

# 5 Financial statements

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## General information

The Metro South Hospital and Health Service was established on the 1 July 2012 as a Queensland Government statutory body under the *Hospital and Health Boards Act 2011*. The Metro South Hospital and Health Service operates under its registered trading name of Metro South Health.

Metro South Health is controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of Metro South Health is:

Garden City Office Park—Building 5  
2404 Logan Road  
Eight Mile Plains Q 4113

A description of the nature of Metro South Health’s operations and its principal activities is included in the notes to the financial statements.

For information in relation to Metro South Health’s financial statements:

Visit the Metro South Health website:  
[www.health.qld.gov.au/metrosouth](http://www.health.qld.gov.au/metrosouth)

or email: [MD05-MetroSouthHSD@health.qld.gov.au](mailto:MD05-MetroSouthHSD@health.qld.gov.au)

Amounts shown in these financial statements may not add to the correct subtotals or totals due to rounding.

Metro South Health  
**Statement of Comprehensive Income**  
 For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>Income from continuing operations</b>			
User charges and fees	4	1,790,325	1,742,065
Grants and other contributions	5	40,207	42,891
Other revenue	6	15,483	18,042
<b>Total revenue</b>		<b>1,846,015</b>	<b>1,802,998</b>
Gains on disposal or re-measurement of assets	7	573	143
<b>Total income from continuing operations</b>		<b>1,846,588</b>	<b>1,803,141</b>
<b>Expenses from continuing operations</b>			
Employee expenses	8	2,122	2,075
Health service employee expenses	9	1,244,654	1,260,411
Supplies and services	10	495,924	441,375
Grants and subsidies	11	4,918	5,695
Depreciation and amortisation	12	61,895	63,214
Impairment losses	13	2,802	3,266
Revaluation decrement	14	-	772
Other expenses	15	8,479	6,344
<b>Total expenses from continuing operations</b>		<b>1,820,794</b>	<b>1,783,152</b>
<b>Operating result for the year</b>		<b>25,794</b>	<b>19,989</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to operating result</i>			
Increase in asset revaluation surplus	25	4,347	32,354
<b>Total other comprehensive income</b>		<b>4,347</b>	<b>32,354</b>
<b>Total comprehensive income</b>		<b>30,141</b>	<b>52,343</b>

The accompanying notes form part of these statements.

Metro South Health  
**Statement of Financial Position**  
 As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents	16	170,710	81,687
Receivables	17	26,858	49,780
Inventories	18	13,773	12,638
Other assets	19	4,191	1,372
<b>Total current assets</b>		<b>215,532</b>	<b>145,477</b>
<b>Non-current assets</b>			
Intangible assets	20	477	570
Property, plant and equipment	21	1,081,818	1,061,771
<b>Total non-current assets</b>		<b>1,082,295</b>	<b>1,062,341</b>
<b>Total assets</b>		<b>1,297,827</b>	<b>1,207,818</b>
<b>Current liabilities</b>			
Payables	22	142,530	105,907
Accrued employee benefits	23	37	91
Unearned revenue	24	1,923	577
<b>Total current liabilities</b>		<b>144,490</b>	<b>106,575</b>
<b>Total liabilities</b>		<b>144,490</b>	<b>106,575</b>
<b>Net assets</b>		<b>1,153,337</b>	<b>1,101,243</b>
<b>Equity</b>			
Contributed equity	2(t)	1,070,853	1,048,900
Accumulated surplus/(deficit)		45,783	19,989
Asset revaluation surplus	25	36,701	32,354
<b>Total equity</b>		<b>1,153,337</b>	<b>1,101,243</b>

The accompanying notes form part of these statements.

Metro South Health  
**Statement of Changes in Equity**  
 For the year ended 30 June 2014

	Notes	Accumulated surplus/(deficit) \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total equity \$'000
<b>Balance at 1 July 2012</b>		-	-	-	-
Operating result from continuing operations		19,989	-	-	19,989
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	25	-	32,354	-	32,354
<b>Total comprehensive income for the year</b>		<b>19,989</b>	<b>32,354</b>	<b>-</b>	<b>52,343</b>
<i>Transactions with owners as owners</i>					
Net transfers in from other Queensland Government entities*	2(t)	-	-	1,052,557	1,052,557
Equity injections	2(t)	-	-	29,297	29,297
Equity withdrawals	2(t)	-	-	(63,214)	(63,214)
Equity asset transfers	2(t)	-	-	30,260	30,260
<b>Net transactions with owners as owners</b>		<b>-</b>	<b>-</b>	<b>1,048,900</b>	<b>1,048,900</b>
<b>Balance as at 30 June 2013</b>		<b>19,989</b>	<b>32,354</b>	<b>1,048,900</b>	<b>1,101,243</b>

\*Net assets transferred from the Department of Health pursuant to the *Hospital and Health Board Act 2011*. Refer Note 2(t).

	Notes	Accumulated surplus/(deficit) \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total equity \$'000
<b>Balance at 1 July 2013</b>		<b>19,989</b>	<b>32,354</b>	<b>1,048,900</b>	<b>1,101,243</b>
Operating result from continuing operations		25,794	-	-	25,794
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus	25	-	4,347	-	4,347
<b>Total comprehensive income for the year</b>		<b>25,794</b>	<b>4,347</b>	<b>-</b>	<b>30,141</b>
<i>Transactions with owners as owners</i>					
Equity injections	2(t)	-	-	36,845	36,845
Equity withdrawals	2(t)	-	-	(61,836)	(61,836)
Equity asset transfers	2(t)	-	-	46,944	46,944
<b>Net transactions with owners as owners</b>		<b>-</b>	<b>-</b>	<b>21,953</b>	<b>21,953</b>
<b>Balance as at 30 June 2014</b>		<b>45,783</b>	<b>36,701</b>	<b>1,070,853</b>	<b>1,153,337</b>

The accompanying notes form part of these statements.

Metro South Health  
**Statement of Cash Flows**  
 For the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows</i>			
User charges and fees		1,751,119	1,673,516
Grants and other contributions		40,177	42,891
Interest received		1,099	1,102
GST collected from customers		4,344	4,178
GST input tax credits from Australian Taxation Office *		24,162	19,121
Other		14,207	16,674
<i>Outflows</i>			
Employee expenses		(2,085)	(1,984)
Health service employee expenses		(1,274,404)	(1,232,180)
Supplies and services		(431,193)	(423,008)
Grants and subsidies		(4,918)	(5,759)
GST paid to suppliers		(25,273)	(21,686)
GST remitted to Australian Taxation Office*		(4,394)	(3,545)
Other		(6,581)	(5,377)
<b>Net cash provided by (used in) operating activities</b>	26	<b>86,260</b>	<b>63,943</b>
<b>Cash flows from investing activities</b>			
<i>Inflows</i>			
Sales of property, plant and equipment		1,370	517
<i>Outflows</i>			
Payments for property, plant and equipment		(32,665)	(38,587)
Payments for intangibles		(175)	-
Prepayment for plant and equipment		(2,611)	-
<b>Net cash provided by (used in) investing activities</b>		<b>(34,081)</b>	<b>(38,070)</b>
<b>Cash flows from financing activities</b>			
<i>Inflows</i>			
Cash transfer 1 July 2012**		-	26,517
Equity injections	2(t)	36,844	29,297
<b>Net cash provided by (used in) financing activities</b>		<b>36,844</b>	<b>55,814</b>
Net increase/(decrease) in cash and cash equivalents		89,023	81,687
Cash and cash equivalents at the beginning of the financial year		81,687	-
<b>Cash and cash equivalents at the end of the financial year</b>	16	<b>170,710</b>	<b>81,687</b>

\*The GST transactions with the Australian Taxation Office are lodged and managed via the Department of Health.

\*\* Cash transferred pursuant to the *Hospital and Health Board Act 2011*. Refer to Note 2(t).

The accompanying notes form part of these statements.

Metro South Health

**Notes to the Financial Statements**

For the year ended 30 June 2014

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**Notes to the Financial Statements**  
 For the year ended 30 June 2014

## 1 Objectives and strategic priorities of Metro South Health

Metro South Health was established as an independent statutory body on 1 July 2012. Metro South Health is governed by a Hospital and Health Board that is accountable to the community and the Queensland Minister for Health for its performance.

Metro South Health is responsible for the delivery of public hospital services and other health services within its geographical catchment. It comprises five main hospitals on Brisbane's south side: Princess Alexandra Hospital, Queen Elizabeth II Jubilee (QEII) Hospital, Logan Hospital, Beaudesert Hospital and Redland Hospital. Metro South Health also operates a number of community health centres and primary health care centres.

Metro South Health's key objectives for 2013-14 were:

- Improving services for patients
- Focusing resources on frontline services
- Ensuring accountability and confidence in the health system.

These principal themes inform and guide the planning, coordination and delivery of services throughout Metro South Health.

Metro South Health is primarily funded by the Department of Health on behalf of the State and Australian Government through health service funding and by Australian Government grants. Metro South Health also provides health services on a fee-for-service basis, mainly for private inpatient care.

## 2 Summary of significant accounting policies

### (a) Statement of compliance

Metro South Health has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with *Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2014*, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, Metro South Health has applied those requirements applicable to a not-for-profit entity, as Metro South Health is a not-for-profit entity. Except where stated, the historical cost convention is used.

### (b) The reporting entity

The financial statements include the value of all income, expenses, assets, liabilities and equity of Metro South Health. Metro South Health does not have any controlled entities. The major activities of Metro South Health are disclosed in Note 3.

### (c) Trust and agency transactions and balances

#### *Patient Fiduciary Fund transactions*

Metro South Health undertakes patient fiduciary fund transactions as trustee. These funds are received and held on behalf of patients with the hospital having no discretion over these funds. As such they are not part of Metro South Health assets recognised in the financial statements. Patient funds are not controlled by Metro South Health but trust activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 31(a).

#### *Agency transactions- Right of Private Practice (RoPP) scheme*

Under the Australian Government's National Health Reform Agreement with the states and territories, patient choice is facilitated by the right of private practice (RoPP) scheme, which provides for senior medical officers (SMOs) who are employed in the public health system to also treat those patients who come into the public system and elect to be treated as private patients. The Queensland RoPP scheme was

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2014

approved to capture privately insured patients receiving treatment as public patients in a cost neutral manner; and also to assist in the recruitment and retention of full time specialist staff in the public hospital system. Public patients were not to be affected adversely by the introduction of scheme options.

The scheme has two major variants referred to as Option A and Option B. Under Option A, SMOs receive a private practice allowance as well as a base salary. In exchange for being paid this allowance, these SMOs assign all the private practice revenue they generate to the hospital and health service (HHS) facility where they are working. This revenue is recognised monthly when invoices are raised. In turn, the HHS fully absorbs the direct and indirect costs (facility, administrative and other overheads) associated with these services including, for example, the cost of billing and collection of revenue. This scheme is also referred to as the 'assignment' model.

The other major scheme variant is Option B, which allows SMOs to retain a proportion of the private fees they earn, with the balance being paid into a trust account for the HHS facility to apply to research by, and education of, all staff at the facility referred to as SERTA funds. This revenue is recognised monthly when invoices are raised. The HHS recovers a facility charge and administration fee from each participating SMO to defray the overhead costs of service provision. This scheme variant is also referred to as the 'retention and revenue sharing' model. Within Option B there is another variant called Option R, which is a variation available only for radiologists, but has all the characteristics of Option B.

Metro South Health acts in an agency role in respect of the transactions and balances of the Private Practice (RoPP) bank accounts. Transactions relating to Option B revenue are managed in an agency capacity in relation to the portion SMOs retain of the private fees they earn. The overhead cost incurred by Metro South Health in its agency capacity is recovered as incurred and recognised as controlled revenue in Metro South Health's accounts. The balance remaining of the earnings after distribution and overhead recoveries are paid to General Trust SERTA funds. At balance date any monies remaining in the RoPP bank accounts that represent Metro South Health's revenue is accrued as revenue in Metro South Health's accounts. As such, the right of private practice funds are not controlled by Metro South Health but the activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 31(b).

**(d) User charges and fees**

User charges and fees controlled by Metro South Health are recognised as revenues when earned and can be measured reliably with a sufficient degree of certainty. User charges and fees are controlled by Metro South Health where they can be deployed for the achievement of Metro South Health's objectives.

User charges and fees controlled by Metro South Health primarily comprises Department of Health funding, hospital fees (private patients), reimbursement of pharmaceutical benefits, sales of goods and services and rental income. There has been a change in the recognition of Department of Health funding from grants and other contributions in 2012-13 to user charges and fees in the current financial year. Refer Note 2(x) for details.

The funding from the Department of Health is provided predominantly for specific public health services purchased by the Department from Metro South Health in accordance with a service agreement between the Department of Health and Metro South Health. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Metro South Health. Refer Note 3 for more information on this funding arrangement. Metro South Health's ability to continue viable operations is dependent on this funding. At the date of this report management has no reason to believe that this income will not continue, particularly as the current agreement covers the period from 1 July 2013 to 30 June 2016.

The funding from the Department of Health is received fortnightly in advance. At the end of the financial year, a financial adjustment may be required where the level of services provided is above or below the agreed level.

Revenue recognition for other user charges and fees is based on either invoicing for related goods, services and/or the recognition of accrued revenue.

**(e) Grants and other contributions**

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which Metro South Health obtains control over them. This includes amounts received from the Australian Government for programs that have not been fully completed at the end of the financial year.



Metro South Health

**Notes to the Financial Statements**

For the year ended 30 June 2014

Contributed assets are recognised at their fair value. Contributions of services are recognised only if the services would be purchased if they had not been donated and a fair value can be determined reliably. Where this is the case, an equal amount is recognised as revenue and expense.

Metro South Health receives corporate services support from the Department of Health for no direct cost. Corporate services received include payroll services, accounts payable services and taxation services. As the fair value of these services is unable to be estimated reliably, no associated revenue and expense is recognised in Metro South Health's Statement of Comprehensive Income.

**(f) Special payments**

Special payments include ex-gratia expenditure and other expenditure that Metro South Health is not contractually or legally obliged to make to other parties. In compliance with *Financial and Performance Management Standard* 2009, Metro South Health maintains a register setting out details of all special payments greater than \$5,000. The total of special payments (including those of \$5,000 or less) is disclosed separately within other expenses in Note 15. However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

**(g) Cash and cash equivalents**

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked as at 30 June as well as deposits at call with financial institutions. Refer to Note 30 for restricted assets.

In accordance with 31(2) of the *Statutory Bodies Financial Arrangements Act 1982*, Metro South Health obtained approval from Queensland Treasury and Trade for a bank overdraft facility on its main operating bank account. This arrangement forms part of the whole-of-government banking arrangements with the Commonwealth Bank of Australia and allows Metro South Health access to the whole-of-government debit facility up to its approved limit. Refer to Note 34(d).

**(h) Receivables**

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Trade receivables are generally settled within 30-120 days, while other receivables may take longer than twelve months relating to workers compensation claims.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts are written off when identified. Increases in the allowance for impairment are based on loss events disclosed in Note 34(c).

**(i) Inventories**

Inventories consist mainly of medical supplies held for distribution in Metro South Health hospitals. Inventories are measured at weighted average cost adjusted for obsolescence. Unless material, inventories do not include supplies held ready for use in the wards and are expensed on issue from Metro South Health's main storage facilities.

*Consignment inventory*

Supplies may be held on site under arrangements with external suppliers. The terms of consumption of these goods are outlined in the agreement with the relevant supplier. The goods do not form part of the inventory holding of Metro South Health and are not included in the financial statements. The value of these goods is charged and expensed by Metro South Health in the period they are consumed.

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2014

**(j) Property, plant and equipment**

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds and with a useful life of more than one year are recognised at acquisition. Items below these values are expensed on acquisition.

<b>Class</b>	<b>Threshold</b>
Buildings*	\$10,000
Land	\$1
Plant and Equipment	\$5,000

\*Land improvements are included with buildings

Property, plant and equipment assets are initially recorded at actual cost. Actual cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architect's fees and engineering design fees but excluding training costs which are expensed as incurred. Items or components that form an integral part of an asset are recognised as a single (functional) asset.

Where assets are received for no consideration from another Queensland Government entity (whether as a result of a machinery of government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation. Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are initially recognised at their fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

On 1 July 2012, the Minister for Health approved the transfer of land and buildings via a three year concurrent lease (representing its right to use the assets) to Metro South Health from the Department of Health. AASB 17 *Leased assets* is not applicable, as under the terms of the lease no consideration in the form of a lease or residual payment by Metro South Health is required, therefore failing to meet the criteria in section 4 of this standard for recognition.

While the Department of Health retains legal ownership, effective control of these assets was transferred to Metro South Health. Under the terms of the lease the hospital and health service has full exposure to the risks and rewards of asset ownership.

Metro South Health has the full right of use and managerial control of land and building assets and is responsible for their maintenance. The Department of Health generates no economic benefits from these assets. In accordance with the definition of control under Australian Accounting Standards, Metro South Health recognises the value of these assets in the Statement of Financial Position.

**Revaluations of property, plant and equipment**

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

In respect of the abovementioned asset classes, the costs of items acquired during the financial year has been judged by management of Metro South Health to materially represent their fair value at the end of the reporting period.

Plant and equipment is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Included in the class of plant and equipment are artworks valued at \$6,800. These items are not depreciated as their value is not expected to diminish with time. Artwork assets form part of the plant and equipment class and are not disclosed separately as they are not considered material to the total assets held. Metro South Health does not have any heritage buildings.

Land is measured at fair value each year using independent revaluations, desktop market revaluations or indexation by the State Valuation Service within the Department of Natural Resources and Mines. Independent revaluations are performed with sufficient regularity to ensure assets are carried at fair value.

## Metro South Health

**Notes to the Financial Statements**

For the year ended 30 June 2014

In 2013-14 Metro South Health engaged the State Valuation Service (SVS) to provide indices for all land holdings as at 30 June 2014. Indices are based on actual market movements for each local government area issued by the Valuer-General. An individual factor change per property has been developed from review of market transactions, having regard to the review of land values undertaken for each local government area. SVS provides assurance of the robustness of the indices, validity and appropriateness for application to the relevant asset.

Buildings are measured at fair value by applying either a revised estimate of individual asset's depreciated replacement cost or interim indices which approximate movement in market prices for labour and other key resource inputs as well as changes in design standards at the reporting date. These estimates are developed by independent quantity surveyors.

In 2013-14 Metro South Health engaged Davis Langdon Australia Pty Ltd (Davis Langdon) to value 67 buildings which were not valued in 2012-13. This achieved 96 per cent valuation coverage of the building portfolio across 2012-13 and 2013-14.

The fair values reported by Metro South Health are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. Refer Note 2(l) Fair value measurement.

Where assets have not been specifically appraised in the reporting period, their previous revaluations are materially kept up-to-date via an assessment by Davis Langdon confirming their fair value at balance date and as required provide indices to apply to relevant buildings. Where there are assets valued by an independent valuer and by indices they will also be tested for reasonableness by comparing the results of assets valued by indices to the results of similar assets valued by independent valuation and also analysing the trend of changes in values over time.

Each financial year, the Board approves the valuation method undertaken on recommendation by the CFO. Revaluation using independent valuers is undertaken at least once every five years. However, if particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where applicable, regardless of the timing of the last specific appraisal. The result of the revaluation is reviewed by the CFO and approved by the Board.

Assets under construction are not revalued until they are ready for use. Construction of major health infrastructure is managed by the Department of Health. Upon practical completion of a project, assets under construction are assessed at fair value by the Department of Health through the engagement of an independent valuer prior to the transfer of those assets to Metro South Health via an equity adjustment. Refer Note 21 for more details.

Reflecting the specialised nature of health service buildings and on hospital-site residential facilities, fair value is determined using depreciated replacement cost methodology, due to there not being an active market for such facilities. Depreciated replacement cost is determined as the replacement cost less the cost to bring an asset to current standards. The methodology applied by the valuer is a financial simulation lieu of a market based measurement as these assets cannot be bought and sold on the open market.

In determining the replacement cost of each building, the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date, is assessed. This is based on historical and current construction contracts. Assets are priced using Brisbane rates with published industry benchmark location indices. Revaluations are then compared and assessed against current construction contracts for reasonableness. The valuation assumes that a replacement building will replace the current function of the building with a building of the same form (size and shape) but built to meet current design standards. The key measurement quantities used in the determination of the replacement cost are:

- Gross floor area
- Number of floors
- Girth of the building
- Height of the building
- Number of lifts and staircases.

Estimates of area were obtained by measuring floor areas from Project Services e-Plan room or drawings from Metro South Health. Refurbishment costs have been derived from specific projects and are therefore indicative of actual costs.

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**Notes to the Financial Statements**  
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The 'cost to bring to current standards' is the estimated cost of refurbishing the asset to bring it to current standards and a new condition. This estimated cost is linked to the condition assessment rating of the building evaluated by the quantity surveyor during site inspection. The condition rating is also determined using asset condition data provided by Metro South Health, information from asset managers and previous reports and inspection photographs (where available) to show the change in condition over time.

The following table outlines the condition assessment rating applied to each building which assists the valuer in determining the current depreciated replacement cost.

Category	Condition	Description
1	Very good condition	Only normal maintenance required
2	Minor defects only	Minor maintenance required
3	Maintenance required to return the building to accepted level of service	Significant maintenance required (up to 50% of capital replacement cost)
4	Requires renewal	Complete renewal of the internal fit out and engineering services required (up to 70% of capital replacement cost)
5	Asset unserviceable	Complete asset replacement required

These condition ratings are linked to the cost to bring the asset to current standards.

The standard life of a health facility is generally 30 years and is adjusted for those assets where assets generally have longer lives, such as residences. Estimates of remaining life are based on the assumption that the asset remains in its current function and will be maintained. No allowance has been provided for significant refurbishment works in our estimate of remaining life as any refurbishment should extend the life of the asset. Buildings have been valued on the basis that there is no residual value.

Revaluation increments are credited to the asset revaluation surplus of the appropriate class, except to the extent they reverse a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimated remaining useful life.

Materiality concepts under AASB 1031 *Materiality* are considered in determining whether the difference between the carrying amount and the fair value of the asset is material.

#### *Depreciation*

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and Metro South Health's assessments of the remaining useful life of individual assets.

Land is not depreciated as it has an unlimited useful life.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are reclassified to the relevant classes within property, plant and equipment.

Any expenditure that increases the originally assessed or service potential of an asset is capitalised and depreciated over the remaining useful life of the asset. Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate. The depreciable amount of improvements to or on leasehold property is allocated progressively over the shorter of the estimated useful lives of the improvements or the unexpired period of the lease. The unexpired period of the leases includes any option period where exercise of the option is probable.

The estimated useful lives of the assets are reviewed annually and where necessary, are adjusted to better reflect the pattern of consumption of the asset. In reviewing the useful life of each asset factors such as asset usage and the rate of technical obsolescence are considered. Refer Note 21.

Metro South Health  
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For each class of depreciable assets, the following depreciation rates were used:

<u>Class</u>	<u>Depreciation rates</u>
Buildings	2.5% - 3.33%
Plant and equipment	5.0% - 20.0%

*Leased property, plant and equipment*

Operating lease payments represent the pattern of benefits derived from the leased assets and is expensed in the period in which they are incurred.

Metro South Health had no assets subject to finance lease at the reporting date.

*Impairment of non-current assets*

All non-current and intangible assets are assessed for indicators of impairment on an annual basis in accordance with AASB 136 *Impairment of Assets*. If an indicator of impairment exists, Metro South Health determines the asset's recoverable amount (higher of value in use and fair value less costs to sell). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(k) Intangible assets**

Intangible assets are only recognised if they satisfy recognition criteria in accordance with AASB 138 *Intangible Assets*. Intangible assets are recorded at cost, which is consideration plus costs incidental to the acquisition, less accumulated amortisation and impairment losses. An intangible asset is recognised only if its cost is equal to or greater than \$100,000. Internally generated software cost includes all direct costs associated with development of that software. All other costs, including research activities, are expensed as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful life with a residual value of zero. The estimated useful life and amortisation method are reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis.

Software is amortised from the time of acquisition or, in respect of internally developed software, from the time the asset is completed and held ready for use. The amortisation rates for Metro South Health's software are between 10 per cent and 20 per cent.

**(l) Fair value measurement**

Fair value is the price that would be received if an asset was sold in an orderly transaction between market participants at the measurement date under current market conditions (ie. an exit price) regardless of whether the price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets being valued, and include, but are not limited to, published sales data for land and residential dwellings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets being valued. Significant unobservable inputs used by Metro South Health include, but are not limited to:

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## Notes to the Financial Statements

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- subjective adjustments made to observable data to take account of the specialised nature of health service buildings and on hospital-site residential facilities, including historical and current construction contracts (and/or estimates of such costs) and
- assessments of physical condition and remaining useful life.

Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities of Metro South Health for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1: represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets;
- level 2: represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- level 3: represents fair value measurements that are substantially derived from unobservable inputs.

None of Metro South Health's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 by Metro South Health, there were no transfers of assets between fair value hierarchy levels during the period. Specific fair value information about Metro South Health's property, plant and equipment is disclosed in Note 21.

### (m) Provision of public infrastructure by other entities

The Department of Health, prior to the establishment of Metro South Health, entered into a contractual arrangement with a private sector entity for the construction and operation of a public infrastructure facility for a period of time on land now controlled by Metro South Health. After an agreed period of time, ownership of the facility will pass to Metro South Health (refer Note 32). Arrangements of this type are known as Public Private Partnerships (PPP).

Although the land on which the facility has been constructed remains an asset of Metro South Health, Metro South Health does not control the facility associated with the arrangement. Therefore this facility is not recorded as an asset. Metro South Health receives rights under the arrangement, including:

- rights to receive the facility at the end of the contractual terms; and
- rights to receive cash flows in accordance with the respective contractual arrangements.

The arrangement was structured to minimise risk exposure for the Department of Health and Metro South Health.

### (n) Collocation arrangements

There is a contractual arrangement with a private sector entity for the operation of a private health facility for a period of time on land controlled by Metro South Health. After an agreed period of 55 years, ownership of the facility will pass to Metro South Health.

As a concession contract, Metro South Health does not recognise the facility as an asset. For details on this arrangement refer Note 33.

### (o) Payables

Payables are recognised for amounts to be paid in the future for goods and services received. Trade creditors are measured at the nominal amount, at agreed purchase/contract price, gross of applicable trade and other discounts. The amounts are unsecured and are generally settled in accordance with the vendors' terms and conditions typically within 30 days.

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**(p) Financial instruments**

*Recognition*

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when Metro South Health becomes party to the contractual provisions of the financial instrument.

*Classification*

Financial instruments are classified and measured as follows:

- cash and cash equivalents: held at fair value through profit or loss,
- receivables: held at amortised cost,
- payables: held at amortised cost.

Metro South Health does not enter into transactions for speculative purposes, or hedging. Apart from cash and cash equivalents, Metro South Health holds no financial assets classified at fair value through profit or loss.

Other disclosures relating to the measurement and financial risk management of other financial instruments are included in Note 34.

**(q) Employee benefits**

Metro South Health employment arrangements are in accordance with the *Hospital and Health Boards Act 2011* (HHBA). Part five of the HHBA outlines the conditions for the health service employees continued to be employed by the Department of Health and health executives directly engaged by the hospital and health services. The information below outlines the terms relevant to these arrangements.

*Health service employees*

In accordance with HHBA section 67, the employees of the Department of Health are referred to as health service employees. Pursuant to section 80 of the HHBA they remain employees of the Department of Health and are taken to be employed by Metro South Health on the same terms, conditions and entitlements.

Under this arrangement:

- the health service employees remain as Department of Health employees.
- Metro South Health is responsible for the day-to-day management of these Department of Health employees.
- Metro South Health reimburses the Department of Health for the salaries, on-costs and other employee-related expenses (payroll tax and workers' compensation premium) relating to these Department of Health employees. These reimbursements are shown under Note 9.

*Health executives*

Health executives are directly engaged in the service of Metro South Health in accordance with section 70 of the HHBA. The basis of employment for health executives is in accordance with section 74 of the HHBA.

The information detailed below relates specifically to these directly engaged employees only.

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits. Payroll tax, workers compensation insurance are consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

*Wages, salaries, and sick leave*

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As Metro South Health expects such liabilities to be wholly settled within 12 months of the reporting date, the liabilities are recognised at undiscounted amounts.

Payroll tax is paid as a consequence of employing employees but is not counted as part of the employee's total remuneration package and recognised separately as employee related expense.

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**Notes to the Financial Statements**  
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Prior history indicates that on average sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

*Annual leave and long service leave*

Metro South Health participates in the Annual Leave Central Scheme (ALCS) and the Long Service Leave Scheme (LSLS).

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, levies are payable by Metro South Health to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. These levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears which is currently facilitated by the Department of Health.

No provision for annual leave or long service leave is recognised in the Metro South Health's financial statements, as the liability for these schemes is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

*Superannuation*

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are payable and Metro South Health's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Metro South Health complies with *The Superannuation Guarantee (Administration Act) 1992* (Superannuation Guarantee) which requires Metro South Health to provide a minimum superannuation cover for all eligible employees. Metro South Health contributes to the nominated superannuation fund of Board members at the minimum level of superannuation cover under the Superannuation Guarantee at 9.25 per cent (2013: 9 per cent) of their earnings base. Contributions are expensed in the period in which they are paid or payable. Metro South Health's obligation is limited to its contribution to the superannuation fund. Therefore no liability is recognised for accruing superannuation benefits in Metro South Health's financial statements.

*Key management personnel and remuneration expenses*

Key management personnel and remuneration expenses disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade. Refer to Note 35 for the disclosures on key management personnel and remuneration.

**(r) Insurance**

Metro South Health is covered by the Department of Health's insurance policy with the Queensland Government Insurance Fund (QGIF) and pays a fee to the Department of Health as a fee for service arrangement. Refer to Note 10.

QGIF covers property and general losses above a \$10,000 threshold and health litigation payments above a \$20,000 threshold and associated legal fees. Premiums are calculated by QGIF on a risk assessment basis.

**(s) Services received free of charge or for nominal value**

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. When this is the case, an equal amount is recognised as revenue and an expense.

**(t) Contributed equity**

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland Public Sector entities as a result of machinery of government changes are adjusted to contributed equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.



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Transactions with owners as owners include equity injections for non-current asset acquisitions, non-cash equity withdrawals as a contribution towards the capital works program undertaken by the Department of Health on behalf of Metro South Health and non-current asset transfers between Metro South Health, the Department of Health and other Hospital and Health Services.

*Transfer of net asset balances*

As at 1 July 2012, net asset balances of \$1,052.6 million were transferred from the Department of Health to Metro South Health. This was executed via a transfer notice signed by the Minister for Health, designating that the transfer be recognised as a contribution by owners through equity.

**(u) Taxation**

Metro South Health is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only Commonwealth taxes recognised by Metro South Health.

Both Metro South Health and the Department of Health satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999 (Cth)* (the GST Act) and were able, with other hospital and health services, to form a "group" for GST purposes under Division 149 of the GST Act. This means that any transactions between the members of the "group" do not attract GST. However, all entities are responsible for the payment or receipt of any GST for their own transactions. As such, GST credits receivable from and payable to the Australian Taxation Office (ATO) are recognised and accrued. Refer to Note 17.

**(v) Issuance of financial statements**

The financial statements are authorised for issue by the Chair, Metro South Hospital and Health Board, the Chief Executive, Metro South Health and the Chief Finance Officer, Metro South Health, at the date of signing the Management Certificate.

**(w) Accounting estimates and judgements**

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Receivables- allowance for impairment: Note 17
- Property, plant and equipment valuation: Note 21
- Depreciation and amortisation: Note 12, Note 20 and Note 21

**(x) Voluntary change in accounting policy**

Metro South Health has made a voluntary change in accounting policy for the recognition of funding provided by the Department of Health under a service agreement between the Department and Metro South Health. The service agreement specifies those public health services purchased by the Department from Metro South Health.

In 2012-13 the Department of Health provided this funding as grant payments but for 2013-14 has determined that the payment is not of a grants nature but rather is procurement of public health services. Specific public health services are received by the department under a service agreement and the department has determined that it receives approximately equal value for the payment provided, and directly receives an intended benefit.

To align with this basis of funding provided by the Department of Health under a service agreement, Metro South Health recognized \$1,652 million funding as user charges revenue for 2013-14 rather than as grants revenue which occurred in 2012-13. The main affect is that the revenue is now recognised under the criteria detailed in AASB 118 *Revenue* for 2013-14, rather than under AASB 1004 *Contributions* in 2012-13. The revenue recognition criteria are described in Note 2(d) and Note 2(e). Further affect is that Department of Health funding receivable of \$0.73 million recognised as trade debtors in 2013-14 rather than as grants receivable which occurred in 2012-13.

This change in accounting policy has been applied retrospectively with the affect that Grants and other contributions revenue for 2012-13 has reduced by \$1,632 million and User charges and fees revenue has

Metro South Health  
**Notes to the Financial Statements**  
 For the year ended 30 June 2014

increased by the same amount and Trade Debtors increased by \$31.201 million and Grants receivable is reduced by the same amount resulting in no disclosure as grants receivable in the comparatives. Refer to Note 4 and Note 17.

**(y) Rounding and comparatives**

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where the amount is \$500 or less, to zero unless the disclosure of the full amount is specifically required.

The comparative information has been restated where necessary to be consistent with disclosures in the current reporting period and to improve transparency across the years. Refer Note 4 and Note 2(x). This revision does not affect the timing of revenue recognition and has no impact on the treatment of GST.

**(z) New and revised accounting standards**

Metro South Health had one voluntarily change of accounting policies during 2013-14 for the recognition of funding provided by the Department of Health under a service agreement between the Department and Metro South Health. The service agreement specifies those public health services purchased by the Department from Metro South Health. Refer Note 2(x).

Metro South Health is not permitted to early adopt accounting standard unless approved by Queensland Treasury and Trade. Consequently, Metro South Health has not applied any Australian Accounting Standards and Interpretations that have been issued but not yet effective. Metro South Health applies standards and interpretations in accordance with their respective commencement dates.

There is only one Australian Accounting Standard where changes are applicable for the first time from 2013-14 that have had a significant impact on Metro South Health financial statements. The changes are those arising from AASB 13 *Fair Value Measurement* and explained as follows.

- *AASB 13 Fair Value Measurement* became effective from reporting period beginning on or after 1 January 2013. AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements apply to all of Metro South Health's assets that are measured and disclosed at fair value and/or another measurement based on fair value. The impacts of AASB13 relate to the fair value measurement methodologies used and financial statement disclosure made in respect of such assets.

Metro South Health reviewed its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to assess whether those methodologies comply with AASB 13. There were no changes made to the valuation methodologies but more detailed valuation reports were provided by the valuers to support fair value.

AASB 13 required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets and liabilities that substantially are based on data that is not 'observable' (ie. accessible outside Metro South Health), the amount of information disclosed has significantly increased. Note 2(l) Fair value explains some of the principles underpinning the additional fair value information disclosed. Most of this additional information is set out in Note 21 Property, plant and equipment and Note 2(j).

- *AASB 119 Employee benefits – revised version* became effective for reporting periods beginning on or after 1 January 2013. Given Metro South Health's circumstances, the only implications for Metro South Health were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the timeframe criteria for 'short term employee benefits' they will be measured in accordance with AASB 119 requirements for "short term employee benefits". Otherwise termination benefits need to be measured in accordance with AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of employer obligations for 'other long-term benefits' will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as 'short-term employee benefits'. However, as Metro South Health is a member of the Queensland Government central schemes for annual leave and long service leave this change in criteria has no impact on Metro South Health's financial statements as the employer liability is held by the central scheme. The revised standard also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities and

## Metro South Health

**Notes to the Financial Statements**

For the year ended 30 June 2014

assets. Metro South Health makes employer superannuation contributions only to the Qsuper defined benefit plan, and the corresponding Qsuper employer benefit obligation is held by the State. Therefore, those changes to AASB119 will have no impact on Metro South Health.

- *AASB 1053 Application of Tiers of Australian Accounting Standards* became effective from reporting periods beginning on or after 1 July 2013. *AASB 1053* establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two Tiers of reporting requirements:
  - Australian Accounting Standards – commonly referred to as ‘Tier 1’, and
  - Australian Accounting Standards – Reduced Disclosure Requirements- commonly referred to as ‘Tier 2’.

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable. Metro South Health is required to report under the Tier 1 requirements. The only difference between Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Pursuant to AASB 1053 public sector entities like Metro South Health may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of Metro South Health, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised its policy decision to require adoption of Tier 1 reporting by all Queensland government departments and statutory bodies (including Metro South Health) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards has had no impact on Metro South Health.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement date are as set out below.

- *AASB 1055 Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. Metro South Health will need to include in its 2014-15 financial statements the original budgeted figures from the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows as published in the 2014-15 Queensland Government’s Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actuals) financial statements and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.
- *AASB 1031 Materiality* will be effectively withdrawn from reporting periods beginning on or after 1 January 2014. Consequently the only guidance about materiality available in accounting pronouncements will be in AASB 101, AASB 108 and the Framework for the Preparation and Presentation of Financial statements. Queensland Treasury and Trade will determine whether the guidance left in accounting pronouncements is sufficient and will include guidance as required in the 2014-15 Financial Reporting Requirements.

The following new and revised Australian Accounting Standards apply as from reporting periods beginning on or after 1 January 2014:

- *AASB 10 Consolidated Financial Statements*;
- *AASB 11 Joint Arrangements*;
- *AASB 12 Disclosure of Interests in Other Entities*;
- *AASB 127 (revised) Separate Financial Statements*;
- *AASB 128 (revised) Investments in Associates and Joint Ventures*;
- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*;
- *AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*.
- *AASB 10* redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity’s financial statements. *AASB 2013-8* applies the various principles in *AASB 10* for determining whether a not-for-profit entity controls another entity. On the basis on those accounting standards, Metro South Health has reviewed the

nature of its relationships with entities that Metro South Health is connected with to determine the impact of AASB 2013-8. Currently Metro South Health does not have control over any other entities.

- AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exist, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Metro South Health has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in the future, Metro South Health will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.
- AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9(December 2010) [AASB 1, 3, 4, 5, 7, 101, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12,19 & 127] will become effective for reporting periods beginning on or after 1 January 2017. The main impacts of these standards on Metro South Health are that they will change the requirements for the classification, measurement and disclosures associated with Metro South Health's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The only financial asset currently disclosed at amortised cost is receivables and as they are short term in nature, the carrying amount is expected to be a reasonable approximate of fair value so the impact of this standard is minimal.

All other Australian accounting standards and interpretations with new or future commencement dates are either not applicable to Metro South Health's activities, or have no material impact on the Metro South Health.

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**Notes to the Financial Statements**  
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### **3 Major activities and services**

#### **Health services funding**

Funding is provided to Metro South Health in accordance with a service agreement between Metro South Health and the Department of Health (DOH). The service agreement specifies the public hospital, health and other services to be provided by Metro South Health and the funding to be provided by the Department of Health purchasing these services. The current service agreement covers the period from 1 July 2013 to 30 June 2016.

The Department of Health receives its revenue for funding Hospital and Health Services from the Queensland government and the Commonwealth government. Metro South Health is predominantly funded by activity based funding and some specific services are funded by block funding. The activity based funding represents an agreed number of activity units to be delivered on an agreed efficient price for these units and block funding represents funding for specific public health care activities.

#### **Major services**

Metro South Health delivers a full suite of speciality health services, including:

##### *Inpatient*

Metro South Health delivers a range of speciality inpatient services, including in-hospital and telehealth services. These services include:

- medical inpatient services such as Cardiology, Gastroenterology, Gynaecology, Oncology, Obstetrics, Renal Dialysis, Neurology and Respiratory
- surgical inpatient services such as Cardiac, Colorectal, Neurosurgery, Orthopaedics, Transplant, Vascular and Plastic and Reconstructive Surgery.

Metro South Health's critical care services provide multidisciplinary care to a wide variety of critically ill patients in a highly technological environment. Critical care units within Metro South Health include intensive care units, trauma units and special care nurseries.

##### *Outpatient*

Outpatient services are one facet of the non-admitted services that Metro South Health provides. These services include; Medical, Surgical, Maternity, Transplant, Renal Medicine and Dialysis, Chemotherapy and Medical and Radiation Oncology.

##### *Emergency Department*

Four of Metro South Health's major hospitals house an emergency department, Princess Alexandra, Logan, Redland and QEII hospitals.

##### *Sub-acute*

Sub-acute patients are patients that do not require further complex assessment or stabilisation. Metro South Health provides the following sub-acute services: geriatric evaluation and management, rehabilitation, palliative care and maintenance services.

##### *Mental Health*

Metro South Health provides mental health care to the largest culturally and linguistically diverse population in the state, and regions that have some of the highest population growth. Services offered are community mental health services, inpatient services and acute care services which may be undertaken in the home, in GP surgeries or in emergency departments.

##### *Block funded facilities and services*

Block funded facilities include Beaudesert Hospital and Wynnum Health Centre and the Marie Rose Centre.

Block funded services within Metro South Health cover a wide range of services including community health care, intellectual disability services, medical aides and appliances, mental health community services, offender health services, oral health services, population health services, primary health services, residential aged care facilities and research.

	2014 \$'000	2013 \$'000
<b>4 User charges and fees</b>		
<b>Funding for the provision of public health services*</b>		
Activity based funding	1,489,227	1,379,648
Block funding	100,846	189,343
Other	61,835	63,214
	<b>1,651,908</b>	<b>1,632,205</b>
Hospital fees	68,179	63,537
Sale of goods and services	27,706	25,763
Pharmaceutical benefit scheme reimbursements	41,040	19,206
Rental income	1,492	1,354
	<b>1,790,325</b>	<b>1,742,065</b>

\*There has been a change in the recognition of funding for the provision of public health services from grants and other contributions in 2012-13 to user charges and fees representing specific services purchased by the Department of Health under a service agreement. The comparatives have been restated with a total impact of \$1,632 million. Refer Note 2(x) Note 2(y).

## 5 Grants and other contributions

### Australian Government grants

Nursing home grants*	6,602	9,050
Other specific purpose recurrent grants**	21,162	21,054
Other specific purpose capital grants***	3,198	2,727
	<b>30,962</b>	<b>32,831</b>
Other grants	8,846	9,448
Donations assets	30	-
Donations other	369	612
	<b>40,207</b>	<b>42,891</b>

\*Nursing home grants are Commonwealth funding provided to the Redland Residential Care Services based on the appraisal of each resident's care needs. The funding is provided under the Aged Care Financial Instrument (ACFI) as the mechanism to allocate this Government subsidy.

\*\*Other specific purpose grants include Commonwealth funding of \$12.474 million (2013:\$12.698 million) for Home and Community Care programs such as basic maintenance support, personal care and domestic assistance, continence and dementia services. There is also \$7.447 million (2013: \$7.363 million) for Commonwealth Transition Care Program providing flexible care places under the provisions of the Aged Care Act 1997. The care packages are provided in a community-based or residential setting, and must include at least low intensity therapy and either nursing support or personal care. The remaining other specific purpose Commonwealth grants are funding for the Palliative Toolkit project with the objectives of improving aged care service delivery and promoting healthy ageing, Computed Tomography Study project with the aim to improve the safety and quality of diagnostic imaging services, Indigenous Mums and Bub program with the view of improving health status of Aboriginal and Torres Strait Islander people.

\*\*\* Other specific purpose capital grants are Commonwealth funding in accordance with the 2010 Radiation Oncology Program Grants Guidelines. This is funding for radiation oncology equipment replacement and refurbishment to improve patient access and ensuring the highest level of quality and safety of radiation therapy services.

## 6 Other revenue

Interest	1,099	1,102
Health service employee expense recoveries*	13,249	15,720
General Recoveries	398	530
Other	737	690
	<b>15,483</b>	<b>18,042</b>

\*Health service employee expenses are recovered for services provided to external parties not including the Department of Health or other Hospital and Health Services.

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	2014 \$'000	2013 \$'000
<b>7 Gains on disposal or re-measurement of assets</b>		
Gains on sale of property, plant and equipment	519	143
Revaluation decrement reversal – land*	54	-
	<u>573</u>	<u>143</u>

\*The asset revaluation surplus represents the net effect of upwards or downwards revaluations of assets to fair value. There was a previous revaluation decrement in respect of the same class of assets and so the current revaluation increment has been recognised as a reversal of the prior revaluation decrement in the Statement of Comprehensive Income. Refer to Note 14 and Note 21.

**8 Employee expenses\***

<b>Employee benefits</b>		
Wages and salaries	1,807	1,577
Employer superannuation contributions	165	161
Annual leave levy/expense	130	139
Long service leave levy/expense	28	27
Termination benefits	-	140
	<u>2,130</u>	<u>2,044</u>
<b>Employee related expenses</b>		
Payroll tax	(8)	29
Other employee related expenses	-	2
	<u>2,122</u>	<u>2,075</u>

	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>Number of employees**</b>	7	6

\*Employee expenses represent the cost of engaging board members and the employment of health executives who are employed directly by Metro South Health. Refer to Note 2(q) and Note 35.

\*\*The number of employees as at 30 June includes full-time and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)). The number of employees does not include the chair, deputy chair of the board or the board members.

**9 Health service employee expenses**

Health service employee expenses*	1,228,095	1,244,154
Health service employee related expenses**	12,656	12,350
Other health service employees related expenses	3,903	3,907
	<u>1,244,654</u>	<u>1,260,411</u>

	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>Number of health service employees ***</b>	11,084	10,469

\*Health service employee expenses represent the cost of Department of Health employees contracted to Metro South Health to provide public health services. As established under the *Hospital and Health Boards Act 2011*, the department is the employer for all health service employees (excluding persons appointed as Health Executive) and recovers all employee expenses and associated on-costs from Metro South Health.

\*\*Health service employee related expenses include \$12.551 million (2013:\$12.09 million) of workers' compensation insurance premium and \$0.104 million (2013:\$0.260 million) fringe benefit tax.

\*\*\*The number of health service employees as at 30 June, includes both full-time and part-time employees, measured on a full time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)). Please also refer to Note 2(q).

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>10 Supplies and services</b>		
Consultants and contractors	13,090	10,278
Electricity and other energy	12,986	11,498
Patient travel	1,344	1,742
Other travel	2,419	2,657
Water	2,320	2,242
Building services	1,676	1,039
Computer services	12,541	7,994
Motor vehicles	961	1,062
Communications	16,039	15,749
Repairs and maintenance	30,851	28,104
Expenses relating to capital works	5,382	2,602
Operating lease rentals	13,562	14,102
Insurance payment to the Department of Health*	15,930	13,274
Drugs	69,554	67,779
Inter entity hospital and health service supplies and services	14,032	17,593
Clinical supplies and services	243,368	208,335
Catering and domestic supplies	30,469	28,038
Other	9,400	7,287
	<b>495,924</b>	<b>441,375</b>

\*Includes Queensland Government Insurance Fund (QGIF) Ref Note 2(r).

#### 11 Grants and subsidies

Home and community health services	1,367	1,801
Medical research programs	3,551	3,894
	<b>4,918</b>	<b>5,695</b>

#### 12 Depreciation and amortisation

Buildings	34,320	38,800
Plant and equipment	27,307	24,098
Software purchased	103	201
Software internally generated	165	115
	<b>61,895</b>	<b>63,214</b>

#### 13 Impairment losses

Impairment losses on receivables*	809	1,256
Bad debts written off	1,993	2,010
	<b>2,802</b>	<b>3,266</b>

\* Refer to Notes 17 and 34(c).

#### 14 Revaluation decrement

Land*	-	772
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\*The asset revaluation surplus represents the net effect of upwards or downwards revaluations of assets to fair value. The decrement, not being the reversal of a previous revaluation increment in respect of the same class of assets, has been recognised in the Statement of Comprehensive Income. Refer to Note 7 and Note 21.



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	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>15 Other expenses</b>		
External audit fees*	363	250
Other audit fees	321	196
Bank fees	75	63
Insurance	105	74
Inventory written off	210	103
Intangible asset written off	-	71
Losses from the disposal of non-current assets	1,691	669
Losses		
Public monies	-	1
Special payments		
Donations/gifts	-	1
Ex-gratia payments**	63	29
Other legal costs	1,213	1,097
Journals and subscriptions	320	261
Advertising	259	200
Interpreter fees	3,732	3,211
Other	127	118
	<b>8,479</b>	<b>6,344</b>

\*Total audit fees paid to the Queensland Audit Office for the 2013-14 financial year are estimated to be \$0.305 million (2013: \$0.315 million). There are no non-audit services included in this amount.

\*\* Metro South Health made 23 (2013: 24) ex-gratia payments for less than \$5,000 to patients for their lost property whilst in hospital care. In 2013-14. There were two payments in excess of \$5,000 to patients. Payment of \$18,000 for additional medical costs incurred as a result of burn injuries incurred whilst in hospital and payment of \$24,323 for failure to provide radiation treatment for a cancer patient. In 2012-13 there was one payment made for \$5,600 to a patient's spouse to support travel and accommodation due to hardship.

## 16 Cash and cash equivalents

Cash at bank and on hand	140,575	53,466
24 hour call deposits	30,135	28,221
	<b>170,710</b>	<b>81,687</b>

Metro South Health's bank accounts are grouped within the whole-of-government set-off arrangement with Queensland Treasury Corporation. Metro South Health does not earn interest on surplus funds and is not charged interest or fees for accessing its approved cash debit facility as it is part of the whole-of-Government banking arrangements.

Metro South Health's General Trust funds are operating from Commonwealth Bank of Australia bank accounts. Cash held in these accounts earns interest at a rate of 2.45 per cent (2013: 2.70 per cent). In addition, General Trust funds in excess of monthly operational requirements are deposited at call with Queensland Treasury Corporation and earn interest at a rate of 3.28 per cent (2013: 3.44 per cent). Refer to Note 30 and Note 34.

## 17 Receivables

Trade debtors*	29,178	52,452
Less: Allowance for impairment**	(5,413)	(4,604)
	<b>23,765</b>	<b>47,848</b>
GST input tax credits receivable	3,676	2,565
GST payable	(583)	(633)
Net receivable	<b>26,858</b>	<b>49,780</b>

\*There was a reclassification of grants receivable to trade debtors in line with reclassification of grant revenue to user charges and fees. The impact is \$0.730 million (2013: \$31.201 million). Refer Note 2(x).

\*\*Refer Note 34(c) for analysis of movements in the impairment loss.

	2014 \$'000	2013 \$'000
<b>18 Inventories</b>		
<i>Inventories held for distribution:</i>		
Medical supplies	13,093	12,036
Catering and domestic	351	311
Engineering	262	216
Other	67	75
	<b>13,773</b>	<b>12,638</b>
<b>19 Other assets</b>		
Prepayment for plant and equipment	2,611	-
Other prepayment	1,580	1,372
	<b>4,191</b>	<b>1,372</b>
<b>20 Intangible assets</b>		
Software purchased		
At cost	5,782	5,782
Less: Accumulated amortisation	(5,620)	(5,517)
	<b>162</b>	<b>265</b>
Software internally generated		
At cost	1,997	1,997
Less: Accumulated amortisation	(1,857)	(1,692)
	<b>140</b>	<b>305</b>
Software work in progress	<b>175</b>	-
Total Intangible assets	<b>477</b>	<b>570</b>

**Intangible assets reconciliation**

	Software purchased '000	Software internally generated '000	Software work in progress '000	Total '000
<b>Carrying amount as at 1 July 2013</b>	<b>265</b>	<b>305</b>	-	<b>570</b>
Acquisitions	-	-	175	<b>175</b>
Amortisation charge for the year	(103)	(165)	-	<b>(268)</b>
<b>Carrying amount as at 30 June 2014</b>	<b>162</b>	<b>140</b>	<b>175</b>	<b>477</b>

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**Intangible assets reconciliation (continued)**

	Software purchased	Software internally generated	Software work in progress	Total
	'000	'000	'000	'000
<b>Carrying amount as at 1 July 2012</b>	-	-	-	-
Transfers in from other Queensland Government entity*	466	420	71	957
Intangible asset written-off recognised in operating result	-	-	(71)	(71)
Amortisation charge for the year	(201)	(115)	-	(316)
<b>Carrying amount as at 30 June 2013</b>	<b>265</b>	<b>305</b>	<b>-</b>	<b>570</b>

\* Net assets transferred pursuant to the *Hospital and Health Boards Act 2011* to Metro South Health from the Department of Health. Refer to Note 2(t).

	2014 \$'000	2013 \$'000
<b>21 Property, plant and equipment</b>		
Land		
At fair value	<b>223,340</b>	<b>223,242</b>
Buildings		
At fair value	1,322,147	1,259,792
Less: Accumulated depreciation	(603,662)	(557,960)
	<b>718,485</b>	<b>701,832</b>
Plant and equipment		
At cost	271,364	257,943
Less: Accumulated depreciation	(140,381)	(127,296)
	<b>130,983</b>	<b>130,647</b>
Capital works in progress		
At cost	<b>9,010</b>	<b>6,050</b>
Total property, plant and equipment	<b>1,081,818</b>	<b>1,061,771</b>

**Land**

Land is measured at fair value by indexation using indices provided by the State Valuation Service (SVS) within the Department of Natural Resources and Mines. The effective date of the valuation is 30 June 2014. Management has assessed the indices provided by SVS as appropriate for Metro South Health and has endorsed the use of the indices.

The fair value of land was based on publicly available data on sales of similar land in nearby localities. SVS surmised that application of their indices, which are market based, are observable inputs developed from publicly available sales evidence and market transactions data and therefore these inputs fall into level 2 within the fair value hierarchy. In determining the values, adjustments were made to the sales data to take into account the location of Metro South Health's land, its size, street/road frontage and access and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. Refer to the reconciliation table later in this note for information about the fair value classification of Metro South Health's land.

The State Valuation Service valuation team for 2013-14 comprised of the following registered valuers:

Matthew Woodbridge Regd Valuer No. 1827

Dan Moran Regd Valuer No. 2414

Pat Murphy Regd Valuer No. 3657

The land valuations for 2013-14 resulted in a net increment of \$0.054 million (2013: decrement of \$0.772 million) to the carrying amount of land. The increment is reversing 2012-13 decrement charged as a gain to the Statement of Comprehensive Income. Refer to Note 2(j), Note 7 and Note 14.

## 21 Property, plant and equipment (continued)

### Buildings

An independent valuation was performed over two financial years for 96 per cent or 86 buildings of Metro South Health's building portfolio. A total of 65 buildings (9 per cent of the total portfolio) were valued in 2013-14 by Davis Langdon with LMW Hegney subcontracted to perform market valuation for 2 buildings. The valuers have also reviewed the buildings valued in 2012-13 and confirmed that no indexation is required for these buildings as they are at fair value at balance date. The effective date of the valuation and the review of the buildings valued at 2012-13 was 30 June 2014. Refer to Note 2(j) and Note 25.

The Davis Langdon valuation team for 2013-14 comprised of:

Damien Hirst – BSc(Hons) Quantity Surveying AAIQS

Calvin Ling – B.App.Sc(Hons) Quantity Surveying AAIQS

Dwayne Beeton - BSC(QS), Dip Construction Economics MRICS

The LMW Hegney valuers in 2013-14 were:

Mike Henderson-AAPI CPV 1804

Brendan Coonan-AAPI CPV 2315

The independent valuation in 2013-14 resulted in a net increment to the building portfolio of \$4.347 million (2013: \$32.354 million) in the asset revaluation surplus. This is an increase of 0.61 per cent to the value of buildings as at 30 June 2014. Refer to Note 25.

In 2013-14 under a designation of transfer by the Minister for Health, Metro South Health received \$44.953 million (2013: \$30.13 million) of asset under construction upon practical completion which were commissioned to Metro South Health buildings. Fair value assessment of these transfers in 2013-14 has been conducted by Davis Langdon prior to the equity transfer from the Department of Health. In 2012-13 Metro South Health included these assets after transfer as part of the valuation of buildings in that financial year. Refer Note 2(j) Revaluation and Note 2(t).

### Plant and equipment

Metro South Health has plant and equipment with an original cost of \$0.677 million (2013: \$1.50 million) or 0.25 per cent (2013: 0.6 per cent) of total plant and equipment gross value and a written down value of zero still being used in the provision of services. These assets are expected to be replaced in future financial years.

### Transfer of assets

In 2013-14 there were the following asset transfers between Metro South Health and Department of Health (DOH) or other Hospital and Health Services in accordance with the Designation of Transfer notice:

- Land and building to Children's Health \$ 2.611 million
- Land and plant and equipment from the Department of Health \$4.597 million

The land and buildings that are transferred to Children's Health were initially transferred to Metro South Health in 2012-13 from the Department of Health. In 2013-14 it was identified that these assets are used by Children's Health and Metro South Health has no control over the use of these assets they were transferred to Children's Health with effective date 1 July 2013.

The transfer of assets from the Department of Health was part of the transfer of Queensland Breast Screen Services and Queensland Tuberculosis Services. Refer Note 2(j).

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## 21 Property, plant and equipment (continued)

### Property, plant and equipment reconciliation

	Land*	Buildings**	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	Level 2	Level 3			
<b>Carrying amount as at 1 July 2013</b>	<b>223,242</b>	<b>701,832</b>	<b>130,647</b>	<b>6,050</b>	<b>1,061,771</b>
Acquisitions	-	588	26,604	5,474	32,666
Donation received	-	-	30	-	30
Disposals	-	-	(2,153)	-	(2,153)
Donation made	-	-	(32)	-	(32)
Transfers in/(out) from other Queensland Government entities***	44	44,348	2,552	-	46,944
Transfers between asset classes	-	2,098	416	(2,514)	-
Transfers recognised in operating surplus/(deficit)	-	(408)	226	-	(182)
Revaluation increments to asset revaluation surplus****	-	4,347	-	-	4,347
Revaluation decrements reversal to comprehensive income*****	54	-	-	-	54
Depreciation charge for the year	-	(34,320)	(27,307)	-	(61,627)
<b>Carrying amount as at 30 June 2014</b>	<b>223,340</b>	<b>718,485</b>	<b>130,983</b>	<b>9,010</b>	<b>1,081,818</b>

\* Land level 2 assets are land with active market.

\*\* Building level 3 assets are special purpose built buildings with no active market.

\*\*\*Transfers in are from the Department of Health and includes transfer of assets due to transfer of services and commissioning of work in progress assets as part of Queensland Health's Capital Acquisition Plan. Transfers are also including other asset transfers as listed above.

\*\*\*\* Refer above and Note 25.

\*\*\*\*\* Refer above and Note 7.

	Land	Buildings	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount as at 1 July 2012</b>	-	-	-	-	-
Acquisitions	-	4,699	28,265	5,623	38,587
Donation received	-	-	4	-	4
Disposals	-	-	(1,115)	-	(1,115)
Transfers in as at 1 July 2012 from the Department of Health as at 1 July 2012*	224,014	673,933	126,268	924	1,025,139
Transfers in from other Queensland Government entities**	-	29,372	888	-	30,260
Transfer between asset classes	-	274	435	(497)	212
Revaluation increments to asset revaluation surplus***	-	32,354	-	-	32,354
Revaluation decrements to comprehensive income****	(772)	-	-	-	(772)
Depreciation charge for the year	-	(38,800)	(24,098)	-	(62,898)
<b>Carrying amount as at 30 June 2013</b>	<b>223,242</b>	<b>701,832</b>	<b>130,647</b>	<b>6,050</b>	<b>1,061,771</b>

\* Net assets received /transferred in as at 1 July 2012 pursuant to the *Hospital and Health Boards Act 2011* to Metro South Health from the Department of Health. Refer to Note 2(t).

\*\* Transfers in are from the Department of Health and includes transfer of assets due to transfer of services and commissioning of work in progress assets managed by the Department of Health as part of Queensland Health's Capital Acquisition Plan.

\*\*\* Refer above and Note 25.

\*\*\*\* Refer above and Note 14.

## 21 Property, plant and equipment (continued)

### Level 3 significant valuation inputs and relationship to fair value

The fair value of health service site buildings is computed by quantity surveyors. The methodology is known as the Depreciation Replacement Cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process and the relationship to the estimated fair value.

Description	Significant unobservable inputs	Unobservable inputs quantitative measures ranges used in valuations	Unobservable inputs - general effect on fair value measurement
Buildings- Health services facilities (fair value \$718.485 million)	Replacement cost estimate	Buildings \$0.70 million to \$726.9 million	Replacement cost is based on tender pricing and historical building cost data. An increase in the estimated replacement cost would increase the fair value of the assets. A decrease in the estimated replacement cost would reduce the fair value of the assets.
	Remaining lives estimates	7 years to 33 years	The remaining useful lives are based on industry benchmarks. An increase in the estimated remaining useful lives would increase the fair value of the assets. A decrease in the estimated remaining useful lives would reduce the fair value of the assets.
	Cost to bring to current standards	Buildings \$ Nil to \$217.913 million	Costs to bring to current standards are based on tender pricing and historical building cost data. An increase in the estimated costs to bring to current standards would reduce the fair value of the assets. A decrease in the estimated costs to bring to current standards would increase the fair value of the assets.
	Condition rating	1 to 3 (max 5 in the model)	The condition rating is based on the physical state of the assets. An improvement in the condition rating (possible high of 1) would increase the fair value of the assets. A decline in the condition rating (possible low of 5) would reduce the fair value of the assets.

For further information:

Usage of alternative quantitative values (higher or lower) for each unobservable input that are reasonable in the circumstances as at the revaluation date would not result in material changes in the reported fair value.

The condition rating of an asset is used as a mechanism to determine the cost to bring to current standards and also to estimate the remaining life.

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
<b>22 Payables</b>		
Trade creditors	24,940	18,703
Accrued expenses	34,480	25,181
Department of Health payables*	82,963	61,872
Other creditors	147	151
	<b>142,530</b>	<b>105,907</b>

\*Department of Health payables are due to outstanding payments for payroll and other fee for service charges.

### 23 Accrued employee benefits

Salaries and wages accrued	<b>37</b>	<b>91</b>
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Metro South Health  
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	2014 \$'000	2013 \$'000
<b>24 Unearned revenue</b>		
Unearned other revenue*	<u>1,923</u>	<u>577</u>

\* Unearned revenue represents revenue received in advance for hospital services yet to be delivered at year end.

**25 Asset revaluation surplus by class**

**Buildings**

Balance at the beginning of the financial year*	32,354	-
Revaluation increment	4,347	32,354
<b>Balance at the end of the financial year</b>	<b><u>36,701</u></b>	<b><u>32,354</u></b>

\*The asset revaluation surplus represents the net effect of revaluation movements in assets. Refer to Note 21.

**26 Reconciliation of operating result to net cash flows from operating activities**

Operating result from continuing operations	25,794	19,989
<i>Non-cash items:</i>		
Depreciation/amortisation expense	61,895	63,214
Funding for depreciation, amortisation	(61,835)	(63,214)
Assets written (on)/off	183	(177)
Inventory written off	-	103
Net loss on sale of property, plant and equipment	783	526
Revaluation decrement reversal to comprehensive income	(54)	-
Revaluation decrement to comprehensive income	-	772
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and payroll receivables	24,084	(2,610)
(Increase)/decrease in GST input tax credits receivable	(1,162)	(1,932)
(Increase)/decrease in inventories	(1,135)	(199)
(Increase)/decrease in prepayments	(208)	(117)
Increase/(decrease) in unearned revenue	1,346	541
Increase/(decrease) in accrued health service employees expenses	(29,829)	28,139
Increase/(decrease) in payables	66,398	18,908
<b>Net cash generated by operating activities</b>	<b><u>86,260</u></b>	<b><u>63,943</u></b>

**27 Non-cash financing and investing activities**

Assets and liabilities received or transferred by Metro South Health are set out in the Statement of Changes in Equity.

**28 Commitments**

**(a) Non-cancellable operating leases\***

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	2014 \$'000	2013 \$'000
Not later than one year	539	1,344
Later than one year and not later than five years	1,746	2,374
Later than five years	-	150
	<b><u>2,285</u></b>	<b><u>3,868</u></b>

\*Metro South Health has non-cancellable operating leases relating predominantly to office, car park and clinical services accommodation and medical equipment. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

## 28 Commitments (continued)

### (b) Capital expenditure and other expenditure commitments

Material classes of capital and other expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2014 \$'000	2013 \$'000
Capital works	6,671	2,188
Supplies	5,292	27,466
Repairs and maintenance	13,088	10,445
Employment	3,101	4,259
	<b>28,152</b>	<b>44,358</b>
Not later than one year	17,779	28,716
Later than one year and not later than five years	10,062	15,642
Later than five years	311	-
	<b>28,152</b>	<b>44,358</b>

### (c) Grants and other contributions

Grants and contribution commitments inclusive of anticipated GST, committed to provide at reporting date, but not recognised in the accounts are payable as follows:

Not later than one year	6,257	3,543
Later than one year and not later than five years	5,349	2,159
	<b>11,606</b>	<b>5,702</b>

## 29 Contingencies

### (a) Litigation in progress

	2014 cases	2013 cases
Cases have been filed with the courts as follows:		
Supreme Court	5	2
District Court	-	1
Magistrates Court	1	1
Tribunals, commissions and boards	6	5
	<b>12</b>	<b>9</b>

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Metro South Health's liability in this area is limited to an excess per insurance event. At reporting date it is not possible to make a reliable estimate of the excess payable in respect of litigation before the court. Refer to Note 2(r).

The introduction of the *Personal Injuries Proceedings Act 2002* has resulted in fewer cases appearing before the courts. These matters are usually resolved at the pre-proceedings stage.

As of 30 June 2014, there were 60 claims (2013: 62 claims) managed by QGIF, some of which may never be litigated or result in payments to claim. The maximum exposure to Metro South Health under this policy is up to \$20,000 for each insurable event. During 2013-14 there were 6 complaints (2013: 3) managed by Metro South Health solicitors. Three of these complaints carried from 2012-13 and were finalised in 2013-14.



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### 30 Restricted assets

Metro South Health receives cash contributions primarily from private practice clinicians and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. This money is controlled by Metro South Health and forms part of the cash and cash equivalents balance, however it is restricted in nature as it can only be used for the specific purpose. Refer Note 16.

At 30 June 2014, amounts of \$30.904 million (2013:\$30.056 million) in general trust and \$3.577 million (2013:\$1.183 million) for research projects are set aside for the specified purposes underlying the contribution.

### 31 Agency and fiduciary trust transactions and balances

Metro South Health acts in a custodial role in respect of these transactions and balances. As such, they are not recognised in the financial statements, but are disclosed below for information purposes.

#### (a) Fiduciary trust transactions

	2014 \$'000	2013 \$'000
<b>Fiduciary trust receipts and payments</b>		
Receipts	2,898	4,277
Payments	3,004	4,378
<b>Increase/(decrease) in net patient trust assets</b>	<b>(106)</b>	<b>(101)</b>
<b>Decrease in net refundable deposits</b>	<b>(2)</b>	<b>(9)</b>
<b>Fiduciary trust assets</b>		
Current assets		
Cash		
Patient trust funds	432	538
Other refundable deposits	10	12
<b>Total current assets</b>	<b>442</b>	<b>550</b>

#### (b) Agency right of private practice transactions and balances

	2014 \$'000	2013 \$'000
<b>Right of private practice receipts and payments</b>		
<b>Receipts</b>		
Private practice receipts	46,784	44,824
<b>Total receipts</b>	<b>46,784</b>	<b>44,824</b>
<b>Payments</b>		
Payments to doctors	12,156	10,991
Payments to Metro South Health for recoverable costs	24,110	22,435
Payments to Metro South Health general trust for SERTA*	6,865	7,429
Other payments**	4,079	3,617
<b>Total payments</b>	<b>47,210</b>	<b>44,472</b>
<b>Increase/(decrease)in net right of private practice assets</b>	<b>(426)</b>	<b>352</b>

\* Study, education and research trust account (SERTA) funds are generated by doctors reaching the ceiling allowable under the option B arrangements. The allocation of these funds is managed by a Specialists' Advisory Committee.

\*\* Payments relating to the receipts on behalf of other Queensland Health entities such as Pathology Services, Medical Imaging, Children Services, refund to Medicare and or Private Insurance. Refer to Note 2(c).

#### Right of private practice assets

Current assets		
Cash*	1,272	1,698
<b>Total current assets</b>	<b>1,272</b>	<b>1,698</b>

\*Cash balance predominantly includes doctor payments and payments to other entities outstanding at balance date and other payments due to Metro South Health which have been accrued as revenue in Metro South Health's accounts.

### 32 Arrangements for the provision of public infrastructure by other entities

Public Private Partnership (PPP) arrangements operating for all or part of the financial year are as follows. Refer to Note 2(m). The PPP is a Build-Own-Operate-Transfer (BOOT) arrangement.

Facility	Counterparty	Term of Agreement	Commencement Date
The Princess Alexandra Hospital Multi Storey Car Park	International Parking Group Pty Limited	25 years	February 2008

#### *The Princess Alexandra Hospital Multi Storey Car Park*

The developer has constructed a 1,403 space multi storey car park on site at the hospital. Rental of \$0.295 million per annum escalated for CPI annually will be received from the car park operator up to February 2033. The developer operates and maintains the facility at its sole cost and risk. Metro South Health staff is entitled to concessional rates when using the car park.

#### Assets

As at 30 June 2014, Metro South Health does not have legal title to properties under its control. Metro South Health does not control the facility and therefore it is not recognised as an asset of the agency. The land where the facility has been constructed is recognised as Metro South Health's land, subject to an operating lease under a lease agreement with the Department of Health. The recognised value of the entire land asset at Princess Alexandra Hospital (PAH) is \$22.1 million. The portion dedicated to the PAH Multi Storey Car Park is 33.4% with an estimated value of \$7.4 million. Refer Note 2(j).

Metro South Health has not recognised any rights or obligations relating to these facilities other than those associated with land rental and the provision of services under the agreements. Metro South Health has the right to retain the rent in accordance with the Deed of Lease in the Transfer Notice.

	2014 \$'000	2013 \$'000
<i>Revenues</i>		
Revenues recognised in relation to these arrangements:		
User charges and fees *	343	342

\*This represents the actual rental payments for the multi-story car park.

#### PPP arrangements of Metro South Health cash flows (indicative)\*

The Princess Alexandra Hospital multi storey car park	2014 \$'000	2013 \$'000
Up to 1 year	363	353
More than 1 year but less than 5 years	1,567	1,520
More than 5 years but less than 10 years	2,238	2,170
Later than 10 years	4,707	5,175
<b>Net indicative cash flow</b>	<b>8,875</b>	<b>9,218</b>

\*The indicative cash flow is the undiscounted annual rental payments of \$0.295 million for the term of the agreement escalated annually by CPI at a rate of 3 per cent.

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### 33 Collocation arrangements

Collocation arrangements operating for all or part of the financial year are as follows. Refer to Note 2(n).

Facility	Counterparty	Term of Agreement	Commencement Date
Redlands Private Hospital	Sister of Mercy	25 years + 30 years	August 1999

*Collocation agreement with Redland Private Hospital*

In accordance with the Collocation Agreement, in 2013-14 Metro South Health recognised \$0.292 million (2013:\$0.287 million) revenue. During 2013-14 the collocation agreement and related contracts were reviewed and resulted in an Extension and Variation Deed of the collocation agreement with the original term of the agreement extended to 55 years.

Metro South Health has not recognised any rights or obligations relating to these facilities other than those associated with land rental and the provision of services under the agreements. Metro South Health has the right to retain the rent in accordance with the Deed of Lease in the Transfer Notice.

*Assets*

Metro South Health does not control the facility and therefore it is not recognised as an asset of the agency. The land where the Redland Private Hospital was constructed is approximately 9 per cent of the Redland Hospital land recognised at a total value of \$8.776 million.

### 34 Financial instruments

#### (a) Categorisation of financial instruments

Metro South Health has the following categories of financial assets and financial liabilities:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	170,710	81,687
Receivables	26,858	49,780
	<b>197,568</b>	<b>131,467</b>
<b>Financial liabilities</b>		
Payables	<b>142,530</b>	<b>105,907</b>

#### (b) Financial risk management

Metro South Health is exposed to a variety of financial risks – credit risk, liquidity risk, interest rate risk and market risk.

Financial risk is managed in accordance with Queensland Government and Metro South Health's policies. Metro South Health's policies provide written principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of Metro South Health.

Risk exposure	Measurement method
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by active management of accrual accounts
Market risk	Interest rate sensitivity analysis

### 34 Financial instruments (continued)

#### (c) Credit risk exposure

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligations.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment. The carrying amount of receivables represents the maximum exposure to credit risk. As such, receivables are not included in the table below. Refer Note 17.

Credit risk is considered minimal given all Metro South Health deposits are held by the State through Queensland Treasury Corporation.

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	170,710	81,687
	<b>170,710</b>	<b>81,687</b>

#### Financial assets

No collateral is held as security and no credit enhancements relate to financial assets held by Metro South Health. No financial assets and financial liabilities have been offset and presented in the Statement of Financial Position.

#### Impairment of financial assets

At the end of each reporting period, Metro South Health reviews whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, changes in debtor credit ratings and current outstanding accounts over 60 days.

The allowance for impairment reflects Metro South Health's assessment of the credit risk associated with receivables balances and is determined based on consideration of objective evidence of impairment, past experience and management judgement. The current year allowance is affected by the following loss events:

- overseas patients treated in public hospitals where the cost was unrecoverable amounting to \$1.194 million (2013: \$0.962 million),
- unrecoverable debts from private patients and businesses \$0.242 million (2013: \$0.371 million).
- unrecoverable third party claim settlements from patients involved in motor vehicle accidents \$0.556 million (2013: \$0.677 million).

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

#### Financial assets past due but not impaired 2013-14

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
<b>Receivables</b>	5,956	1,362	178	37	7,533

#### Individually impaired financial assets 2013-14\*

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables (gross)	1,161	2,307	1,610	7,405	12,483
Allowance for impairment	(36)	(506)	(673)	(4,198)	(5,413)
<b>Carrying amount</b>	<b>1,125</b>	<b>1,801</b>	<b>937</b>	<b>3,207</b>	<b>7,070</b>

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### 34 Financial instruments (continued)

#### Financial assets past due but not impaired 2012-13

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables*	4,646	530	11	44	5,231

\*Receivables adjusted for less than 30 days financial assets that not past due and revised from 2012-13.

#### Individually impaired financial assets 2012-13\*

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables (gross)	1,102	2,036	1,177	6,125	10,440
Allowance for impairment	(38)	(411)	(432)	(3,723)	(4,604)
<b>Carrying amount</b>	<b>1,064</b>	<b>1,625</b>	<b>745</b>	<b>2,402</b>	<b>5,836</b>

<b>2014</b>	<b>2013</b>
<b>\$'000</b>	<b>\$'000</b>

#### Movements in the allowance for impairment loss

Balance at 1 July	4,604	-
Transfers in as at 1 July 2012*	-	3,348
Increase in allowance recognised in operating result**	809	1,256
Balance as at 30 June	<b>5,413</b>	<b>4,604</b>

\*Refer to Note 2(t) for balances transferred as at 1 July 2012 from the Department of Health.

\*\*Refer to Note 13 and Note 17.

#### (d) Liquidity risk

Liquidity risk refers to the situation when Metro South Health may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Metro South Health is exposed to liquidity risk through its trading in the normal course of business. Metro South Health aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. Metro South Health has an approved overdraft facility of \$18 million under whole-of-government banking arrangements to manage any short term cash shortfalls.

#### Liquidity risk 2013-14

	Maturity date			Non-interest bearing	Total	Weighted average rate
	1 year or less	1 to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Financial assets</b>						
Cash	768	-	-	139,807	140,575	2.45
24 hour call deposits	30,135	-	-	-	30,135	3.28
Receivables	-	-	-	26,858	26,858	
	<b>30,903</b>	-	-	<b>166,665</b>	<b>197,568</b>	
<b>Financial liabilities</b>						
Payables	-	-	-	142,530	142,530	

### 34 Financial instruments (continued)

#### Liquidity risk 2012-13

	Maturity date				Total \$'000	Weighted average rate %
	1 year or less	1 to 5 years	More than 5 years	Non-interest bearing		
	\$'000	\$'000	\$'000	\$'000		
<b>Financial assets</b>						
Cash	1,835	-	-	51,631	<b>53,466</b>	2.70
24 hour call deposits	28,221	-	-	-	<b>28,221</b>	3.44
Receivables	-	-	-	49,780	<b>49,780</b>	
	<b>30,056</b>	-	-	<b>101,411</b>	<b>131,467</b>	
<b>Financial liabilities</b>						
Payables	-	-	-	<b>105,907</b>	<b>105,907</b>	

#### (e) Market risk

Metro South Health has interest rate exposure on the General Trust deposits and there is no interest rate exposure on its cash and fixed rate deposits. Metro South Health does not undertake any hedging in relation to interest rate risk.

Changes in interest rate have a minimal effect on the operating result of Metro South Health.

#### (f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis is showing the outcome on net income if interest rates would change by +/- 1 per cent from the year end rates applicable to Metro South Health financial asset. With all variables held constant, Metro South Health would have a surplus and equity increase/(decrease) of \$0.301 million (2013:\$0.282 million). This is mainly attributable to Metro South Health's exposure to variable interest rates on its investment with Queensland Treasury Corporation.

Financial Instruments	Carrying amount \$'000	2014 Interest rate risk			
		-1% Profit	Equity	+1% Profit	Equity
24 hours call deposits	30,136	(301)	(301)	301	301
<b>Potential impact</b>		<b>(301)</b>	<b>(301)</b>	<b>301</b>	<b>301</b>
Financial Instruments	Carrying amount \$'000	2013 Interest rate risk			
		-1% Profit	Equity	+1% Profit	Equity
24 hours call deposits	28,221	(282)	(282)	282	282
<b>Potential impact</b>		<b>(282)</b>	<b>(282)</b>	<b>282</b>	<b>282</b>

#### (g) Fair value

Apart from cash and cash equivalents, Metro South Health does not recognise any financial assets at fair value in the Statement of Financial Position.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

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### 35 Key management personnel and remuneration expenses

#### (a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Metro South Health during 2013-14. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position and name	Responsibilities	Contract classification and appointment authority	Appointment date*
<i>Metro South Hospital and Health Board</i>	The Board decides the objectives, strategies and policies to be followed by Metro South Health and ensure it performs its functions in a proper, effective and efficient way.	Appointments are under the provisions of the Hospital and Health Boards Act 2011 by Governor in Council. Notice published in the Queensland Government Gazette.	18/05/2012
Chair Terry White AO			29/06/2012
Deputy Chair Peter Dowling AM			29/06/2012
Board Members Dr John Kastrissios			07/09/2012
Lorraine Martin AO			29/06/2012
Professor John Prins			29/06/2012
Dr Marion Tower			29/06/2012
Margo MacGillivray			14/06/2013

Position	Responsibilities	Contract classification and appointment authority	Appointment date* or temporary assignment period
Health Service Chief Executive	This position is the single point of accountability for executive leadership and management of all public hospital and health services in Metro South Health. This position is accountable to the Hospital and Health Board for ensuring that Metro South Health achieves a balance between efficient service delivery and high quality health outcomes.	Section 74 Contract, Hospital and Health Boards Act 2011	6/08/2012
Executive Director, PAH-QEII Health Network	This position provides effective strategic leadership, direction and financial management of the Princess Alexandra Hospital–QEII health network. Ensures the effective delivery of health services consistent with the identified needs of the client group and the approved service profile of these hospitals.	Senior Medical Officer and Resident Medical Officers Award MMO11	5/11/2012 (24/11/2013)**
Acting Executive Director, PAH-QEII Health Network		Hospital Executive Service HES 3.3	25/11/2013 (4/5/2014)**
Executive Director, PAH-QEII Health Network		Senior Medical Officer and Resident Medical Officers Award MMO2-3	5/05/2014
Executive Director, Logan-Bayside Health Network	This position provides effective strategic leadership, direction and financial management of the Logan – Bayside Health Network. Ensures the effective delivery of health services consistent with the identified needs of the client group and the approved service profile of these hospitals.	Hospital Executive Service HES 2.1	4/04/2011 (6/12/2013)
		HES 3.2	7/12/2013

<b>(a) Key management personnel (continued)</b>			
<b>Position</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Appointment date* or temporary assignment period</b>
Executive Director, Addiction and Mental Health Services	This position provides strong clinical and operational leadership and support for the strategic direction and provides high quality service provision as part of an integrated addiction and mental health services, comprising in-patient and community services. The role actively participates in the promotion and development of addiction and mental health.	Senior Medical Officer and Resident Medical Officers Award MMO13	03/12/2007
Executive Director, Clinical Governance	This position provides leadership for Clinical Governance and Patient Safety in Metro South Health. This position ensures the appropriate performance and outcomes of the clinical governance systems across Metro South Health across the domains of compliance, performance and support.	Senior Medical Officer and Resident Medical Officer Award MMO11	29/12/2008
Chief Finance Officer	This position is responsible and accountable for the operation of the financial management system for Metro South Health. It provides strategic advice and leadership of the financial management functions for the Hospital and Health Service.	Hospital Executive Service HES3H	4/06/2013
Executive Director, Corporate Services Metro South Health	This position is the Executive lead for corporate governance, asset management, capital planning and development, procurement management, contracts management, human resource management, operational support services, building engineering and maintenance services, and other ancillary corporate support functions.	Hospital Executive Service HES2  Hospital Executive Service HES3L	23/10/2009 (11/12/2013)**  12/12/2013
Chief Information Officer	This position provides strategic leadership, direction and management across Metro South Health for Informatics, ICT and HIMS, to ensure that the teams develop and execute relevant strategies. Maintains specific information systems and services that maximise the quality, access and use of information across Metro South Health.	Hospital Executive Service HES2L  Hospital Executive Service HES2H	13/12/2010 (11/12/2013)**  12/12/2013
Executive Director, Planning, Engagement and Reform	This position provides strategic leadership and innovation in the development and delivery of the following critical functions across Metro South Health – health service planning, engagement, government relations, health reform, media and communications. This position supports the health service Chief Executive in the development and delivery of key strategies, with particular reference to Government and Board priorities. This position is the Board Secretary for the Metro South Hospital and Health Board.	District Senior Officer DSO1  Hospital Executive Service HES2H	28/05/2012 (11/12/2013)**  12/12/2013



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<b>(a) Key management personnel (continued)</b>			
<b>Position</b>	<b>Responsibilities</b>	<b>Contract classification and appointment authority</b>	<b>Appointment date* or temporary assignment period</b>
Executive Director, Nursing and Midwifery Services	This position leads the nursing services of Metro South Health, The position maximises the potential of nursing to enhance health outcomes for Metro South Health.	Nurses and Midwives Certified Agreement 2012 Nurse Grade 12	29/07/2007
Executive Director, Medical Services	This position is the principal medical officer for Metro South Health and is responsible for supporting the health service Chief Executive in the planning and management of the health service's clinical services. This position provides professional leadership to all medical officers within Metro South Health.	Senior Medical Officer Award and Resident Medical Officer Award 2012 MS-3	12/11/2012
Executive Director of Allied Health Services	This position provides strategic leadership of Metro South Health allied health workforce and services with particular reference to workforce planning, policy review and development, information management, learning and development, research and education and standards of professional practice, in line with Metro South Health and National Policy and strategic direction.	Health Practitioners Certified Agreement 2011 HP8	05/12/2008

\*Key managements' commencement dates reflect their original appointment to the position. Refer to Note 2 (p).

\*\* Date in brackets is the end date in the position

### **(b) Remuneration expenses**

Remuneration policy for Metro South Health's key management personnel is set by as follows:

- Hospital and Health Boards Act 2011 (HHBA)
- Hospital Executive Service Agreement
- Senior and Resident Medical Officer Awards 2012
- Nurses and Midwives Certified Agreement 2012
- Health Practitioners Certified Agreement 2011.

The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The Chief Executive is appointed in accordance with the provisions of section 33 of the HHBA and also appointed as a health executive under section 74 of the HHBA. The other health executives are appointed either in accordance with section 74 of the HHBA or in accordance with the relevant industrial award and agreement as medical practitioner, health practitioner (HP) or nursing executive. For the 2013-14 year, remuneration of key management personnel increased by 2.2 per cent (2013: 2.5 per cent), medical by 3 per cent (2013: 3 per cent) Nursing by 3 per cent (2013: 3 per cent) and HP last increased by 3 per cent from 1 September 2012.

The following disclosure focus on the expenses incurred by Metro South Health during the respective reporting periods, that is attributable to key management positions. Therefore the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

Remuneration expenses for key management personnel comprises the following components:

- Short-term employee expenses which include:
  - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.
  - non-monetary benefits consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

**35. Key management personnel and remuneration expenses (continued)**

1 July 2013 to 30 June 2014						
Position and name	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary benefits \$'000				
Chair Terry White AO	74	-	-	6	-	80
Deputy Chair Peter Dowling AM	38	-	-	3	-	41
Board Member Dr John Kastrissios	38	-	-	3	-	41
Board Member Lorraine Martin AO	38	-	-	3	-	41
Board Member Professor John Prins	37	-	-	3	-	40
Board Member Dr Marion Tower	38	-	-	3	-	41
Board Member Margo MacGillivray	39	-	-	3	-	42
Position	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary benefits \$'000				
Health Service Chief Executive	482	18	10	51	-	561
Executive Director, PAH-QEII Health Network*	422	-	6	24	-	452
Executive Director, Logan- Bayside Health Network	198	-	4	17	-	219
Executive Director, Addiction and Mental Health Services	403	8	8	26	-	445
Executive Director, Clinical Governance	407	-	8	29	-	444
Chief Finance Officer	245	-	5	25	-	275
Executive Director, Corporate Services	207	-	4	18	-	229
Chief Information Officer	193	-	4	18	-	215
Executive Director, Planning, Engagement and Reform	173	-	3	17	-	193
Executive Director, Nursing and Midwifery Services	209	12	4	23	-	248
Executive Director, Medical Services	410	13	8	34	-	465
Executive Director of Allied Health Services	160	-	3	17	-	180

\*Represents aggregate expenditure for position.

There is no key management personnel with a remuneration package that includes potential performance payments. There are no related party transactions to report. For further information refer to the Annual Report.

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**35. Key management personnel and remuneration expenses (continued)**

1 July 2012 to 30 June 2013

Position and name	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary benefits \$'000				
Chair Terry White AO	76	-	-	7	-	83
Deputy Chair Peter Dowling AM	33	-	-	3	-	36
Board Member Dr John Kastrissios	33	-	-	3	-	36
Board Member Lorraine Martin AO	26	-	-	2	-	28
Board Member Professor John Prins	33	-	-	3	-	36
Board Member Dr Marion Tower	33	-	-	2	-	35
Board Member Professor Andrew Wilson	31	-	-	3	-	34

Position	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary benefits \$'000				
Health Service Chief Executive	482	17	9	39	-	547
Executive Director, PAH- QELI Health Network	258	-	3	19	-	280
Executive Director, Logan-Bayside Health Network	153	-	3	16	-	172
Executive Director, Addiction and Mental Health Services	413	11	4	28	-	456
Executive Director, Clinical Governance	408	-	4	29	-	441
Chief Finance Officer*	260	-	6	29	43	338
Chief Information Officer	171	-	3	16	-	190
Executive Director, Corporate Services	204	-	3	16	-	223
Executive Director, Planning, Engagement and Reform	146	11	3	15	-	175
Executive Director, Medical Services*	377	54	5	31	138	605
Executive Director, Nursing and Midwifery Services	187	13	4	21	-	225
Executive Director of Allied Health Services	162	-	4	18	-	184
Executive Director Community and Public Health Services**	31	-	2	6	141	180

\*Represents aggregate expenditure for position

\*\* This position has been abolished

### 36 Events after the reporting period

There have been the following events that have arisen subsequent to the reporting date that may significantly affect the operation of Metro South Health in future financial years, and/or the results of those operations in future financial years, and/or the state of affairs of Metro South Health in future financial years.

#### *Transfer of prescribed employer function*

As established under the Hospital and Health Boards Act 2011 (Act), the Department of Health is currently the employer of all health service employees (except for chief executives and health executive service employees) and recovers all employee expenses and associated on-costs from the Hospital and Health Service (HHS).

Although the Act allows a HHS to be the employer of health service employees, for this to occur the Minister for Health required HHSs to demonstrate their capacity and capability to be the prescribed employer of health service employees, with the HHS holding all authorities and accountabilities for HR functions. HHSs developed a prescribed employer assessment framework to demonstrate their capacity and capability.

On 23 June 2014, the Minister for Health announced that the employment of existing and future staff would become the responsibility of each HHS and that existing employment conditions, including pay arrangements, would remain unchanged. The Department of Health will remain responsible for setting state-wide terms and conditions of employment, including remuneration and classification structures and for negotiating enterprise agreements.

Metro South Health will become the prescribed employer of health service employees from 1 July 2014. There is no material impact for the financial statements as health service employee costs are currently recognised by the HHS.

#### *Senior Medical Officer and Visiting Medical Officer Contracts*

Effective 4 August 2014, Senior Medical Officers and Visiting Medical Officers will transition to individual employment contracts. Individual contracts mean senior doctors will have a direct employment relationship with Metro South Health and employment terms and conditions tailored to individual or medical specialty circumstances (within a consistent state-wide framework).

Direct employment relationship will be established between contracted medical officers and Metro South Health and the employee-related costs for contracted Senior Medical Officers and Visiting Medical Officers will be recognised by Metro South Health as an employer from the date the contracts are effective. Non-contracted Senior Medical Officers and Visiting Medical Officers will remain employed under current award arrangements.

#### *Transfer of legal ownership of health service land and building assets to Metro South Health*

The control of health services land and buildings transferred to each Hospital and Health Service (HHS) at no cost to the HHS through deed of lease arrangements when HHSs were established on 1 July 2012. The Department of Health retained legal ownership of the health services land and buildings, however the intention was for legal title of the assets to eventually transfer to each HHS.

Due to effective control of the assets transferring to HHSs, these assets are recognised within the financial statements of each HHSs and not within the Department of Health's financial statements.

On 23 June 2014, the Minister for Health announced that the Queensland government had approved the transfer of legal ownership of health services land and buildings to HHSs in a staged process over the next 12 months.

The transfer of legal ownership of land and buildings to Metro South Health will occur from 1 July 2014. There is no material impact for the financial statements as these assets are already controlled and recognised by Metro South Health.

Metro South Health  
**Notes to the Financial Statements**  
For the year ended 30 June 2014

*Transfer of housing assets to the Department of Housing and Public Works*

As part of a whole-of-Government initiative, management of employee housing assets transitioned to the Department of Housing and Public Works (DHPW) on 1 January 2014. Legal ownership of housing assets will transfer to the DHPW on 1 July 2014.

As at 30 June 2014, Metro South Health held housing assets with a total net book value of \$1.761 million under a Deed of Lease arrangement with the Department of Health. These housing assets initially transferred to Metro South Health at no cost. Effective 1 July 2014, the Deed of Lease arrangement in respect of 4 buildings and associated land (net book value of \$1.189 million) will cease, and the assets will be transferred for no consideration to the Department of Health at their net book value, prior to their transfer to the DHPW. The remaining 2 buildings and associated land (net book value of \$0.573 million) will be retained by Metro South Health under the existing Deed of Lease arrangement.

As this transfer will be designated as a Transaction with Owners, the transfer will be undertaken through Metro South Health's equity account during 2014-15. Therefore, this transaction will have no impact on the Statement of Comprehensive Income in the 2014-15 financial year.

*Other matters*

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect Metro South Health's operations, the results of those operations, or Metro South Health's state of affairs in future financial years.

### Certificate of Metro South Health

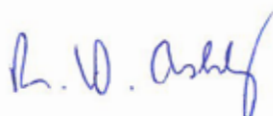
These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Metro South Health for the financial year ended 30 June 2014 and of the financial position of Metro South Health at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Terry White AO  
BA, DipPharm, FAIM  
Chair  
Metro South Hospital and  
Health Board

18, 8, 2014



Dr Richard Ashby AM  
MBBS BHA FRACGP  
FACEM FIFEM FRACMA  
Chief Executive Officer  
Metro South Health

18, 8, 2014



Robert Mackway-Jones  
BCom MBA ACA

Chief Finance Officer  
Metro South Health

18, 8, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Board of Metro South Hospital and Health Service

### Report on the Financial Report

I have audited the accompanying financial report of Metro South Hospital and Health Service which comprises the statement of comprehensive income, the statement of financial position as at 30 June 2014, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chair, Chief Executive Officer and Chief Finance Officer.

#### *The Board's Responsibility for the Financial Report*

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board 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 Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### *Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Metro South Hospital and Health Service for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



D J OLIVE CPA  
as Delegate of the Auditor-General of Queensland



Queensland Audit Office  
Brisbane