	80
Staff on-costs*	11,368	10,534
Other payables	1,517	1,715
Total current payables	32,267	32,552
Non-current		
Staff on-costs*	4,157	4,772
Other payables	187	194
Total non-current payables	4,344	4,966
Total payables	36,611	37,518

*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 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 9.40% to 9.98%. 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 \$1.192 million and employee benefits expense of \$1.192 million. The estimated impact on 2019 and 2020 is \$1.239 million and \$1.289 million respectively.

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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.

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 is 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 34 for further information on risk management.

24. Borrowings

	2018	2017
	\$'000	\$'000
Current		
Loans	3,908	3,546
Total current borrowings	3,908	3,546
Non-current		
Loans	3,007	6,915
Total non-current borrowings	3,007	6,915
Total borrowings	6,915	10,461

The Hospital measures financial liabilities including borrowings/debt at historical cost.

The movement in loans liability of \$3,546 million (\$3,033 million) arises from financing cash flows.

Refer to note 34 for further information on risk management.

Defaults and breaches

There were no defaults or breaches on any of the above liabilities throughout the year.

25. Staff benefits

	2018	2017
	\$'000	\$'000
Current		
Annual leave	70,966	64,543
Long service leave	8,695	8,093
Accrued salaries and wages	16,444	13,871
Skills and experience retention leave	4,882	5,062
Other	197	187
Total current staff benefits	101,184	91,756
Non-current		
Long service leave	121,883	113,439
Total non-current staff benefits	121,883	113,439
Total staff benefits	223,067	205,195

25.1 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 skills and experience retention leave 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 employees is estimated to be less than the annual entitlement for sick leave.

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25.2 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 employees up to the end of the reporting period using the projected unit credit method. AASB 119 contains the calculation methodology for 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 employee departures and periods of service. These assumptions are based on employee data over the health sector across government.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds which matches the expected duration of the liabilities as the discount rate in the measurement of the long service leave liability.

The appropriate yield on long term Commonwealth Government bonds has increased from 2017 rate of 2.51% to 2.69%. This increase of the bond yield, which is used as the rate to discount future LSL cash flows, results in a decrease in the reported LSL liability.

The net financial effect of the changes in the bond yield in the current year is a decrease in the reported LSL liability of \$2.402 million and staff benefits on-costs expense of \$0.084 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 4.00% for LSL liability and 3.00% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

26. Provisions

		2018	2017
	Note	\$'000	\$'000
Current			
Workers compensation	26.1	4,880	6,604
Total current provisions		4,880	6,604
Non-current			
Workers compensation	26.1	33,740	19,700
Total non-current provisions		33,740	19,700
Total provisions		38,620	26,304

26.1 Workers Compensation

Workers compensation statutory provisions

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 claims 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 provisions

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

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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 workers compensation non-statutory provision of \$0.313 million, as the provision was introduced in 2017-18 there are no comparatives available.

Reconciliation of workers compensation (statutory and non-statutory)

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the period	26,304	24,298
Increase in provisions recognised	13,211	3,860
Reductions arising from payments/other sacrifices of future economic benefits	(895)	(1,854)
Carrying amount at the end of the period	38,620	26,304

27. Other liabilities

	2018	2017
	\$'000	\$'000
Current		
Unearned revenue	181	105
Other	3	7
Total current other liabilities	184	112
Non-current		
Lease incentive	334	312
Total non-current other liabilities	334	312
Total other liabilities	518	424

28. 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.

28.1 Operating lease revenue commitments

	2018	2017
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows:		
Within one year	130	476
Later than one year but not longer than five years	96	184
Total operating lease commitments	226	660

28.2 Operating lease expenditure commitments

	2018	2017
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	2,171	2,319
Later than one year but not longer than five years	5,867	5,379
Later than five years	6,016	7,099
Total operating lease commitments	14,054	14,797
Representing:		
Non-cancellable operating leases	14,054	14,797
Total operating lease commitments	14,054	14,797

The Hospital's operating lease expenses are for office accommodation and car parking. Office accommodation and car parking are leased from a variety of organisation. The lease are non-cancellable with various terms, some lease having the right of renewal. Rent is payable in arrears.

28.3 Other expenditure commitments

	2018	2017
	\$'000	\$'000
Within one year	30,696	33,889
Later than one year but not longer than five years	16,289	24,452
Total other expenditure commitments	46,985	58,341

The Hospital's expenditure commitments are for agreements for goods and services contracted but not received.

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29. 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.

29.1 Contingent Assets

The Hospital is not aware of any contingent assets.

29.2 Contingent Liabilities

As at 30 June 2018, Flinders Fertility had six outstanding claims in relation to losses suffered due to generator failure during the 2016 South Australian blackout.

29.3 Guarantees

The Hospital has made no guarantees.

30. Related party transactions

The Hospital is controlled by the 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.

30.1 Significant transactions with government related entities

Significant transactions with SA Government are identifiable throughout this financial report. In addition, the Hospital received funding from the SA Government via the Department (note 14), and incurred expenditure via the Department for medical, surgical and laboratory supplies, computing, insurance and inter-health staff recharging (note 4 and 32). The Department transferred capital works in progress of \$65.687 million (\$126.515 million) to the Hospital. The Hospital has an outstanding loan balance payable to the Department at 30 June of \$6.915 million (\$10.461 million). The Hospital incurred expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for capital works of \$4.586 million (\$2.132 million).

Quantitative information about transactions and balances between the Hospital and other SA Government controlled entities are disclosed at note 32.

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

30.2 Transactions with Key Management Personnel and other related parties

Compensation of key management personnel is disclosed at note 3.

The Hospital 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.

31. Interests in other entities

Equity accounted investment

Long Entity Name:	Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility
Ownership interest:	50%

Disclosure:

Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the Hospital participates.

Flinders Fertility is a private fertility clinic based within Flinders Medical Centre in Bedford Park, South Australia. Flinders Fertility is structured as a private trust which is not a reporting entity and is not publicly listed. The Hospital and Flinders University each have a 50% beneficial entitlement to the net assets of the trust. Accordingly, the interest is classified as a joint venture with the investment measured using the equity accounting method.

The Hospital's share in the equity of the Flinders Fertility is calculated based on the draft financial statements provided as at the reporting period and subsequently adjusted when the final Audited financial statements are available.

Based on the draft financial statements as at 30 June 2017, Flinders Fertility projected a profit, however the audited statements recorded a loss due primarily to the write-off of items previously capitalised and the draft financial statements as at 30 June 2018 also project a further loss. The losses for both years have not been distributed to the beneficiaries.

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The following table summarises the financial information of Flinders Fertility based on currently available information:

Percentage ownership interest	2018 50 %	2017 50 %
	\$'000	\$'000
Current assets	2,474	4,361
Current liabilities	(1,315)	(650)
Non-current assets	1,849	2,052
Non-current liabilities	(3,008)	(5,763)
Net assets	-	-
Groups share of net assets (50%)		
Share of beneficial entitlement	2,657	2,695
Carrying amount of interest in joint venture	2,657	2,695
Expenses	(7,900)	(4,904)
Revenue	5,192	4,980
Profit/(loss) and total comprehensive income	(2,708)	76
Entity's share of profit/loss and total comprehensive income (50%)*	(1,354)	38

*The loss has not been distributed at this stage.

32. 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
EXPENSES						
3 Staff benefits expenses	2,566	2,779	733,498	673,096	736,064	675,875
4 Supplies and services	122,187	112,432	173,516	156,153	295,703	268,585
Administration	20	5	197	210	217	215
Advertising	95	174	2,190	1,759	2,285	1,933
Communication	434	465	1,298	1,039	1,732	1,504
Computing	9,764	8,632	881	786	10,645	9,418
Consultants	-	-	37	51	37	51
Contractors	1,171	966	3,212	1,282	4,383	2,248
Contractors - agency staff	5,268	5,287	15,754	9,921	21,022	15,208
Drug supplies	14,613	428	2,417	17,417	17,030	17,845
Electricity, gas and fuel	1	1	9,409	6,156	9,410	6,157
Fee for service	398	300	35,856	32,549	36,254	32,849
Food supplies	253	308	10,876	10,147	11,129	10,455
Housekeeping	1,676	1,608	9,984	9,287	11,660	10,895
Insurance	5,678	6,163	-	1	5,678	6,164
Internal SA Health SLA payments	7,109	7,918	-	-	7,109	7,918
Legal	180	192	29	24	209	216
Medical, surgical and laboratory supplies	56,119	54,571	31,882	32,400	88,001	86,971
Minor equipment	168	534	3,160	1,702	3,328	2,236
Motor vehicle expenses	1,381	1,279	858	1,462	2,239	2,741
Occupancy rent and rates	1,765	1,631	1,609	2,062	3,374	3,693
Patient transport	5,942	5,446	339	438	6,281	5,884
Services from Shared Services SA	4,092	5,119	-	-	4,092	5,119
Postage	5	15	1,245	1,075	1,250	1,090
Printing and stationery	664	654	1,571	1,472	2,235	2,126
Rental expense on operating lease	-	-	1,293	567	1,293	567
Repairs and maintenance	4,121	9,578	13,735	1,628	17,856	11,206
Security	536	475	6,961	5,190	7,497	5,665
Staff training and development	96	17	9,740	9,063	9,836	9,080
Staff travel expenses	-	-	517	557	517	557
Other supplies and services	638	666	8,466	7,908	9,104	8,574

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Note	SA Government		Non-SA Government		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Depreciation and amortisation expense	-	-	31,725	31,439	31,725	31,439
5 Grants and subsidies	-	12	4,145	3,479	4,145	3,491
Subsidies	-	-	-	41	-	41
Funding to non-government organisations	-	-	4,145	3,438	4,145	3,438
Other	-	12	-	-	-	12
6 Borrowing costs	745	1,046	-	-	745	1,046
12 Net loss from disposal of non-current and other assets	-	12	100	243	100	255
Total proceeds from disposal	-	-	-	(24)	-	(24)
Less total value of assets disposed	-	-	100	68	100	68
Less other costs of disposal	-	12	-	199	-	211
7 Other expenses	719	1,042	554	(185)	1,273	857
Bad and doubtful debts	-	-	147	(135)	147	(135)
Bank fees and charges	-	-	39	39	39	39
Net loss on revaluation of investments	-	-	38	3	38	3
Other	719	1,042	330	(92)	1,049	950
TOTAL EXPENSES	126,217	117,323	943,538	864,225	1,069,755	981,548

INCOME

8 Revenues from fees and charges	11,519	11,178	45,022	48,683	56,541	59,861
Fines, fees and penalties	-	-	19	39	19	39
Insurance recoveries	-	-	-	10	-	10
Patient and client fees	200	113	27,819	27,431	28,019	27,544
Private practice fees	-	-	3,895	5,296	3,895	5,296
Recoveries	11,135	10,963	8,862	11,221	19,997	22,184
Sale of goods - medical supplies	55	45	410	523	465	568
Other user charges and fees	129	57	4,017	4,163	4,146	4,220
9 Grants and contributions	1,559	1,749	2,868	5,205	4,427	6,954
Commonwealth grants and donations	-	-	265	868	265	868
Other SA Government grants and contributions	1,559	1,749	-	-	1,559	1,749
Private sector grants and contributions	-	-	2,603	4,337	2,603	4,337
10 Interest revenues	160	171	-	-	160	171
11 Resources received free of charge	4,064	-	-	26	4,064	26
13 Other revenues/income	583	1,916	9,634	10,973	10,217	12,889
Commissions revenue	-	-	24	35	24	35
Training revenue	2	2	8	-	10	2
Donations	-	-	408	1	408	1
Car parking revenue	-	4	2,133	2,324	2,133	2,328
Reversal of prior period impairment expense	-	-	-	3,979	-	3,979
Other	581	1,910	7,061	4,634	7,642	6,544
14 Revenues from SA Government	996,191	1,014,875	-	-	996,191	1,014,875
TOTAL INCOME	1,014,076	1,029,889	57,524	64,887	1,071,600	1,094,776

FINANCIAL ASSETS

15 Cash and cash equivalents	31,343	23,817	1,610	1,670	32,953	25,487
16 Receivables	5,577	5,601	19,831	19,667	25,408	25,268
Patient/client fees: compensable	-	-	1,059	984	1,059	984
Patient/client fees: other	-	-	8,220	9,167	8,220	9,167
Debtors	265	87	5,079	4,382	5,344	4,469
Less: allowance for doubtful debts	-	-	(1,838)	(1,878)	(1,838)	(1,878)
Prepayments	12	-	5,759	5,317	5,771	5,317
Workers compensation provision recoverable	5,300	5,514	-	-	5,300	5,514
Sundry receivables and accrued revenue	-	-	877	1,435	877	1,435
GST input tax recoverable	-	-	675	260	675	260
17 Other financial assets	-	-	2,657	2,695	2,657	2,695
Other investments	-	-	2,657	2,695	2,657	2,695
TOTAL FINANCIAL ASSETS	36,920	29,418	24,098	24,032	61,018	53,450

FINANCIAL LIABILITIES

23 Payables	1,769	3,072	34,842	34,446	36,611	37,518
Creditors and accrued expenses	1,769	3,072	17,566	17,151	19,335	20,223
Paid Parental Leave Scheme	-	-	47	80	47	80
Staff on-costs	-	-	15,525	15,306	15,525	15,306
Other payables	-	-	1,704	1,909	1,704	1,909

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24 Borrowings	6,915	10,461	-	-	6,915	10,461
Loans	6,915	10,461	-	-	6,915	10,461
27 Other liabilities	(12)	(8)	530	432	518	424
Unearned revenue	-	-	181	105	181	105
Lease incentive	-	-	334	312	334	312
Other	(12)	(8)	15	15	3	7
TOTAL FINANCIAL LIABILITIES	8,672	13,525	35,372	34,878	44,044	48,403

33. 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	32,953	25,487
Cash as per Statement of Financial Position	32,953	25,487

Balance as per Statement of Cash Flows	32,953	25,487
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Reconciliation of net cash provided by operating activities to net cost of providing services:

Net cash provided by (used in) operating activities	61,599	18,149
Department for Health and Wellbeing contributions for the provision of health services	(996,191)	(1,014,875)

Add/less non-cash items

Capital revenues	-	126,515
Depreciation and amortisation expense of non-current assets	(31,725)	(31,439)
Gain/(loss) on sale or disposal of non-current assets	(100)	(255)
Impairment of non-current assets	-	3,979
Resources received free of charge	-	26
Revaluation of investments	(38)	(3)

Movement in assets and liabilities

Increase/(decrease) in receivables	139	(1,811)
Increase/(decrease) in inventories	(67)	117
(Increase)/decrease in staff benefits	(16,594)	5,514
(Increase)/decrease in payables and provisions	(11,273)	(8,107)
(Increase)/decrease in other liabilities	(96)	543
Net cost of providing service	(994,346)	(901,647)

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.

34. Financial instruments/financial risk management

34.1 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.

34.2 Liquidity Risk

The Hospital is funded principally by the Department. The Department works with DTF to determine the cash flows associated with this 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 23 and 24 for further information.

34.3 Credit and market risk

The Hospital has policies and procedures in place to ensure that debtors are managed appropriately. The Hospital does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to notes 15, 16 and 17 for further information.

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Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. There is no exposure to foreign currency or other price risks.

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

34.4 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: Held-to-maturity investments; loan 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 16 and 23).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer note 24).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer note 17).

	Notes	2018 Carrying amount/ Fair value \$'000	2017 Carrying amount/ Fair value \$'000
Category of financial asset and financial liability			
Financial assets			
Cash and equivalent			
Cash and cash equivalents	15,33	32,953	25,487
Loans and receivables			
Receivables ⁽¹⁾⁽²⁾	16	13,662	14,044
Available for sale financial assets			
Other financial assets	17	2,657	2,695
Total financial assets		49,272	42,226
Financial liabilities			
Financial liabilities at cost			
Payables ⁽¹⁾	23	20,744	21,799
Borrowings	24	6,915	10,461
Other liabilities	27	337	319
Total financial liabilities		27,996	32,579

⁽¹⁾ 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).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 16 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.

35. 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.

35.1 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 16 and 17.

- 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'; and
- there will no change to the classification or measurement under the equity method of interests in the Flinders Reproductive Medicine Pty Ltd.

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 \$0.445 million, a decrease of \$1.393 million compared to the amount reported at 30 June 2018, resulting in net receivables of \$26.813 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 Governments' high quality credit rating.

35.2 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; and
- 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.

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35.3 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.

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 Department's current operating lease commitments note (see note 28.2) 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 date of initial application and will not restate comparatives.

36. 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 provides 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).

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37. 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 Accounting Policy Framework *APF II General Purpose Financial Statements Framework* were:

Board/Committee name:	Government employee members*	Other members
Consumer Administration Liaison Meeting	9	Buer S, Hofhius C, King P (appointed 26/11/2017)
DASSA Clinical Executive Committee	8	Moore P
DASSA Community Advisory Council	5	Agius H, Braund S, Cauchi R, Davis J, Hellier T, Huber N, Kelly K, Les D, McHendrie T, Mohan V, Moore P, Nimmo E, Percy S, Porcaro R, Tran K
DASSA Executive Group	10	Nimmo E
Outer South Mental Health Consumer Carer Advisory Group (Established 01/07/2017) (1)	1	Alick R, Buer S (Chair), Burridge H, Cairns E, Hopkins R, Hutchison S, Mausolf A, McDonagh A, Penberthy V, Winfield U
Outpatients Reconfiguration Working Group	15	Dame T (ceased 07/12/2017), Hoiles J (ceased 07/12/2017)
Partnering with Consumer Advisory Group	18	Ashley I, Ball R, Barrington D (ceased 22/08/2017), Buer S, Byrne J, Christensen C (ceased 13/02/2018), Dame T (ceased 31/12/2017), Davies S (ceased 13/02/2018), Goodwin M, Hoiles J (ceased 31/12/2017), Kerrins E, King P (ceased 31/10/2017), Kitchener S, Klinge N (Chair) (ceased 31/12/2017), Lemmer C (ceased 31/12/2017), Mannion J (ceased 31/12/2017), McInerney M (ceased 13/02/2018), Milne A, Pascoe P (appointed 01/01/2018), Voss D (ceased 31/12/2017), Wolverson S (ceased 31/12/2017)
Southern Adelaide Clinical Human Research Ethics Committee	22	Barr C, Benjamin S (ceased 21/08/2017), Berg M (appointed 23/08/2017), Bradshaw A, Breaden K, Cohen M (appointed 27/10/2017), Docherty J (ceased 09/08/2017), Dykes L (appointed 27/10/2017), Hackett J, Hattam V, Kemp C (appointed 29/11/2017), Kimber A, Lange B (appointed 23/08/2017), Lister C (appointed 27/10/2017), Lower K (appointed 23/08/2017), Martini J, McEvoy M, Meng R, Nguyen A (appointed 23/08/2017), Richards B (Chair), Sharma S (appointed 23/08/2017), Sinha R (appointed 27/10/2017), Voss D, Were L, Westwood T (appointed 27/10/2017), Yip L (appointed 27/10/2017), Zhou Y
Southern Adelaide Local Health Network Audit & Risk Management Committee	0	Dreckow J (ceased 19/06/2017), Hislop R, Stubbs T (Chair), Taylor M (ceased 21/05/2018), Hasslam R (appointed 01/07/2017)
Southern Adelaide Local Health Network Clinical Council	33	Tellis N (appointed 31/01/2018), Voss D
Southern Adelaide Local Health Network Clinical Handover Steering Committee)	20	Dame T
Southern Adelaide Local Health Network Community Mental Health Governance Committee (Established 29/01/2018) (1)	20	Hoiles J (appointed 28/03/2018), King P (appointed 28/03/2018)
Southern Adelaide Local Health Network Community Mental Health Model of Care Expert Advisory Group (Established 26/03/2018) (1)	15	Braund S (appointed 11/04/2018), King P (appointed 11/04/2018), Mausolf J (appointed 11/04/2018)
Southern Adelaide Local Health Network Drugs and Therapeutics Committee	25	Barrington D
Southern Adelaide Local Health Network End of Life Steering Committee (Established 01/11/2017) (1)	26	Ferguson J, Levins B
Southern Adelaide Local Health Network Falls Prevention Management Committee	43	Cohen M
Southern Adelaide Local Health Network Health Advisory Council Incorporated	0	Barrington D (appointed 01/07/2017), Bishop R (appointed 01/07/2017), Francis A (appointed

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		01/07/2017), Hislop R(chair)(appointed 01/07/2017), Pienaar K (appointed 01/07/2017), Williams H (ceased 30/06/2017), Williams S (appointed 01/07/2017), Wilson B (appointed 01/07/2017) (ceased 03/05/2018)
Southern Adelaide Local Health Network Inner South Mental Health Consumer Carer Advisory Group	3	English L, Hofhuis C, Pearson M, Police D
Southern Adelaide Local Health Network New Technology and Clinical Practice Innovation Committee	12	Kaambwa B, King P (appointed 01/12/2017)
Southern Adelaide Local Health Network Older Persons Mental Health Services Consumer and Carer Advisory Group	2	Adamson M, Ainsley J, Andrew G, Anthony P, Hunt G, Oko J, Oko R, Schettters J, Shepherd K
Southern Mental Health Clinical Governance Committee	2	Bower T, Buer S, Hayes B, Hofhius C, Quirk M

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

	2018	2017
	No. of Members	No. of Members
\$0	268	215
\$1 - \$9,999	54	44
\$10,000 - \$19,999	2	3
\$20,000 - \$29,999	1	1
Total	325	263

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 \$0.116 million (\$0.106 million).

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

(1) Four new committees were established in 2017-18.

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.

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38. Schedules of administered items

38.1 Basis of preparation

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

38.2 Categories of administered items

Consumer Funds represents funds held by the Hospital on behalf of consumers that reside in a Hospital facility whilst the consumer is receiving residential drug and alcohol rehabilitation 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.

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

During the 2016-17 financial year SA Medical Imaging (SAMI) was transferred to Statewide Clinical Services. As a result of this transfer, SAMI Private Practice receipts and payments now fall under Central Adelaide Local Health Network Administered statements and are not included in the Hospital's Administered statements.

38.3 Administered contingent assets and liabilities

Schedule of Administered Expenses and Income

	Private Practice		Consumer Funds		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses						
Other expenses	16,283	26,949	423	402	16,706	27,351
Total Administered expenses	16,283	26,949	423	402	16,706	27,351
Administered income						
Revenue from fees and charges	15,889	25,615	-	-	15,889	25,615
Other revenue	-	-	436	403	436	403
Total Administered income	15,889	25,615	436	403	16,325	26,018
Net result	(394)	(1,334)	13	1	(381)	(1,333)

Schedule of Administered Assets and Liabilities

Administered current assets

Cash and cash equivalents	1,435	1,825	40	28	1,475	1,853
Receivables	859	853	-	-	859	853
Total Administered current assets	2,294	2,678	40	28	2,334	2,706

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Total administered assets	2,294	2,678	40	28	2,334	2,706
Administered current liabilities						
Other current provisions/liabilities	31	22	-	-	31	22
Total Administered current liabilities	31	22	-	-	31	22
Total administered liabilities	31	22	-	-	31	22
Net administered assets	2,263	2,656	40	28	2,303	2,684

Schedule of Administered Changes in Equity

	Total 2018 \$'000	Total 2017 \$'000
Balance at the beginning of the reporting period	2,684	4,017
Restated Opening Balance	-	4,017
Net result	(381)	(1,333)
Total comprehensive result for the period	-	(1,333)
Balance at the end of the reporting period	2,303	2,684

Schedule of Administered Cash Flows

	Total 2018 \$'000	Total 2017 \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	15,883	26,554
Other revenue	435	409
Total Cash inflows	16,318	26,963
Cash outflows		
Other payments	16,696	27,351
Total Cash outflows	16,696	27,351
Net cash inflows/cash outflows from operating activities	(378)	(388)
Net increase/(decrease) in cash held	(378)	(388)
Cash at the beginning of the reporting period	1,853	2,241
Cash at the end of the reporting period	1,475	1,853