



## INDEPENDENT AUDITOR'S REPORT

### Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Illawarra Shoalhaven Local Health District (the District), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the District and the consolidated entity, as at 30 June 2013, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cash flows.

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

### Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

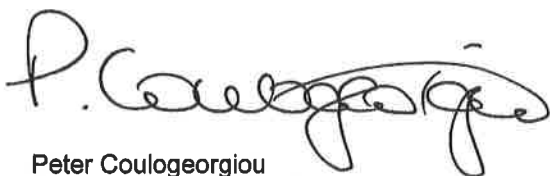
My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Peter Coulogeorgiou  
Director, Financial Audit Services

20 September 2013  
SYDNEY

**Illawarra Shoalhaven Local Health District  
Certification of the Parent/Consolidated Financial Statements  
for the year ended 30 June 2013**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Illawarra Shoalhaven Local Health District for the year ended 30 June 2013 have been prepared in accordance with:
  - a) Australian Accounting Standards (which include Australian Accounting
  - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
  - c) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Illawarra Shoalhaven Local Health District; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Sue Browbank  
**Chief Executive**  
19 September 2013



Henry Kornacki  
**Director of Finance**

**Illawarra Shoalhaven Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2013**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2013	2013	2012		2013	2013	2012	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>Expenses excluding losses</b>							
<b>Operating Expenses</b>							
				3	471,348	474,952	449,329
				4			
458,394	462,785	423,404					
32,290	32,575	33,029			32,290	32,575	33,029
190,836	192,750	190,770		5	190,836	192,750	190,770
20,512	20,530	18,709		2(i), 6	20,512	20,530	18,709
9,852	7,456	3,597		7	9,852	7,456	3,597
18	35	146		8	18	35	146
<b>711,902</b>	<b>716,131</b>	<b>669,655</b>			<b>724,856</b>	<b>728,298</b>	<b>695,580</b>
<b>Revenue</b>							
593,936	593,936	576,798		2(d)	593,936	593,936	576,798
59,680	59,680	20,704		2(d)	59,680	59,680	20,704
				2(a)(ii), 12	12,954	12,167	25,925
87,498	82,623	80,099		9	87,498	82,623	80,099
3,009	2,304	691		10	3,009	2,304	691
11,781	12,547	11,395		11	11,781	12,547	11,395
1,045	4,954	1,308		13	1,045	4,954	1,308
<b>756,949</b>	<b>756,044</b>	<b>690,995</b>			<b>769,903</b>	<b>768,211</b>	<b>716,920</b>
(343)	-----	(256)		14	(343)	-----	(256)
(508)	(2)	(507)		15	(508)	(2)	(507)
<b>44,196</b>	<b>39,911</b>	<b>20,577</b>		32	<b>44,196</b>	<b>39,911</b>	<b>20,577</b>
<b>Net Result</b>							
<b>Other Comprehensive Income</b>							
<b>Items that will not be reclassified to net result</b>							
<b>Net Increase/(Decrease) in Property, Plant &amp;</b>							
6,541	-----	28,645			6,541	-----	28,645
<b>6,541</b>	<b>-----</b>	<b>28,645</b>			<b>6,541</b>	<b>-----</b>	<b>28,645</b>
<b>Total Other Comprehensive Income for the year</b>							
<b>50,737</b>	<b>39,911</b>	<b>49,222</b>			<b>50,737</b>	<b>39,911</b>	<b>49,222</b>
<b>TOTAL COMPREHENSIVE INCOME</b>							

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District  
Statement of Financial Position as at 30 June 2013**

PARENT								CONSOLIDATION		
Actual	Budget Unaudited	Actual				Actual	Budget Unaudited	Actual		
2013	2013	2012				2013	2013	2012		
\$000	\$000	\$000				\$000	\$000	\$000		
<b>ASSETS</b>										
<b>Current Assets</b>										
35,233	19,490	23,828	Cash and Cash Equivalents	18		35,233	19,490	23,828		
14,609	16,771	17,255	Receivables	19		14,609	16,771	17,255		
7,537	7,630	7,620	Inventories	20		7,537	7,630	7,620		
14,397	12,683	12,683	Financial Assets at Fair Value	21		14,397	12,683	12,683		
<b>71,776</b>	<b>56,574</b>	<b>61,386</b>	<b>Total Current Assets</b>			<b>71,776</b>	<b>56,574</b>	<b>61,386</b>		
<b>Non-Current Assets</b>										
Property, Plant and Equipment										
417,534	410,368	368,019	- Land and Buildings	22		417,534	410,368	368,019		
23,518	26,606	24,160	- Plant and Equipment	22		23,518	26,606	24,160		
30,155	29,965	31,298	- Infrastructure Systems	22		30,155	29,965	31,298		
471,207	466,939	423,477	Total Property, Plant and Equipment			471,207	466,939	423,477		
400	400	774	Intangible Assets	23		400	400	774		
<b>471,607</b>	<b>467,339</b>	<b>424,251</b>	<b>Total Non-Current Assets</b>			<b>471,607</b>	<b>467,339</b>	<b>424,251</b>		
<b>543,383</b>	<b>523,913</b>	<b>485,637</b>	<b>Total Assets</b>			<b>543,383</b>	<b>523,913</b>	<b>485,637</b>		
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
44,083	36,249	37,935	Payables	25		44,083	36,249	37,935		
283	283	402	Borrowings	26		283	283	402		
61,083	60,811	61,350	Provisions	27		61,083	60,811	61,350		
1,597	715	646	Other	28		1,597	715	646		
<b>107,046</b>	<b>98,058</b>	<b>100,333</b>	<b>Total Current Liabilities</b>			<b>107,046</b>	<b>98,058</b>	<b>100,333</b>		
<b>Non-Current Liabilities</b>										
----	----	283	Borrowings	26		----	----	283		
378	739	779	Provisions	27		378	739	779		
<b>378</b>	<b>739</b>	<b>1,062</b>	<b>Total Non-Current Liabilities</b>			<b>378</b>	<b>739</b>	<b>1,062</b>		
<b>107,424</b>	<b>98,797</b>	<b>101,395</b>	<b>Total Liabilities</b>			<b>107,424</b>	<b>98,797</b>	<b>101,395</b>		
<b>435,959</b>	<b>425,116</b>	<b>384,242</b>	<b>Net Assets</b>			<b>435,959</b>	<b>425,116</b>	<b>384,242</b>		
<b>EQUITY</b>										
35,186	28,645	28,645	Reserves			35,186	28,645	28,645		
400,773	396,471	355,597	Accumulated Funds			400,773	396,471	355,597		
<b>435,959</b>	<b>425,116</b>	<b>384,242</b>	<b>Total Equity</b>			<b>435,959</b>	<b>425,116</b>	<b>384,242</b>		

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2013**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
<b>Balance at 1 July 2012</b>		355,597	28,645	384,242
<b>Net Result for the year</b>		44,196		44,196
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		-----	6,541	6,541
<b>Total Other Comprehensive Income</b>		-----	6,541	6,541
<b>Total Comprehensive Income for the year</b>		44,196	6,541	50,737
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	37	980	-----	980
<b>Balance at 30 June 2013</b>		<b>400,773</b>	<b>35,186</b>	<b>435,959</b>
<b>Balance at 1 July 2011</b>		345,932	-----	345,932
<b>Net Result for the year</b>		20,577		20,577
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		-----	28,645	28,645
<b>Total Other Comprehensive Income</b>		-----	28,645	28,645
<b>Total Comprehensive Income for the year</b>		20,577	28,645	49,222
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	37	(10,912)	-----	(10,912)
<b>Balance at 30 June 2012</b>		<b>355,597</b>	<b>28,645</b>	<b>384,242</b>

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2013**

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2013	2013	2012	Notes	2013	2013	2012
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
----	----	----	Employee Related	(457,911)	(466,139)	(434,650)
(10,915)	(8,519)	(3,598)	Grants and Subsidies	(10,915)	(8,519)	(3,598)
----	(186)	(115)	Finance Costs	----	(186)	(115)
(695,942)	(712,385)	(660,351)	Other	(238,031)	(246,246)	(225,701)
<u>(706,857)</u>	<u>(721,090)</u>	<u>(664,064)</u>	<b>Total Payments</b>	<u>(706,857)</u>	<u>(721,090)</u>	<u>(664,064)</u>
<b>Receipts</b>						
593,936	593,936	576,798	NSW Ministry of Health Recurrent Allocations	593,936	593,936	576,798
59,680	59,680	20,704	NSW Ministry of Health Capital Allocations	59,680	59,680	20,704
----	----	25,925	Reimbursements from the Crown Entity	----	----	25,925
90,453	84,380	75,362	Sale of Goods and Services	90,453	84,380	75,362
2,977	526	274	Interest Received	2,977	526	274
12,853	13,618	11,394	Grants and Contributions	12,853	13,618	11,394
22,381	28,481	3,570	Other	22,381	28,481	3,570
<u>782,280</u>	<u>780,621</u>	<u>714,027</u>	<b>Total Receipts</b>	<u>782,280</u>	<u>780,621</u>	<u>714,027</u>
<u>75,423</u>	<u>59,531</u>	<u>49,963</u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>75,423</u>	<u>59,531</u>	<u>49,963</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems</b>						
440	----	54		440	----	54
<b>Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems and Intangibles</b>						
(62,127)	(63,618)	(28,775)		(62,127)	(63,618)	(28,775)
(1,714)	----	(565)	Purchases of Investments	(1,714)	----	(565)
<u>(63,401)</u>	<u>(63,618)</u>	<u>(29,286)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(63,401)</u>	<u>(63,618)</u>	<u>(29,286)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Proceeds from Borrowings and Advances</b>						
----	----	1,721		----	----	1,721
<b>Repayment of Borrowings and Advances</b>						
(420)	(251)	(1,036)		(420)	(251)	(1,036)
<u>(420)</u>	<u>(251)</u>	<u>685</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(420)</u>	<u>(251)</u>	<u>685</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>						
11,602	(4,338)	21,362		11,602	(4,338)	21,362
<b>Opening Cash and Cash Equivalents</b>						
23,828	23,828	2,151		23,828	23,828	2,151
<b>Cash Transferred In/(Out) as a Result of Administrative Restructuring</b>						
(197)	----	315		(197)	----	315
<u>35,233</u>	<u>19,490</u>	<u>23,828</u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>35,233</u>	<u>19,490</u>	<u>23,828</u>

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District  
Service Group Statements  
for the year ended 30 June 2013

DISTRICT EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Total				
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses excluding losses																							
Operating Expenses																							
Employee Related	24,274	23,140	3,299	3,145	46,711	44,529	54,016	51,493	211,542	201,659	51,848	49,426	67,403	64,254	5,750	5,482	6,505	6,201			471,348	449,329	
Visiting Medical Officers	161	165		(1)	1,285	1,315	2,493	2,550	24,557	25,119	2,661	2,722	639	654	132	135	362	370			32,290	33,029	
Other Operating Expenses	8,874	8,871	706	706	25,820	25,811	25,648	25,639	96,735	96,702	11,240	11,236	18,836	18,829	1,775	1,774	1,202	1,202			190,836	190,770	
Depreciation and Amortisation	542	494	37	34	2,921	2,664	1,895	1,729	9,957	9,081	1,614	1,472	3,175	2,896	98	90	273	249			20,512	18,709	
Grants and Subsidies	5,401	1,972	166	60	2,725	995	76	28	337	123	930	340	90	33	118	43	9	3			9,852	3,597	
Finance Costs	1	9		1	2	14	2	15	9	69	2	15	2	19		2		2			18	146	
Payments to Affiliated Health Organisations																							
<b>Total Expenses excluding losses</b>	<b>39,253</b>	<b>34,651</b>	<b>4,208</b>	<b>3,945</b>	<b>79,464</b>	<b>75,328</b>	<b>84,130</b>	<b>81,454</b>	<b>343,137</b>	<b>332,753</b>	<b>68,295</b>	<b>65,211</b>	<b>90,145</b>	<b>86,685</b>	<b>7,873</b>	<b>7,526</b>	<b>8,351</b>	<b>8,027</b>			<b>724,856</b>	<b>695,580</b>	
Revenue																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	667	1,335	91	181	1,284	2,569	1,485	2,971	5,813	11,636	1,425	2,852	1,852	3,707	158	316	179	358			593,936	576,798	
Sale of Goods and Services	332	304	656	601	14,603	13,369	3,290	3,012	49,219	45,055	2,231	2,043	16,581	15,179	166	152	420	384			59,680	20,704	
Investment Revenue	6	1	2		388	89	308	71	1,684	388	113	26	255	58			263	58				12,954	
Grants and Contributions	749	725	577	558	1,200	1,161	34	33	67	65	33	32	3,981	3,850	966	934	4,174	4,037				87,498	
Other Revenue	59	74	13	17	124	155	114	143	429	537	115	144	164	205	9	11	18	22				3,009	
<b>Total Revenue</b>	<b>1,813</b>	<b>2,439</b>	<b>1,339</b>	<b>1,357</b>	<b>17,599</b>	<b>17,343</b>	<b>5,231</b>	<b>6,230</b>	<b>57,212</b>	<b>57,681</b>	<b>3,917</b>	<b>5,097</b>	<b>22,833</b>	<b>22,999</b>	<b>1,299</b>	<b>1,413</b>	<b>5,044</b>	<b>4,859</b>			<b>653,616</b>	<b>769,903</b>	
Gain / (Loss) on Disposal	(16)	(12)	(1)	(1)	(46)	(35)	(46)	(34)	(175)	(130)	(20)	(15)	(34)	(25)	(3)	(2)	(2)	(2)				(343)	
Other Gains / (Losses)	(2)	(2)	(4)	(4)	(85)	(85)	(19)	(19)	(286)	(285)	(13)	(13)	(96)	(96)	(1)	(1)	(2)	(2)				(508)	
<b>Net Result</b>	<b>(37,458)</b>	<b>(32,226)</b>	<b>(2,874)</b>	<b>(2,593)</b>	<b>(61,996)</b>	<b>(58,105)</b>	<b>(78,964)</b>	<b>(75,277)</b>	<b>(286,386)</b>	<b>(275,487)</b>	<b>(64,411)</b>	<b>(60,142)</b>	<b>(67,442)</b>	<b>(63,807)</b>	<b>(6,578)</b>	<b>(6,116)</b>	<b>(3,311)</b>	<b>(3,172)</b>			<b>653,616</b>	<b>716,920</b>	
Other Comprehensive Income																							
Increase/(Decrease) in Revaluation Surplus	173	756	12	52	931	4,079	604	2,647	3,175	13,905	515	2,254	1,013	4,434	31	137	87	381				6,541	
<b>Total Other Comprehensive Income</b>	<b>173</b>	<b>756</b>	<b>12</b>	<b>52</b>	<b>931</b>	<b>4,079</b>	<b>604</b>	<b>2,647</b>	<b>3,175</b>	<b>13,905</b>	<b>515</b>	<b>2,254</b>	<b>1,013</b>	<b>4,434</b>	<b>31</b>	<b>137</b>	<b>87</b>	<b>381</b>			<b>0</b>	<b>28,645</b>	
<b>Total Comprehensive Income</b>	<b>(37,285)</b>	<b>(31,470)</b>	<b>(2,862)</b>	<b>(2,541)</b>	<b>(61,065)</b>	<b>(54,026)</b>	<b>(78,360)</b>	<b>(72,630)</b>	<b>(283,211)</b>	<b>(261,582)</b>	<b>(63,896)</b>	<b>(57,888)</b>	<b>(66,429)</b>	<b>(59,373)</b>	<b>(6,547)</b>	<b>(5,979)</b>	<b>(3,224)</b>	<b>(2,791)</b>			<b>653,616</b>	<b>50,737</b>	
																						<b>597,502</b>	<b>49,222</b>

Service Group Statements focus on the key measures of service delivery performance, refer note 2ac).

\* The name and purpose of each service group is summarised in Note 17

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



Illawarra Shoalhaven Local Health District  
Service Group Statements (Continued)  
for the year ended 30 June 2013

DISTRICT ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total				
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>ASSETS</b>																									
Current Assets																									
Cash and Cash Equivalents	1,908	1,187	205	135	3,862	2,580	4,089	2,790	16,678	11,399	3,320	2,234	4,382	2,970	383	258	406	275							
Receivables	56	66	110	129	2,438	2,880	549	649	8,217	9,705	373	440	2,768	3,270	28	33	70	83							
Inventories	350	354	28	28	1,020	1,031	1,013	1,024	3,821	3,863	444	449	744	752	70	71	47	48							
Financial Assets at Fair Value	780	632	84	72	1,578	1,374	1,671	1,485	6,816	6,067	1,356	1,189	1,790	1,581	156	137	166	146							
<b>Total Current Assets</b>	<b>3,094</b>	<b>2,239</b>	<b>427</b>	<b>364</b>	<b>8,898</b>	<b>7,865</b>	<b>7,322</b>	<b>5,948</b>	<b>35,532</b>	<b>31,034</b>	<b>5,493</b>	<b>4,312</b>	<b>9,684</b>	<b>8,573</b>	<b>637</b>	<b>499</b>	<b>689</b>	<b>552</b>							
<b>Non-Current Assets</b>																									
Property, Plant and Equipment																									
- Land and Buildings	11,023	9,716	752	662	59,457	52,406	36,580	34,005	202,671	178,636	32,860	28,963	64,634	56,969	2,004	1,766	5,553	4,895							
- Plant and Equipment	621	638	42	43	3,349	3,440	2,173	2,232	11,415	11,727	1,851	1,901	3,641	3,740	113	116	313	321							
- Infrastructure Systems	796	826	54	56	4,294	4,457	2,786	2,892	14,638	15,192	2,373	2,463	4,668	4,845	145	150	401	416							
Intangible Assets	11	20	1	1	57	110	37	72	194	376	31	61	62	120	2	4	5	10							
<b>Total Non-Current Assets</b>	<b>12,451</b>	<b>11,200</b>	<b>849</b>	<b>762</b>	<b>67,157</b>	<b>60,413</b>	<b>43,576</b>	<b>39,201</b>	<b>228,918</b>	<b>205,931</b>	<b>37,115</b>	<b>33,368</b>	<b>73,005</b>	<b>65,674</b>	<b>2,264</b>	<b>2,036</b>	<b>6,272</b>	<b>5,642</b>							
<b>TOTAL ASSETS</b>	<b>15,545</b>	<b>13,439</b>	<b>1,276</b>	<b>1,126</b>	<b>76,055</b>	<b>68,278</b>	<b>50,898</b>	<b>45,149</b>	<b>264,450</b>	<b>236,965</b>	<b>42,608</b>	<b>37,700</b>	<b>82,689</b>	<b>74,247</b>	<b>2,901</b>	<b>2,535</b>	<b>6,961</b>	<b>6,194</b>							
<b>LIABILITIES</b>																									
Current Liabilities																									
Payables	2,050	1,764	163	140	5,964	5,133	5,925	5,098	22,346	19,230	2,596	2,234	4,351	3,744	410	353	278	239							
Borrowings	15	20	2	2	31	44	33	47	134	192	27	38	35	50	3	4	3	5							
Provisions	3,146	3,160	428	429	6,053	6,080	7,000	7,031	27,414	27,533	6,719	6,749	8,735	8,773	745	748	843	847							
Other	86	32	9	4	175	70	185	76	758	308	150	61	199	81	17	7	18	7							
<b>Total Current Liabilities</b>	<b>5,297</b>	<b>4,976</b>	<b>602</b>	<b>575</b>	<b>12,223</b>	<b>11,327</b>	<b>13,143</b>	<b>12,252</b>	<b>50,652</b>	<b>47,263</b>	<b>9,492</b>	<b>9,082</b>	<b>13,320</b>	<b>12,648</b>	<b>1,175</b>	<b>1,112</b>	<b>1,142</b>	<b>1,098</b>							
Non-Current Liabilities																									
Borrowings																									
Provisions																									
<b>Total Non-Current Liabilities</b>																									
<b>TOTAL LIABILITIES</b>	<b>5,316</b>	<b>5,030</b>	<b>605</b>	<b>582</b>	<b>12,260</b>	<b>11,435</b>	<b>13,186</b>	<b>12,374</b>	<b>50,822</b>	<b>47,748</b>	<b>9,534</b>	<b>9,195</b>	<b>13,374</b>	<b>12,794</b>	<b>1,180</b>	<b>1,125</b>	<b>1,147</b>	<b>1,112</b>							
<b>NET ASSETS</b>	<b>10,229</b>	<b>8,409</b>	<b>671</b>	<b>544</b>	<b>63,795</b>	<b>56,843</b>	<b>37,712</b>	<b>32,775</b>	<b>213,628</b>	<b>189,217</b>	<b>33,074</b>	<b>28,505</b>	<b>69,315</b>	<b>61,453</b>	<b>1,721</b>	<b>1,410</b>	<b>5,814</b>	<b>5,082</b>							

\* The name and purpose of each service group is summarised in Note 17

Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ac), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

Illawarra Shoalhaven Local Health District  
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## 1. The Reporting Entity

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

The District as a reporting entity, comprises all the entities under its control, namely;

The parent entity, comprises all the operating activities of the Hospital facilities and the Community Health Centres under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the District.

\* The Illawarra Shoalhaven Local Health District Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The District is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2013 have been authorised for issue by the Chief Executive on 19 September 2013.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and its regulations, and the Treasurers' Directions. Apart from the basis for the District's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ab).

Notwithstanding the consolidated entity has a working capital deficiency of \$35.3m (2012 deficiency of \$38.9m) and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the District have been prepared on a going concern basis.

The Director General of Health, the Chair of Illawarra Shoalhaven Local Health District Board and the Chief Executive, have agreed to service and funding levels for the forward financial year. The service agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet service agreement performance standards, the Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the Ministry.

Other mitigating circumstances why the going concern is appropriate include:

- \* Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- \* The District has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- \* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at "fair value through profit and loss" and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

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

Illawarra Shoalhaven Local Health District  
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**Comparative Information**

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. The comparative period is a twelve month period.

Where practical, prior year amounts are reclassified for the purpose of comparability with the current year figures.

**Statement of Compliance**

The financial statements comply with Australian Accounting Standards which include Australian Accounting Interpretations.

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

**a) Employee Benefits and Other Provisions**

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

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term".

On-costs of 13.74% are applied to the value of leave payable at 30 June 2013, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2012 were 17.8%).

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**ii) Long Service Leave and Superannuation**

The District's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity.

The District accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 27.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 25, 'Payables'.

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

**iii) Other Provisions**

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

**b) Insurance**

The District's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

Illawarra Shoalhaven Local Health District  
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**c) Finance Costs**

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector entities.

**d) Income Recognition**

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

*Sale of Goods*

Revenue from the sale of goods is recognised as revenue when the District transfers the significant risks and rewards of ownership of the assets.

*Rendering of Services*

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

*Patient Fees*

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

*High Cost Drugs*

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

*Motor Accident Authority Third Party*

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents. The District, recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

*Department of Veterans' Affairs*

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

*Investment Revenue*

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

Rental revenue from operating leases is recognised in accordance with AASB 117, Leases on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB 118, Revenue when the District's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB 118, on an accrual basis in accordance with the substance of the relevant agreement.

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

*Use of Outside Facilities*

The District uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities.

Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

*Grants and Contributions*

Grants and contributions are generally recognised as revenues when the District obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

*NSW Ministry of Health Allocations*

Payments are made by the NSW Ministry of Health on the basis of the allocation for the District as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

**e) Accounting for the Goods & Services Tax (GST)**

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

- \* the amount of GST incurred by the District as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- \* receivables and payables are stated with the amount of GST included.

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

**f) Interstate Patient Flows**

From 1 July 2012, interstate patient flows are funded through the state pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation.

**g) Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the District.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2[y]).

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

Land and buildings which are owned by the Health Administration Corporation or the State and administered by the District are deemed to be controlled by the District and are reflected as such in the financial statements.

**h) Capitalisation Thresholds**

Individual items of property, plant & equipment and intangibles are capitalised where their cost is \$10,000 or above.

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

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the District. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges, water infrastructure and distribution works, sewerage treatment plants, seawalls and water reticulation systems.

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported. There has been no change in the depreciation rates from the prior year.

**j) Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the NSW Ministry of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB 116, Property, Plant and Equipment and AASB 140, Investment Property.

Investment property is separately discussed at Note 2(n).

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the depreciated replacement cost.

The District revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the District was as at 1 July 2011 and was based on an independent assessment.

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices are sourced. The indices reflect an assessment of movements made in the period between revaluations.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

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

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

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

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

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

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

As a not-for-profit entity with no cash generating units, the District is effectively exempt from AASB 136, Impairment of Assets. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

**l) Assets Not Able to be Reliably Measured**

The District may at times hold certain assets that are not recognised in the Statement of Financial Position because the District is unable to measure reliably the value of the assets.

**m) Restoration Costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

**n) Investment Properties**

The District does not have any property that meets the definition of Investment Property.

**o) Intangible Assets**

The District recognises intangible assets only if it is probable that future economic benefits will flow to the District and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost.

Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the District's intangible assets, the assets are carried at cost less any accumulated amortisation.

Computer software developed or acquired by the District are recognised as intangible assets and are amortised over five years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**p) Maintenance**

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**q) Leased Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Illawarra Shoalhaven Local Health District  
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Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

**r) Inventories**

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable, for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of in accordance with instructions issued by the NSW Ministry of Health.

**s) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**t) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The District determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

\* Fair value through profit or loss - The District subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value.

Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the District's key management personnel.

The risk management strategy of the District has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act.

T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

The movement in the fair value of the Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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

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

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

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

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.



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**u) Impairment of financial assets**

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

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

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

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

**v) De-recognition of financial assets and financial liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the District transfers the financial asset:

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

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

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

**w) Payables**

These amounts represent liabilities for goods and services provided to the District and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the District.

**x) Borrowings**

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

The finance lease liability is determined in accordance with AASB 117, Leases.

**y) Equity Transfers**

The transfer of net assets between entity as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004, Contributions and Australian Interpretation 1038, Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

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**z) Equity and Reserves**

**(i) Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the District's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

**(ii) Accumulated Funds**

The category "accumulated funds" includes all current and prior period retained funds.

**(iii) Separate Reserves**

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

**aa) Trust Funds**

The District receives monies in a trustee capacity for various trusts as set out in Note 30.

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

**ab) Budgeted Amounts**

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

**ac) Service Group Statements Allocation Methodology**

The Ministry of Health, in conjunction with all health entities, undertook an analysis of service group statements to ensure that the National Health Funding reforms definitions are consistently applied to 2011/12 and 2012/13 financial statements. Using the statistical data for twelve months ending 30 June 2012, new percentages were derived which resulted in variances in several service groups for the 2011/12 comparative year, which have been restated.

The data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2012/13 year. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the Ministry requires the District take action to identify those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

**ad) New Australian Accounting Standards Issued but not Effective**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application includes:

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

AASB 10, Consolidated Financial Statements has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127. Changes to the reporting of consolidated entities is not expected as a result of this amendment.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the District.

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have a material impact.

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AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. Future impact is assessed as minimal.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2013/14 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact on the District.

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the District.

AASB 1053 and AASB 2010-2, Application of Tiers of Australian Accounting Standards, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 1055, Budgetary Reporting, has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted by NSW Treasury for whole of government reporting.

AASB 2010-10 regarding removal of fixed dates for first time adopters, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the District.

AASB 2011-2, Trans-Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the policy of NSW Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration of Key Management Personnel, recognising that this is more a governance issue.

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013. The exemption is not expected to have a material impact.

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

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119, applicable from 1 July 2013 assessed as having no material impact.

AASB 2011-11, Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements, applicable from 1 July 2013 assessed as having no material impact.

The following changes will depend on the policies determined by NSW Treasury.

AASB 2012-1, Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements. Sets out reduced disclosure requirements as a consequence of the issuance of AASB 13, having application from 1 July 2013.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7.

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

AASB 2012-4, Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards'). Applicable to reporting periods on or after 1 January 2013.

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AASB 2012-5 regarding annual improvements 2009 to 2011 cycle. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-7, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Applicable to reporting periods on or after 1 July 2013.

AASB 2012-9, Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-10, Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. Applicable to reporting periods on or after 1 January 2013.

AASB 2012-11, Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments, having application from 1 July 2013.

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, having application from 1 July 2014.

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PARENT		CONSOLIDATION	
2013 \$000	2012 \$000	2013 \$000	2012 \$000
<b>3. Employee Related</b>			
Employee related expenses comprise the following:			
----	----		
----	----	Salaries and Wages	317,138
----	----	Overtime	289,289
----	----	Penalties	18,306
----	----	Superannuation - Defined Benefit Plans	31,614
----	----	Superannuation - Defined Contribution Plans	29,565
----	----	Long Service Leave	6,163
----	----	Annual Leave	6,419
----	----	Sick Leave and Other Leave	32,559
----	----	Redundancies	28,422
----	----	Workers' Compensation Insurance	6,791
----	----	Payroll Tax and Fringe Benefits Tax	14,966
----	----		19,506
----	----		35,289
----	----		39,174
----	----		11,955
----	----		473
----	----		311
----	----		8,808
----	----		6,489
----	----		(63)
----	----	<b>471,348</b>	<b>449,329</b>
----	----		
<b>4. Personnel Services</b>			
Personnel Services comprise the purchase of the following:			
317,138	289,289		
17,610	18,306	Salaries and Wages	----
31,614	29,565	Overtime	----
32,559	28,422	Penalties	----
35,289	39,174	Superannuation - Defined Contribution Plans	----
14,966	11,955	Annual Leave	----
473	311	Sick Leave and Other Leave	----
8,808	6,489	Redundancies	----
(63)	(107)	Workers' Compensation Insurance	----
		Payroll Tax and Fringe Benefits Tax	----
<b>458,394</b>	<b>423,404</b>		
<b>5. Other Operating Expenses</b>			
4,470	4,183	Blood and Blood Products	4,470
83	62	Capital Project Expense	4,183
8,917	7,072	Domestic Supplies and Services	83
28,517	28,038	Drug Supplies	8,917
15,485	15,152	Food Supplies	7,072
5,208	4,092	Fuel, Light and Power	28,517
12,225	25,974	General Expenses (See (b) below)	28,038
5,021	4,496	Hospital Ambulance Transport Costs	15,485
7,246	5,272	Information Management Expenses	15,485
878	619	Insurance	5,208
		Maintenance (See (c) below)	4,092
3,982	3,516	Maintenance Contracts	12,225
4,220	3,984	New/Replacement Equipment under \$10,000	25,974
4,805	3,949	Repairs Maintenance/Non Contract	5,021
52	197	Other	4,496
33,408	31,531	Medical and Surgical Supplies	7,246
1,404	1,634	Motor Vehicle Expenses	5,272
1,393	1,017	Postal and Telephone Costs	878
1,376	1,444	Printing and Stationery	3,982
842	1,005	Rates and Charges	3,516
3,319	2,624	Rental	3,984
854	3,241	Hosted services purchased from Other LHDs	4,220
37,961	34,683	Special Service Departments	4,805
3,065	2,263	Staff Related Costs	52
3,815	3,140	Sundry Operating Expenses (See (a) below)	33,408
2,290	1,582	Travel Related Costs	31,531
<b>190,836</b>	<b>190,770</b>		
<b>190,836</b>	<b>190,770</b>		

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		<b>(a) Sundry Operating Expenses comprise :</b>		
3,429	2,875	Contract for Patient Services	3,429	2,875
386	265	Isolated Patient Travel and Accommodation Assistance Scheme	386	265
<u>3,815</u>	<u>3,140</u>		<u>3,815</u>	<u>3,140</u>
		<b>(b) General Expenses include :-</b>		
508	206	Advertising	508	206
187	185	Auditor's Remuneration - External Audit	187	185
300	273	Books, Magazines and Journals	300	273
		Consultancies		
		- Operating Activities		
706	245	Corporate Support Services	706	245
2,934	2,256	Courier and Freight	2,934	2,256
483	427	Data Recording and Storage	483	427
211	160	Legal Services	211	160
657	124	Membership/Professional Fees	657	124
139	184	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	139	184
2,046	2,392	Other Operating Lease Expense - Minimum Lease Payments	2,046	2,392
1,775	1,930	Payroll Services	1,775	1,930
68	22	Quality Assurance/Accreditation	68	22
84	189	Security Services	84	189
229	26	Services Purchased from Health Reform Transition Organisations #	229	26
----	14,602	Translator Services	----	14,602
52	85	Other	52	85
1,846	2,668		1,846	2,668
<u>12,225</u>	<u>25,974</u>		<u>12,225</u>	<u>25,974</u>
		# The Health Reform Transition Office (Southern) was disbanded at the end of the previous financial year.		
		<b>(c) Reconciliation of Total Maintenance</b>		
13,059	11,646	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	13,059	11,646
2,443	2,387	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	2,443	2,387
<u>15,502</u>	<u>14,033</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>15,502</u>	<u>14,033</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
<b>6. Depreciation and Amortisation</b>				
13,630	13,228	Depreciation - Buildings	13,630	13,228
-----	-----	Amortisation - Leased Buildings	-----	-----
5,176	4,150	Depreciation - Plant and Equipment	5,176	4,150
1,332	1,331	Depreciation - Infrastructure Systems	1,332	1,331
-----	-----	Amortisation - Other Leased Assets	-----	-----
374	-----	Amortisation - Intangible Assets	374	-----
-----	-----	Amortisation - Other	-----	-----
<u>20,512</u>	<u>18,709</u>		<u>20,512</u>	<u>18,709</u>
<b>7. Grants and Subsidies</b>				
2,968	1,671	Non-Government Organisations	2,968	1,671
-----	-----	Nursing Homes	-----	-----
674	986	Community Aged Care Packages	674	986
408	-----	Grants to Research Orgs	408	-----
8	-----	Promotion of Research	8	-----
-----	-----	Budget Sector Other Grants	-----	-----
5,794	940	Other Grants	5,794	940
<u>9,852</u>	<u>3,597</u>		<u>9,852</u>	<u>3,597</u>
<b>8. Finance Costs</b>				
-----	-----	Finance Lease Interest Charges	-----	-----
18	31	Interest on Loans	18	31
-----	115	Other Interest Charges	-----	115
<u>18</u>	<u>146</u>		<u>18</u>	<u>146</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
<b>9. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
2,115	2,264	Sale of Prosthesis	2,115	2,264
84	59	Other	84	59
1,035	442	Pharmacy Sales	1,035	442
(b) Rendering of Services comprise the following:-				
		Patient Fees [see note 2(d)]		
31,924	28,490	- Inpatient Fees	31,924	28,490
638	453	- Nursing Home Fees	638	453
259	52	- Non Inpatient Fees	259	52
17,043	17,048	Department of Veterans' Affairs	17,043	17,048
283	330	Staff-Meals and Accommodation	283	330
9,565	8,433	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	9,565	8,433
3,403	2,763	- Annual Charge	3,403	2,763
18	16	Cafeteria/Kiosk	18	16
827	811	Car Parking	827	811
387	402	Child Care Fees	387	402
-----	121	Clinical Services (excluding Clinical Drug Trials)	-----	121
144	151	Commercial Activities	144	151
2	3	Enteral Nutrition Income	2	3
104	91	Fees for Medical Records	104	91
3	-----	Information Retrieval	3	-----
11,868	11,543	High Cost Drugs	11,868	11,543
1	1	Meals on Wheels	1	1
4,381	2,800	Motor Accident Authority Third Party	4,381	2,800
-----	1,350	Patient Inflows from Interstate*	-----	1,350
5	7	Patient Transport Fees	5	7
314	302	Private Use of Motor Vehicles	314	302
1,375	1,230	Salary Packaging Fee	1,375	1,230
842	105	Services Provided to Non NSW Health Organisations	842	105
878	832	Other	878	832
<u>87,498</u>	<u>80,099</u>		<u>87,498</u>	<u>80,099</u>
*From 1 July 2012, interstate patient flows are paid through the state pool account. As a result, these funds are now recognised through recurrent allocation. Refer note 2(f).				
<b>10. Investment Revenue</b>				
1,745	374	Interest	1,745	374
		- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss		
1,232	317	- Other	1,232	317
32	-----	Other	32	-----
<u>3,009</u>	<u>691</u>		<u>3,009</u>	<u>691</u>



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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
<b>11. Grants and Contributions</b>				
580	276	Clinical Drug Trials	580	276
3,817	496	Commonwealth Government Grants	3,817	496
930	985	Commonwealth Teaching Hospital Grants	930	985
2,188	1,112	Industry Contributions/Donations	2,188	1,112
875	1,481	Cancer Institute Grants	875	1,481
1,854	6,369	NSW Government Grants	1,854	6,369
44	8	Research Grants	44	8
-----	4	University Commission Grants	-----	4
1,493	664	Other Grants	1,493	664
<u>11,781</u>	<u>11,395</u>		<u>11,781</u>	<u>11,395</u>
<b>12. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
-----	-----	Superannuation-defined benefit	6,163	6,419
-----	-----	Long Service Leave	6,791	19,506
<u>-----</u>	<u>-----</u>		<u>12,954</u>	<u>25,925</u>
<b>13. Other Revenue</b>				
Other Revenue comprises the following:-				
165	224	Commissions	165	224
68	80	Conference and Training Fees	68	80
1	-----	Discounts	1	-----
99	-----	Insurance Refunds	99	-----
205	70	Lease and Rental Income	205	70
6	10	Sale of Merchandise, Old Wares and Books	6	10
39	32	Sponsorship Income	39	32
-----	88	Treasury Managed Fund Hindsight Adjustment	-----	88
-----	8	Unclaimed Deposits	-----	8
462	796	Other	462	796
<u>1,045</u>	<u>1,308</u>		<u>1,045</u>	<u>1,308</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		<b>14. Gain / (Loss) on Disposal</b>		
6,314	7,489	Property, Plant and Equipment	6,314	7,489
5,531	7,179	Less: Accumulated Depreciation	5,531	7,179
<u>783</u>	<u>310</u>	<b>Written Down Value</b>	<u>783</u>	<u>310</u>
440	54	Less: Proceeds from Disposal	440	54
<u>(343)</u>	<u>(256)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(343)</u>	<u>(256)</u>
<u>(343)</u>	<u>(256)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(343)</u>	<u>(256)</u>
		<b>15. Other Gains / (Losses)</b>		
(508)	(507)	Impairment of Receivables	(508)	(507)
<u>(508)</u>	<u>(507)</u>		<u>(508)</u>	<u>(507)</u>

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**PARENT & CONSOLIDATION**

**16. Conditions on Contributions**

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	-----	4,931	-----	4,931
Contributions recognised in previous years which were not expended in the current reporting period	-----	15,391	-----	15,391
Total amount of unexpended contributions as at balance date	-----	20,322	-----	20,322

Comment on restricted assets appears in Note 24

Illawarra Shoalhaven Local Health District  
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**17. Service Groups of the District**

**Service Group 1.1 - Primary and Community Based Services**

Service Description: This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

**Service Group 1.2 - Aboriginal Health Services**

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. (Note: This program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that are used by all members of the community).

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

**Service Group 1.3 - Outpatient Services**

Service Description: This service group covers the provision of services provided in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

**Service Group 2.1 - Emergency Services**

Service Description: This service group covers the provision of emergency road and air ambulance services and treatment of patients in emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

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**Service Group 2.2 - Inpatient Hospital Services**

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity services.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

**Service Group 3.1 - Mental Health Services**

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts and community based organisations for people seriously affected by mental illnesses and mental health problems. It also covers the development of preventative programs that meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

**Service Group 4.1 - Rehabilitation and Extended Care Services**

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Ministry's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

**Service Group 5.1 - Population Health Services**

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

**Service Group 6.1 - Teaching and Research**

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.

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	PARENT		CONSOLIDATION	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>18. Cash and Cash Equivalents</b>				
Cash at Bank and On Hand	34,380	23,005	34,380	23,005
Short Term Deposits	853	823	853	823
	<b>35,233</b>	<b>23,828</b>	<b>35,233</b>	<b>23,828</b>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
Cash and Cash Equivalents (Refer to Statement of Financial Position)	35,233	23,828	35,233	23,828
Closing Cash and Cash Equivalents (Refer to Statement of Cash Flows)	<b>35,233</b>	<b>23,828</b>	<b>35,233</b>	<b>23,828</b>

*Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
<b>19. Receivables</b>				
<b>Current</b>				
7,576	6,640	Sale of Goods and Services	7,576	6,640
3,373	4,676	Intra Health Receivables	3,373	4,676
2,218	3,759	Goods and Services Tax	2,218	3,759
992	1,269	Other Debtors	992	1,269
<u>14,159</u>	<u>16,344</u>	<b>Sub Total</b>	<u>14,159</u>	<u>16,344</u>
(738)	(446)	Less Allowance for Impairment	(738)	(446)
<u>13,421</u>	<u>15,898</u>	<b>Sub Total</b>	<u>13,421</u>	<u>15,898</u>
1,188	1,357	Prepayments	1,188	1,357
<u><b>14,609</b></u>	<u><b>17,255</b></u>		<u><b>14,609</b></u>	<u><b>17,255</b></u>
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(442)	----	Balance at Commencement of Reporting Period	(442)	----
212	(442)	Amounts written off during the year	212	(442)
(Increase)/decrease in Allowance Recognised in				
(506)	----	Result for the Year	(506)	----
<u>(736)</u>	<u>(442)</u>	Balance at 30 June	<u>(736)</u>	<u>(442)</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
(4)	----	Balance at Commencement of Reporting Period	(4)	----
4	(4)	Amounts written off during the year	4	(4)
(Increase)/decrease in Allowance Recognised in				
(2)	----	Result for the Year	(2)	----
<u>(2)</u>	<u>(4)</u>	Balance at 30 June	<u>(2)</u>	<u>(4)</u>
<u><b>(738)</b></u>	<u><b>(446)</b></u>		<u><b>(738)</b></u>	<u><b>(446)</b></u>
(c) Patient Fee Receivables				
(Current and Non-Current) include:				
419	188	Patient Fees - Compensable	419	188
668	462	Patient Fees - Ineligible	668	462
5,438	5,696	Patient Fees - Other	5,438	5,696
<u><b>6,525</b></u>	<u><b>6,346</b></u>		<u><b>6,525</b></u>	<u><b>6,346</b></u>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.*

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	<b>PARENT</b>	<b>CONSOLIDATION</b>	
	2013 \$000	2012 \$000	2013 \$000
<b>20. Inventories - Current - Held for Distribution</b>			
Drugs	2,793	3,114	2,793
Medical and Surgical Supplies	4,600	4,335	4,600
Other Including Goods in Transit	144	171	144
	<u>7,537</u>	<u>7,620</u>	<u>7,537</u>
	<u>7,537</u>	<u>7,620</u>	<u>7,620</u>



Illawarra Shoalhaven Local Health District  
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	<b>PARENT</b>		<b>CONSOLIDATION</b>
	2013	2012	2013
	\$000	\$000	\$000
<b>21. Financial Assets at Fair Value</b>			
<b>Current</b>			
Treasury Corporation - Hour-Glass Investment Facilities	14,397	12,683	14,397
	<u>14,397</u>	<u>12,683</u>	<u>14,397</u>
			<u>12,683</u>

Refer to Note 38 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

Illawarra Shoalhaven Local Health District  
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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
676,250	608,288	Gross Carrying Amount	676,250	608,288
258,716	240,269	Less: Accumulated Depreciation and Impairment	258,716	240,269
<u><b>417,534</b></u>	<u><b>368,019</b></u>	<b>Net Carrying Amount</b>	<u><b>417,534</b></u>	<u><b>368,019</b></u>
<b>Plant and Equipment - Fair Value</b>				
57,830	58,426	Gross Carrying Amount	57,830	58,426
34,312	34,266	Less: Accumulated Depreciation and Impairment	34,312	34,266
<u><b>23,518</b></u>	<u><b>24,160</b></u>	<b>Net Carrying Amount</b>	<u><b>23,518</b></u>	<u><b>24,160</b></u>
<b>Infrastructure Systems - Fair Value</b>				
54,298	53,233	Gross Carrying Amount	54,298	53,233
24,143	21,935	Less: Accumulated Depreciation and Impairment	24,143	21,935
<u><b>30,155</b></u>	<u><b>31,298</b></u>	<b>Net Carrying Amount</b>	<u><b>30,155</b></u>	<u><b>31,298</b></u>
<u><b>471,207</b></u>	<u><b>423,477</b></u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u><b>471,207</b></u>	<u><b>423,477</b></u>

Illawarra Shoalhaven Local Health District  
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PARENT & CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2013</b>							
Net Carrying Amount at Start of Year	50,308	288,999	28,712	24,160	31,298	-----	423,477
Additions	-----	61	57,029	5,037	-----	-----	62,127
Disposals	-----	-----	-----	(783)	-----	-----	(783)
Administrative Restructures - Transfers In/(Out)	-----	-----	-----	(17)	-----	-----	(17)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	606	5,746	-----	-----	189	-----	6,541
Depreciation Expense	-----	(13,630)	-----	(5,176)	(1,332)	-----	(20,138)
Reclassifications	-----	8,120	(8,417)	297	-----	-----	-----
Net Carrying Amount at End of Year	50,914	289,296	77,324	23,518	30,155	0	471,207

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2012</b>							
Net Carrying Amount at Start of Year	41,804	280,515	12,402	19,030	31,325	-----	385,076
Additions	-----	5	16,310	5,907	-----	-----	22,222
Disposals	-----	-----	-----	(310)	-----	-----	(310)
Administrative Restructures - Transfers In/(Out)	2,604	266	-----	3,683	-----	-----	6,553
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	5,900	21,441	-----	-----	1,304	-----	28,645
Depreciation Expense	-----	(13,228)	-----	(4,150)	(1,331)	-----	(18,709)
Reclassifications	-----	-----	-----	-----	-----	-----	-----
Net Carrying Amount at End of Year	50,308	288,999	28,712	24,160	31,298	0	423,477

Above categories and transaction type should be deleted if not applicable.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 2(g)].
- (ii) Land and Buildings were valued in the 2012/13 financial year by CBRE Pty Ltd in accordance with note 2(j). CBRE Pty Ltd is not an employee of the District.
- (iii) Indices provided by CBRE Pty Ltd were not applied as immaterial.
- (iv) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indices applied to Non Current Assets as determined by CBRE Pty Ltd :

Year	Land	Buildings	Infrastructure
2011/12	0-4%	0-2%	0-2%
2012/13	0-4%	0-2%	0-2%

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	PARENT		CONSOLIDATION	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>23. Intangible Assets</b>				
Cost (Gross Carrying Amount)	774	774	774	774
Less Accumulated Amortisation and Impairment	374	-----	374	-----
<b>Net Carrying Amount</b>	<u>400</u>	<u>774</u>	<u>400</u>	<u>774</u>
<b>Total Intangible Assets at Net Carrying Amount</b>	<u>400</u>	<u>774</u>	<u>400</u>	<u>774</u>

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**PARENT & CONSOLIDATION**

**23. Intangibles - Reconciliation**

	<b>Intangibles \$000</b>
<b>2013</b>	
Net Carrying Amount at Start of Year	774
Amortisation (Recognised in Depreciation and Amortisation)	(374)
<b>Net Carrying Amount at End of Year</b>	<b>400</b>

	<b>Intangibles \$000</b>
<b>2012</b>	
Net Carrying Amount at Start of Year	774
Amortisation (Recognised in Depreciation and Amortisation)	-----
<b>Net Carrying Amount at End of Year</b>	<b>774</b>

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	PARENT	CONSOLIDATION	
	2013 \$000	2013 \$000	2012 \$000
<b>24. Restricted Assets</b>			
<p>The District's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>			
<b>Category</b>			
	5,208	5,208	3,957
Specific Purposes			5,239
Research Grants	5,993	5,993	
Private Practice Funds	9,121	9,121	8,178
	<u>20,322</u>	<u>20,322</u>	<u>17,374</u>
	<u>17,374</u>		<u>17,374</u>

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PARENT			CONSOLIDATION	
2013 \$000	2012 \$000		2013 \$000	2012 \$000
		<b>25. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	7,253	6,069
----	----	Taxation and Payroll Deductions	4,185	3,800
11,438	9,869	Accrued Liability - Purchase of Personnel Services	----	----
15,569	14,876	Creditors	15,569	14,876
		Other Creditors		
----	902	- Capital Works	----	902
5,637	2,028	- Intra Health Liability	5,637	2,028
11,439	10,260	- Other	11,439	10,260
<b>44,083</b>	<b>37,935</b>		<b>44,083</b>	<b>37,935</b>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.*

		<b>26. Borrowings</b>		
		<b>Current</b>		
283	402	Other Loans and Deposits	283	402
<b>283</b>	<b>402</b>		<b>283</b>	<b>402</b>
		<b>Non-Current</b>		
----	283	Other Loans and Deposits	----	283
-----	<b>283</b>		-----	<b>283</b>

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

Other loans still to be extinguished represent monies to be repaid to the HealthShare.

Final Repayment is scheduled for 30 December 2013

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.*

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PARENT		CONSOLIDATION	
2013	2012	2013	2012
\$000	\$000	\$000	\$000
<b>27. Provisions</b>			
-----	-----	38,000	34,821
-----	-----	15,908	18,953
-----	-----	7,175	7,576
61,083	61,350	-----	-----
<b>61,083</b>	<b>61,350</b>	<b>61,083</b>	<b>61,350</b>
-----	-----	378	779
378	779	-----	-----
<b>378</b>	<b>779</b>	<b>378</b>	<b>779</b>
-----	-----	61,083	61,350
-----	-----	378	779
-----	-----	11,438	9,869
72,899	71,998	-----	-----
<b>72,899</b>	<b>71,998</b>	<b>72,899</b>	<b>71,998</b>



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	PARENT	CONSOLIDATION	
	2013 \$000	2013 \$000	2012 \$000
<b>28. Other Liabilities</b>			
<b>Current</b>			
Income in Advance	1,597	1,597	646
	<u>1,597</u>	<u>1,597</u>	<u>646</u>

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	<b>PARENT</b>	<b>CONSOLIDATION</b>
	2013 \$000	2012 \$000
<b>29. Commitments for Expenditure</b>		
<b>(a) Capital Commitments</b>		
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
Not later than one year	61,172	29,332
Later than one year and not later than five years	21,606	1,790
<b>Total Capital Expenditure Commitments (Including GST)</b>	82,778	31,122
<b>(b) Operating Lease Commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	4,554	3,919
Later than one year and not later than five years	3,906	2,865
Later than five years	----	24
<b>Total Operating Lease Commitments (Including GST)</b>	8,460	6,808
<b>(c) Contingent Asset Related to Commitments for Expenditure</b>		
The total of 'Commitments for Expenditure' above, i.e. \$91.238 million as at 30 June 2013 includes input tax credits of \$9,124 that are expected to be recoverable from the Australian Taxation Office (2012 \$3.793m).		

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**PARENT AND CONSOLIDATION**

**30. Trust Funds**

The District holds trust fund moneys of \$119 thousand which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Refundable Deposits		Private Practice Trust Funds		Total
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000
Cash Balance at the beginning of the financial year	109	103	-----	9	109
Receipts	10	7	14,292	12,035	14,302
Expenditure	-----	(1)	(14,292)	(12,044)	(14,292)
Cash Balance at the end of the financial year	<b>119</b>	<b>109</b>	<b>-----</b>	<b>-----</b>	<b>119</b>

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**PARENT AND CONSOLIDATED**

**31. Contingent Liabilities and Assets**

**a) Workers Compensation Hindsight Adjustment**

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2006/07 fund year and an interim adjustment for the 2008/09 fund year were not calculated until 2012/13.

As a result, the 2007/08 final and 2009/10 pertaining to the hospitals and community services now forming part of the District will be paid in 2013/14. It is not possible for the District to reliably quantify the benefit/detriment to be received or amount payable.

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	PARENT		CONSOLIDATION	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>32. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
Net Cash Flows from Operating Activities	75,423	49,963	75,423	49,963
Depreciation	(20,512)	(18,709)	(20,512)	(18,709)
Allowance for Impairment	(508)	(446)	(508)	(446)
(Increase)/ Decrease Income in Advance	(951)	(646)	(951)	(646)
(Increase)/ Decrease in Provisions	(296)	(12,275)	(296)	(12,275)
Increase / (Decrease) in Prepayments and Other Assets	(2,611)	3,352	(2,611)	3,352
(Increase)/ Decrease in Creditors	(6,006)	(406)	(6,006)	(406)
Net Gain/(Loss) on Sale of Property, Plant and Equipment	(343)	(256)	(343)	(256)
	<b>44,196</b>	<b>20,577</b>	<b>44,196</b>	<b>20,577</b>
<b>33. Non-Cash Financing and Investing Activities</b>				
Assets Received by Donation	673	239	673	239
	<b>673</b>	<b>239</b>	<b>673</b>	<b>239</b>
<b>34. 2012/13 Voluntary Services</b>				
It is considered impracticable to quantify the monetary value of voluntary services provided to the District. Services provided include:				
·	Chaplaincies and Pastoral Care -		Patient & Family Support	
·	Pink Ladies/Hospital Auxiliaries -		Patient Services, Fund Raising	
·	Patient Support Groups -		Practical Support to Patients and Relative	
·	Community Organisations -		Counselling, Health Education, Transport, Home Help & Patient Activities	

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**PARENT AND CONSOLIDATED**

**35. Unclaimed Moneys**

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

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

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

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

**Net Result**

The actual Net Result was favourable to budget by \$4.285 million, primarily due to:

Expenditure was lower than budget mainly due to the actuarial assessment of oncosts being 13.74% instead of 17.8% the previous year. Revenue was higher than expected mainly due to higher inpatient fees due to greater encouragement of patients to use their private health funds.

**Assets and Liabilities**

Assets were higher than budget due to the indices revaluation of Land, Buildings and Infrastructures not being budgeted. Financial assets were able to increase due to better returns than in previous year's. Cash was also higher and it was mostly offset by an increase in Payables.

**Cash Flows**

The Net Cash from Operating Activities were higher due to less cash movement associated with employee related payments and better than expected revenue from inpatient fees.

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

	<b>\$000</b>
Initial Allocation, Net Cost of Services	601,111
Initial Allocation, Rollovers of Net Assets & Contributions	(24,859)
Award Increases	10,510
<b>Special Projects</b>	
Aboriginal Programs	288
Clinical Training Network	329
Drug and Alcohol	359
Health Children Initiative	429
Pain Management Service	450
Nursing and Midwifery Strategy	1,072
Public Dental Patients	1,235
Small Projects under \$250,000 each	2,097
<b>Other</b>	
Voluntary Redundancies	499
Transfer NBN Rollout and HWA Simulated Learning Environment to FY 14	(1,000)
Treasury Managed Fund	3,505
Transfers from LHD's due to restructures	(2,089)
<b>Balance as per Statement of Comprehensive Income</b>	<b><u>593,936</u></b>

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

*Equity transfers effected in the 2011/12 year were:*

An increase in net assets of \$10.912 million relating to the Districts' assumption of responsibilities upon dissolution of Health Reform Transitional Organisation on 31st May 2012.

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

An increase in net assets of \$0.98M relating to the Districts transferring Long Service Leave On-costs to the Crown Entity as per agreement between NSW Health and NSW Treasury. Right of Private Practice to/from South Eastern Sydney Local Health District to align correctly. Blood Products were also received from NSW Pathology in relation to their restructure.

	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Equity transfers effected comprised:</b>		
South Eastern Sydney Local Health District	(214)	
NSW Pathology	229	
Crown Entity - Transfer of Long Service Leave On-costs	965	
Health Reforms Transition Organisation - Southern		(10,912)
	<u>980</u>	<u>(10,912)</u>
<b>Assets and Liabilities transferred are as follows:</b>		
<b>Assets</b>		
Cash & Cash Equivalents	(197)	315
Receivables		2,184
Inventory & Financial Assets	228	574
Prepayments		1,043
Property Plant & Equipment	(16)	6,553
<b>Liabilities</b>		
Payables		(15,618)
Loans		(1,721)
Provisions		(4,026)
Other Liabilities	965	(216)
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<u><b>980</b></u>	<u><b>(10,912)</b></u>

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### 38. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the District, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a periodic basis.

#### (a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount	Carrying Amount
Class:	Category	2013	2012
Financial Assets		\$000	\$000
Cash and Cash Equivalents (note 18)	N/A	35,233	23,828
Receivables (note 19)*	Loans and receivables (at amortised cost)	11,203	12,139
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	14,397	12,683
Total Financial Assets		<u>60,833</u>	<u>48,650</u>
<b>Financial Liabilities</b>			
Borrowings (note 26)	Financial liabilities	283	685
Payables (note 25)**	measured at amortised cost	39,898	34,135
Total Financial Liabilities		<u>40,181</u>	<u>34,820</u>

Notes

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

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

#### (b) Credit Risk

Credit risk arises when there is the possibility of the District's debtors defaulting on their contractual obligations, resulting in a financial loss to the District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from financial assets of the District, including cash, receivables and authority deposits. No collateral is held by the District. The District has not granted any financial guarantees.



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Credit risk associated with the District's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

#### Cash

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.12% p.a. in 2012/13 compared to 4.67% p.a. in the previous year. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

#### Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the District will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2013: \$9.475m; 2012: \$4.340m) and not more than [3] months past due (2013: \$.965m; 2012: \$3.434m) are not considered impaired and together these represent 87.55% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the District's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2013	Total <sup>1,2</sup> \$000	Past due but not impaired <sup>1,2</sup> \$000	Considered impaired <sup>1,2</sup> \$000
<3 months overdue	973	965	8
3 months - 6 months overdue	391	230	161
> 6 months overdue	1,085	518	567
<b>2012</b>			
<3 months overdue	3,434	3,434	0
3 months - 6 months overdue	305	180	125
> 6 months overdue	601	280	321

#### Notes

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

#### Authority Deposits

The District has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 9.78% (2012 - 1.92%), while over the

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year the weighted average interest rate was 13.28% (2012 - 5.24%) on a weighted average balance during the year of \$15.251m (2012 - \$13.507m). None of these assets are past due or impaired.

**(c) Liquidity Risk**

Liquidity risk is the risk that the District will be unable to meet its payment obligations when they fall due. The District continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash, investments and liquid assets and liabilities.

The District has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The District has exposure to liquidity risk which is minimised by the service agreement, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

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

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

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*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Int. Rate	Interest Rate Exposure			Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
2013	%	\$000	\$000	\$000	\$000	\$000	\$000
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		7,253	----	----	7,253	7,253	----
- Creditors		32,645	----	----	32,645	32,645	----
Borrowings:							
- Loans and Deposits		283			283	283	
		40,181	----	----	40,181	40,181	----
<b>2012</b>							
Payables:							
- Accrued Salaries Wages, On-Costs and Payroll Deductions		6,069	----	----	6,069	6,069	----
- Creditors		28,066	----	----	28,066	28,066	----
Borrowings:							
- Loans and Deposits		685			685	402	283
		34,820	----	----	34,820	34,537	283

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

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**d) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The District's exposures to market risk are primarily through interest rate risk on the District's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The District has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2012. The analysis assumes that all other variables remain constant.

*Interest rate risk*

Exposure to interest rate risk arises primarily through the District's interest bearing liabilities.

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

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

A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The District's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2013</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	35,233	(352)	(352)	352	352
Receivables	11,203	----	----	----	----
Financial Assets at Fair Value	14,397	(144)	(144)	144	144
Other Financial Assets	----	----	----	----	----
<b>Financial Liabilities</b>					
Payables	39,898	----	----	----	----
Borrowings	283	(3)	(3)	3	3
Other	----	----	----	----	----
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	23,828	(238)	(238)	238	238
Receivables	12,139	----	----	----	----
Financial Assets at Fair Value	12,683	(127)	(127)	127	127
Other Financial Assets	----	----	----	----	----
<b>Financial Liabilities</b>					
Payables	34,135	----	----	----	----
Borrowings	685	(7)	(7)	7	7
Other	----	----	----	----	----

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*Other price risk - TCorp Hour-Glass facilities*

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The District has no direct equity investments. The District holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2013 \$'000	2012 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	853	823
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	2,178	2,095
Medium term growth facility	Cash, money market instruments, Australian bonds listed property, Australian and International shares	3 years to 7 years	6,198	5,597
Long-term growth facility	Cash, money market instruments, Australian bonds listed property, Australian and International shares	7 years and over	6,022	4,992

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp is trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of each facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

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

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

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	Change in unit price	Impact on profit/loss	
		2013 \$'000	2012 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	9	8
Hour-Glass Investment - Strategic cash facility	+/- 1%	22	21
Hour-Glass Investment - Medium-term growth facility	+/- 6%	372	336
Hour-Glass Investment - Long-term growth facility	+/- 15%	903	749

**(e) Fair Value compared to Carrying Amount**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on the District's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

**(f) Fair Value recognised in the Statement of Financial Position**

The District uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - derived from quoted prices in active markets for identical assets/liabilities.

Level 2- derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 Total \$'000
TCorp Hour-Glass Invt.Facility	—	15,251	—	15,251

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

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

**39. Events after the Reporting Period**

There are no events after the reporting period.

**END OF AUDITED FINANCIAL STATEMENTS**