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# FINANCIAL REPORT

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## INDEPENDENT AUDITOR'S REPORT

### Ministry of Health

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Ministry of Health (the Ministry), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Ministry and the consolidated entity. The consolidated entity comprises the Ministry and the entities it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Ministry and the consolidated entity, as at 30 June 2012, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

### Director-General's Responsibility for the Financial Statements

The Director-General 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 Director-General 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 Director-General, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

### **Independence**

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

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



Peter Achterstraat  
Auditor-General

30 October 2012  
SYDNEY



**Ministry of Health  
Certification of Financial Statements**

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, we state that to the best of our knowledge:

(1) The financial statements of the Ministry of Health for the year ended 30 June 2012 have been prepared in accordance with:

i) Australian Accounting Standards (which include Australian Accounting Interpretations),

ii) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance Regulations 2010* and the Treasurer's Directions; and

iii) 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 financial performance of the Ministry of Health.

(3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



John Roach  
**Chief Financial Officer**



Dr Mary Foley  
**Director-General**  
24 October 2012

**Ministry of Health**  
**Statement of Comprehensive Income for the year ended 30 June 2012**

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2012	2012	2011		2012	2012	2011
\$000	\$000	\$000		\$000	\$000	\$000
			<b>Expenses excluding losses</b>			
			Operating Expenses			
135,640	135,309	132,009	3	10,096,530	9,976,089	9,432,979
717,964	709,758	689,155	4	4,675,865	4,671,187	4,405,142
3,687	3,674	3,584	2(i), 5	535,422	550,138	525,138
12,863,397	12,863,397	12,368,055	6	1,110,497	1,147,063	1,018,964
-----	-----	-----	7	44,143	76,469	41,811
<b>13,720,688</b>	<b>13,712,138</b>	<b>13,192,803</b>		<b>16,462,457</b>	<b>16,420,946</b>	<b>15,424,034</b>
			<b>Revenue:</b>			
13,039,539	13,039,539	12,546,945	2(d), 33	13,039,539	13,097,141	12,546,945
487,631	487,631	479,596	2(d), 33	487,631	703,889	479,596
8,094	8,094	22,908		-----	-----	-----
8,481	8,481	6,302	2(a)(ii), 11	593,931	553,399	336,194
122,261	115,217	104,743	8	1,956,814	1,840,715	1,808,715
10,378	12,656	12,656	9	56,159	96,003	69,133
28,047	28,568	28,568	10	376,826	418,730	313,597
43,627	36,540	6,540	12	127,958	87,106	109,412
<b>13,748,058</b>	<b>13,736,726</b>	<b>13,208,258</b>		<b>16,638,858</b>	<b>16,796,983</b>	<b>15,663,592</b>
(264)	-----	(279)	13	(26,103)	-----	(26,562)
(68)	-----	-----	14	(60,784)	(10,283)	(49,730)
<b>27,038</b>	<b>24,588</b>	<b>15,176</b>	35	<b>89,514</b>	<b>365,754</b>	<b>163,266</b>
			<b>Other Comprehensive Income</b>			
			Net Increase in Property, Plant & Equipment			
616	-----	52,117		139,173	-----	63,004
<b>616</b>	-----	<b>52,117</b>		<b>139,173</b>	-----	<b>63,004</b>
<b>27,654</b>	<b>24,588</b>	<b>67,293</b>		<b>228,687</b>	<b>365,754</b>	<b>226,270</b>

The accompanying notes form part of these financial statements.

**Ministry of Health**  
**Statement of Financial Position as at 30 June 2012**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2012	2012	2011		2012	2012	2011	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>ASSETS</b>							
<b>Current Assets</b>							
160,389	214,804	235,104	Cash and Cash Equivalents	17	1,302,763	1,125,145	1,125,145
115,165	115,165	62,856	Receivables	18	474,223	438,253	506,979
40,965	40,965	32,274	Inventories	19	139,809	126,387	126,387
-----	-----	-----	Financial Assets at Fair Value	20	117,349	207,451	207,451
8,784	-----	12,438	Other Financial Assets	21	-----	-----	-----
<u>325,303</u>	<u>370,934</u>	<u>342,672</u>			<u>2,034,144</u>	<u>1,897,236</u>	<u>1,965,962</u>
-----	-----	-----	Non-Current Assets Held for Sale	25	66,671	71,808	46,698
<b>325,303</b>	<b>370,934</b>	<b>342,672</b>	<b>Total Current Assets</b>		<b>2,100,815</b>	<b>1,969,044</b>	<b>2,012,660</b>
<b>Non-Current Assets</b>							
-----	-----	-----	Receivables	18	9,040	12,459	12,459
-----	-----	-----	Financial Assets at Fair Value	20	36,161	40,464	40,464
15,431	-----	344	Other Financial Assets	21	-----	-----	-----
Property, Plant and Equipment							
128,312	130,365	129,916	- Land and Buildings	22	9,346,159	9,322,241	9,190,564
4,071	4,050	4,676	- Plant and Equipment	22	869,945	963,239	835,574
-----	-----	-----	- Infrastructure Systems	22	363,095	348,028	344,767
<u>132,383</u>	<u>134,415</u>	<u>134,592</u>	Total Property, Plant and Equipment		<u>10,579,199</u>	<u>10,633,508</u>	<u>10,370,905</u>
177	-----	-----	Intangible Assets	23	302,764	264,210	225,226
-----	-----	-----	Other	24	54,411	24,636	24,636
<u>147,991</u>	<u>134,415</u>	<u>134,936</u>	<b>Total Non-Current Assets</b>		<u>10,981,575</u>	<u>10,975,277</u>	<u>10,673,690</u>
<b>473,294</b>	<b>505,349</b>	<b>477,608</b>	<b>Total Assets</b>		<b>13,082,390</b>	<b>12,944,321</b>	<b>12,686,350</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
224,086	212,527	207,327	Payables	27	1,148,080	1,113,655	1,143,407
-----	-----	-----	Borrowings	28	14,365	11,031	12,009
13,685	14,750	14,750	Provisions	29	1,564,461	1,337,735	1,401,735
2,427	2,427	2,427	Other	30	34,992	24,980	24,980
<u>240,198</u>	<u>229,704</u>	<u>224,504</u>	<b>Total Current Liabilities</b>		<u>2,761,898</u>	<u>2,487,401</u>	<u>2,582,131</u>
<b>Non-Current Liabilities</b>							
-----	-----	-----	Borrowings	28	438,729	439,049	449,102
909	802	422	Provisions	29	12,130	9,524	9,524
61,383	61,383	63,810	Other	30	106,455	108,102	111,102
<u>62,292</u>	<u>62,185</u>	<u>64,232</u>	<b>Total Non-Current Liabilities</b>		<u>557,314</u>	<u>556,675</u>	<u>569,728</u>
<u>302,490</u>	<u>291,889</u>	<u>288,736</u>	<b>Total Liabilities</b>		<u>3,319,212</u>	<u>3,044,076</u>	<u>3,151,859</u>
<u>170,804</u>	<u>213,460</u>	<u>188,872</u>	<b>Net Assets</b>		<u>9,763,178</u>	<u>9,900,245</u>	<u>9,534,491</u>
<b>EQUITY</b>							
109,552	108,934	108,934	Reserves		2,508,507	455,032	2,369,334
61,252	104,526	79,938	Accumulated Funds		7,254,671	9,445,213	7,165,157
<u>170,804</u>	<u>213,460</u>	<u>188,872</u>	<b>Total Equity</b>		<u>9,763,178</u>	<u>9,900,245</u>	<u>9,534,491</u>

The accompanying notes form part of these financial statements.

**Ministry of Health**  
**Statement of Changes in Equity for the year ended 30 June 2012**

PARENT		Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
	Notes	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2011</b>		79,938	108,934	----	188,872
<b>Net Result For The Year</b>		27,038			27,038
<b>Other Comprehensive Income:</b>					
Net Increase in Property, Plant & Equipment		----	618	----	618
<b>Total Other Comprehensive Income</b>		----	618	----	618
<b>Total Comprehensive Income For The Year</b>		<u>27,038</u>	<u>618</u>	<u>----</u>	<u>27,656</u>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	40	(45,724)	----	----	(45,724)
<b>Balance at 30 June 2012</b>		<u><u>61,252</u></u>	<u><u>109,552</u></u>	<u><u>----</u></u>	<u><u>170,804</u></u>
<b>Balance at 1 July 2010</b>		64,762	108,934	----	173,696
<b>Net Result For The Year</b>		15,176	----	----	15,176
<b>Total Comprehensive Income For The Year</b>		<u>15,176</u>	<u>0</u>	<u>----</u>	<u>15,176</u>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	40	----	----	----	----
<b>Balance at 30 June 2011</b>		<u><u>79,938</u></u>	<u><u>108,934</u></u>	<u><u>----</u></u>	<u><u>188,872</u></u>

The accompanying notes form part of these financial statements.

**Ministry of Health**  
**Statement of Changes in Equity for the year ended 30 June 2012**

CONSOLIDATED	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
<b>Balance at 1 July 2011</b>		7,165,157	2,369,334	-----	9,534,491
<b>Net Result For The Year</b>		89,514			89,514
<b>Other Comprehensive Income:</b>					
Net Increase in Property, Plant & Equipment		-----	139,173	-----	139,173
<b>Total Other Comprehensive Income</b>		-----	139,173	-----	139,173
<b>Total Comprehensive Income For The Year</b>		89,514	139,173	-----	228,687
<b>Balance at 30 June 2012</b>		<u>7,254,671</u>	<u>2,508,507</u>	-----	<u>9,763,178</u>
<b>Balance at 1 July 2010</b>		5,291,341	2,372,651	15,371	7,679,363
<b>Net Result For The Year</b>		163,266	-----	-----	163,266
<b>Other Comprehensive Income:</b>					
Net Increase in Property, Plant & Equipment		-----	63,004	-----	63,004
Other Transfers		81,692	(66,321)	(15,371)	-----
<b>Total Other Comprehensive Income</b>		<u>81,692</u>	<u>(3,317)</u>	<u>(15,371)</u>	<u>226,270</u>
<b>Total Comprehensive Income For The Year</b>		<u>244,958</u>	<u>(3,317)</u>	<u>(15,371)</u>	<u>226,270</u>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase in Net Assets From Equity Transfers	40	1,628,858	-----	-----	1,628,858
<b>Balance at 30 June 2011</b>		<u>7,165,157</u>	<u>2,369,334</u>	-----	<u>9,534,491</u>

The accompanying notes form part of these financial statements.



**Ministry of Health**  
**Statement of Cash Flows for the year ended 30 June 2012**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual	
2012	2012	2011	Notes	2012	2012	2011	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
(136,158)	(126,448)	(119,792)		(9,288,706)	(9,439,763)	(8,940,142)	
(12,863,396)	(12,863,397)	(12,381,251)		(1,110,497)	(1,147,063)	(1,032,160)	
-----	-----	-----		(44,143)	(76,469)	(41,811)	
(713,687)	(715,614)	(621,044)		(5,577,225)	(5,337,815)	(4,990,828)	
<b>(13,713,241)</b>	<b>(13,705,459)</b>	<b>(13,122,087)</b>		<b>(16,020,571)</b>	<b>(16,001,110)</b>	<b>(15,004,941)</b>	
<b>Receipts</b>							
12,993,815	13,039,539	12,546,945		13,039,539	13,097,141	12,546,945	
487,631	487,631	479,596		487,631	703,889	479,596	
8,094	8,094	22,908		-----	-----	-----	
72,363	62,908	147,831		1,895,499	1,806,934	1,818,631	
10,378	12,656	12,656		56,316	96,002	90,570	
36,528	28,568	28,568		247,662	252,166	149,473	
42,453	36,478	18,873		1,074,139	932,844	886,163	
<b>13,651,262</b>	<b>13,675,874</b>	<b>13,257,377</b>		<b>16,800,786</b>	<b>16,888,976</b>	<b>15,971,378</b>	
<b>(61,979)</b>	<b>(29,585)</b>	<b>135,290</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>35</b>	<b>780,215</b>	<b>887,866</b>	<b>966,437</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from Sale of Land and Buildings, Plant and Equipment							
-----	-----	600	and Infrastructure Systems	55,741	44,159	19,719	
-----	12,782	39,928	Proceeds from Sale of Investments	94,405	-----	-----	
Purchases of Land and Buildings, Plant and Equipment							
(1,303)	(3,497)	(2,330)	and Infrastructure Systems	(717,831)	(850,894)	(553,640)	
-----	-----	-----	Purchases of Investments	-----	-----	(112,992)	
-----	-----	-----	Other	(18,949)	(70,100)	(70,052)	
<b>(1,303)</b>	<b>9,285</b>	<b>38,198</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(586,634)</b>	<b>(876,835)</b>	<b>(716,965)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
(11,433)	-----	-----	Proceeds from Borrowings and Advances	-----	-----	-----	
-----	-----	-----	Repayment of Borrowings and Advances	(15,963)	(11,031)	(10,922)	
<b>(11,433)</b>	<b>-----</b>	<b>-----</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(15,963)</b>	<b>(11,031)</b>	<b>(10,922)</b>	
<b>(74,715)</b>	<b>(20,300)</b>	<b>173,488</b>	<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>177,618</b>	<b>-----</b>	<b>238,550</b>	
235,104	235,104	61,616	Opening Cash and Cash Equivalents	1,125,145	1,125,145	886,595	
<b>160,389</b>	<b>214,804</b>	<b>235,104</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>17</b>	<b>1,302,763</b>	<b>1,125,145</b>	

The accompanying notes form part of these financial statements.

Summary of Compliance with Financial Directives for the year ended 30 June 2012

	2012				2011			
	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000
<b>Original Budget Appropriation/ Expenditure</b>								
▪ Appropriation Act	13,097,141	13,037,860	703,889	487,631	12,682,912	12,651,883	534,195	-----
▪ S45 Appropriations Act								
- transfers from another agency	-----	-----	-----	-----	4,080	4,080	(54,599)	479,596
▪ S24 PF&AA Transfer of functions between departments	-----	-----	-----	-----	(73,000)	(73,000)	-----	-----
▪ S26 PF&AA Commonwealth Specific Purpose Payments	(16,145)	-----	-----	-----	(38,455)	(38,455)	-----	-----
	<b>13,080,996</b>	<b>13,037,860</b>	<b>703,889</b>	<b>487,631</b>	<b>12,575,537</b>	<b>12,544,508</b>	<b>479,596</b>	<b>479,596</b>
<b>Other Appropriations/Expenditure</b>								
▪ Treasurer's Advance	564	564	-----	-----	2,437	2,437	-----	-----
▪ Transfers to/from another agency (S33 of the Appropriation Act)	1,115	1,115	-----	-----	-----	-----	-----	-----
	<b>1,679</b>	<b>1,679</b>	-----	-----	<b>2,437</b>	<b>2,437</b>	-----	-----
<b>Total Appropriations/ Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>13,082,675</b>	<b>13,039,539</b>	<b>703,889</b>	<b>487,631</b>	<b>12,577,974</b>	<b>12,546,945</b>	<b>479,596</b>	<b>479,596</b>
<b>Amount drawn down against Appropriation</b>		<b>13,039,539</b>		<b>487,631</b>		<b>12,546,945</b>		<b>479,596</b>
<b>Liability to Consolidated Fund *</b>		-----		-----		-----		-----

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

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

**Ministry of Health  
Service Group Statements  
for the Year Ended 30 June 2012**

	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		
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000
<b>Expenses excluding losses</b>																							
Operating Expenses	748,687	738,315	45,887	44,059	1,017,903	990,576	1,162,429	1,137,703	4,743,425	4,088,217	1,008,471	933,021	801,696	783,679	230,283	223,027	337,749	499,382	10,095,530	10,095,530	9,432,979	9,432,979	
Employee Related	295,856	277,511	17,850	17,322	487,592	429,471	503,149	403,249	2,518,424	2,550,876	242,091	250,014	227,916	225,324	193,912	133,765	189,075	147,610	4,875,885	4,875,885	4,405,142	4,405,142	
Other Operating Expenses	31,519	26,684	1,715	1,362	74,279	71,479	57,123	60,194	281,493	268,112	31,949	34,661	36,330	38,515	6,885	7,423	14,129	16,508	535,422	535,422	525,138	525,138	
Depreciation and Amortisation	106,730	92,741	26,044	25,867	133,716	130,666	53,198	51,905	310,148	283,712	103,564	76,005	161,196	155,350	135,359	160,517	80,542	42,201	1,110,487	1,110,487	1,018,864	1,018,864	
Grants and Subsidies	3,756	4,935	339	322	3,847	3,569	2,826	2,647	16,626	12,611	11,544	2,788	4,188	12,899	529	1,622	588	418	44,143	44,143	41,811	41,811	
Finance Costs	1,186,548	1,135,186	91,835	88,932	1,717,337	1,625,761	1,778,725	1,655,698	7,870,016	7,173,528	1,297,619	1,296,689	1,231,226	1,215,767	566,968	526,354	622,083	706,119	16,462,457	16,462,457	15,424,034	15,424,034	
<b>Total Expenses excluding losses</b>																							
<b>Revenue</b>																							
Recurrent Appropriations **																							
Capital Appropriations **																							
Acceptance by the Crown Entity																							
Of Employee Benefits and Other Liabilities	40,737	23,059	2,380	1,347	61,571	34,852	79,008	44,722	286,499	150,852	60,311	34,139	47,701	27,001	13,500	7,642	22,224	12,580	593,931	593,931	336,194	336,194	
Sale of Goods and Services	29,541	49,312	3,889	3,547	264,819	327,114	209,381	155,916	1,053,196	921,289	46,738	44,305	244,038	190,930	54,274	20,771	50,838	95,531	1,956,814	1,956,814	1,808,715	1,808,715	
Investment Revenue	4,918	4,843	267	140	4,312	6,650	4,036	4,588	23,258	26,214	2,293	2,319	5,158	4,657	1,747	3,169	10,070	16,564	56,159	56,159	69,133	69,133	
Grants and Contributions	38,238	30,124	4,161	1,397	36,204	29,540	10,502	10,666	90,967	84,887	13,364	14,334	59,152	30,719	24,467	26,886	99,771	85,044	376,826	376,826	313,997	313,997	
Other Revenue	9,710	7,697	627	204	13,149	15,421	13,228	8,841	44,147	40,849	5,175	1,482	12,873	12,138	8,411	10,409	20,638	12,789	127,958	127,958	109,412	109,412	
<b>Total Revenue</b>	123,144	115,035	11,324	6,635	380,055	413,577	316,155	224,733	1,478,167	1,224,091	127,881	96,579	368,922	265,445	102,399	68,877	203,641	222,079	13,026,541	13,026,541	16,638,858	16,638,858	
Loss on Disposal	(1,533)	(670)	(72)	(38)	(2,825)	(1,053)	(1,667)	(620)	(15,174)	(21,943)	(1,605)	(719)	(1,918)	(920)	(291)	(482)	(1,019)	(117)	(26,103)	(26,103)	(26,562)	(26,562)	
Other Losses	(3,468)	(4,425)	(216)	(36)	(4,667)	(1,108)	(14,290)	(15,670)	(26,932)	(29,331)	(4,110)	(519)	(4,650)	(1,175)	(1,469)	(702)	(773)	(764)	(60,784)	(60,784)	(49,730)	(49,730)	
<b>Net Result</b>	(1,068,406)	(1,021,246)	(80,799)	(82,371)	(1,344,974)	(1,214,345)	(1,478,527)	(1,447,255)	(6,433,955)	(6,000,711)	(1,275,453)	(1,201,348)	(868,980)	(952,417)	(466,329)	(458,661)	(420,233)	(484,921)	13,026,541	13,026,541	89,514	89,514	
<b>Other Comprehensive Income</b>																							
Net Increase in Property, Plant and Equipment																							
Asset Revaluation Reserve	8,443	3,399	332	116	15,095	7,178	14,677	6,260	70,790	32,703	14,729	5,640	9,981	4,740	1,970	600	3,156	2,369	139,173	139,173	63,005	63,005	
<b>Total Other Comprehensive Income</b>	8,443	3,399	332	116	15,095	7,178	14,677	6,260	70,790	32,703	14,729	5,640	9,981	4,740	1,970	600	3,156	2,369	139,173	139,173	63,005	63,005	
<b>Total Comprehensive Income</b>	(1,059,963)	(1,017,847)	(80,467)	(82,255)	(1,329,879)	(1,207,167)	(1,463,850)	(1,440,989)	(6,363,165)	(5,968,008)	(1,260,724)	(1,195,708)	(858,999)	(947,677)	(464,359)	(458,061)	(417,077)	(482,552)	13,026,541	13,026,541	228,687	228,687	
Consolidated Fund																							
Taxes, Fees and Fines																							
<b>Total Administered Revenues</b>																				1,570	1,388	1,570	1,388

Service Group Statements focus on the key measures of service delivery performance.

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

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

The Service Group Statement uses statistical data to 31 December 2011 to allocate the current period's financial information on expense and revenue to each service group. No changes have occurred during the period between 1 January 2012 and 30 June 2012 which would materially impact this allocation.

# During 2011/12 NSW Health has complied with the National Costing Standards in respect to allocation of indirect teaching costs by DRG and program. This impacts predominately the attribution of costs associated with Junior Medical Officers, enrolled nurses and Registrars. These costs are now reflected in the program areas where costs are incurred ie 2.1, 2.2, 1.3, 3.1, 4.1.

The change in data cost collections and classifications was required to align NSW with other jurisdictions and with the Independent Hospital Pricing Authority's guidelines.

Ministry of Health  
Service Group Statements (Continued)  
for the Year Ended 30 June 2012

SERVICE'S 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2012	2011	2012		2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		\$000
<b>ASSETS</b>																						
<b>Current Assets</b>																						
Cash and Cash Equivalents	60,766	50,245	2,150	3,478	128,033	122,680	131,365	120,782	655,450	536,930	95,287	90,254	148,424	98,251	15,949	19,256	65,339	83,269				
Receivables	37,463	24,686	2,845	5,257	45,051	52,683	53,587	34,438	221,464	263,624	44,576	28,500	35,093	44,548	16,598	25,542	17,546	27,701				
Inventories	5,038	4,749	233	665	9,653	9,331	7,878	7,018	56,498	52,817	5,729	5,526	8,426	5,793	42,705	34,932	3,650	5,566				
Financial Assets at Fair Value	4,081	8,633	244	1,335	13,948	26,728	8,477	13,946	46,382	99,332	4,489	11,734	5,036	13,234	2,245	5,293	32,467	27,216				
Non-Current Assets Held for Sale	4,082	4,388	219	1,114	8,652	3,498	8,497	2,862	32,611	19,746	4,428	2,405	5,561	6,561	757	703	1,953	6,421				
<b>Total Current Assets</b>	111,431	92,701	5,691	10,849	205,347	214,920	209,804	179,046	1,012,405	972,449	154,489	138,419	202,540	168,387	78,254	85,726	120,855	150,163				
<b>Non-Current Assets</b>																						
Receivables	740	404	11	11	705	1,187	810	422	3,418	6,683	364	551	835	1,744	251	603	1,906	854				
Financial Assets at Fair Value	979	902	48	38	4,040	4,399	2,128	1,948	16,069	19,486	1,657	2,641	1,522	2,249	636	606	9,082	8,193				
Property, Plant and Equipment																						
- Land and Buildings	566,963	495,740	22,308	16,964	1,013,679	1,047,094	985,652	913,152	4,753,934	4,770,415	989,158	822,752	670,244	691,431	132,286	87,463	211,935	345,563				
- Plant and Equipment	48,143	53,138	2,175	6,742	124,052	103,449	112,369	86,062	413,891	405,377	61,645	69,118	71,531	82,082	12,817	9,865	23,322	19,741				
- Infrastructure Systems	19,354	22,915	1,133	2,402	51,207	42,851	32,760	27,534	194,477	167,016	25,313	32,280	32,190	37,066	5,513	2,259	11,148	10,844				
Intangible Assets	16,239	14,516	1,261	724	24,561	26,531	23,743	183,141	116,942	18,456	17,774	17,666	18,025	7,540	3,658	7,540	10,157	9,522				
Other	2,380	962	98	54	8,102	3,680	4,028	1,684	27,198	12,381	3,925	1,586	5,633	2,315	932	498	1,915	1,476				
<b>Total Non-Current Assets</b>	654,799	588,177	27,035	26,935	1,226,346	1,229,191	1,161,490	1,048,336	5,582,127	5,498,302	1,100,518	946,702	799,821	834,912	159,975	104,952	269,466	396,183				
<b>TOTAL ASSETS</b>	766,229	680,878	32,726	37,784	1,431,694	1,444,111	1,371,293	1,227,382	6,594,532	6,470,751	1,255,006	1,085,121	1,002,361	1,003,299	238,228	190,678	390,321	546,346				
<b>LIABILITIES</b>																						
<b>Current Liabilities</b>																						
Payables	90,698	62,441	6,888	8,159	109,068	94,901	129,733	94,604	536,153	635,628	107,920	64,840	84,958	97,502	40,183	35,783	42,479	49,549				
Borrowings	863	979	73	134	1,066	1,046	1,466	888	7,665	5,087	1,748	1,231	962	2,359	235	130	267	155				
Provisions	102,892	87,921	5,591	7,009	152,054	149,433	220,742	194,574	726,756	622,119	151,341	132,133	123,544	104,311	25,760	27,904	55,691	76,331				
Other	2,564	2,406	134	274	4,057	2,725	2,945	1,952	16,679	10,104	3,351	2,903	3,199	3,626	682	282	1,372	708				
<b>Total Current Liabilities</b>	197,107	153,747	12,686	15,576	266,255	248,105	354,886	292,018	1,297,253	1,272,938	264,360	201,107	212,683	207,798	66,860	64,099	99,809	126,743				
<b>Non-Current Liabilities</b>																						
Borrowings	31,814	21,996	3,110	1,851	37,310	30,620	30,352	28,655	168,069	151,860	117,863	26,631	38,829	175,283	5,323	3,550	6,059	8,456				
Provisions	536	980	24	142	884	893	3,233	681	5,222	3,935	825	1,271	1,015	1,453	135	77	256	92				
Other	2,249	3,101	45	139	13,464	13,309	6,693	6,763	53,810	54,174	10,998	11,733	9,410	9,712	805	1,125	8,980	11,046				
<b>Total Non-Current Liabilities</b>	34,599	26,077	3,179	2,132	51,658	45,022	40,278	36,099	227,101	209,969	129,686	39,635	49,254	186,448	6,283	4,752	15,295	19,594				
<b>TOTAL LIABILITIES</b>	231,706	179,824	15,865	17,708	317,913	293,127	395,164	328,117	1,514,354	1,482,907	394,046	240,742	261,937	394,246	73,123	68,851	115,103	146,337				
<b>NET ASSETS</b>	534,523	501,054	16,861	20,076	1,113,780	1,150,984	976,129	899,265	5,080,178	4,987,844	860,960	844,379	740,424	609,053	165,105	121,827	275,217	400,009				

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

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(a), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

# During 2011/12 NSW Health has complied with the National Costing Standards in respect to allocation of indirect teaching costs by DRG and program. This impacts predominantly the attribution of costs associated with Junior Medical Officer's, enrolled nurses and Registrars. These costs are now reflected in the program areas where costs are incurred (e.g. 2.1, 2.2, 1.3, 3.1, 4.1).

The change in data cost collections and classifications was required to align NSW with other jurisdictions and with the Independent Hospital Pricing Authority's guidelines.

Ministry of Health  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

## 1. The Ministry of Health Reporting Entity

The Department of Health was renamed as the Ministry of Health by way of *Public Sector Employment and Management (General) Order 2011* on 5 October 2011. The Ministry of Health (the Ministry), as a reporting entity, comprises all the entities under its control, namely Local Health Districts established from 1 January 2011 and constituted under the *Health Services Act 1997*; the Royal Alexandra Hospital for Children, the Forensic Mental Health and Justice Health Network, the Clinical Excellence Commission, the Bureau of Health Information, the Agency for Clinical Innovation, the Health Education and Training Institute, the Albury Base Hospital, the Albury Wodonga Health, the Graythwaite Trust (per Supreme Court order) and the Health Administration Corporation (which includes the operations of the Ambulance Service of NSW, Health Support Services, Health Infrastructure, and, from 1 June 2012, NSW Health Pathology). All of these entities are reporting entities that produce financial statements in their own right.

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

The consolidated accounts are those of the consolidated entity comprising the Ministry of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.

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

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Financial Officer and Director-General on 24 October 2012.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

### Statement of Compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

### Other

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

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

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

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.

### New Australian Accounting Standards Issued but not Effective

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Ministry.

AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2013 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. Financial assets of the Ministry are not significant and 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.

Ministry of Health  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

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 Ministry.

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 material impact on the Ministry.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumption 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 2012/13 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 Ministry.

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 Ministry.

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 mandate of Treasury.

AASB 2010-8, Deferred Tax: Recovery of Underlying Assets has application from 1 July 2012 and addresses deferred tax relating to investment property. It is assessed as having no impact on the Ministry.

AASB 2010-10, Removal of Fixed Dates for First Time Adopters, has application from 1 July 2013, and is assessed as having no impact on the Ministry.

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 mandate of Treasury.

AASB 2011-3, Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and related amendments has application from 1 July 2012 and changes in disclosure will be dependent on the mandate of 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 to 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 exemptions from preparing the consolidation is not expected to apply to the Ministry.

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. The changes have application from 1 July 2013 but are assessed as having no material effect.

AASB 2011-8, Amendments to Australian Accounting Standards, Fair Value Measurement affects 32 standards and nine interpretations, consequential to the new requirements contained in AASB 13, Fair Value Measurement. The change is effective from 1 July 2013.

AASB 2011-9, Amendments to Australian Accounting Standards, Presentation of Items of Other Comprehensive Income has application from 1 July 2012. The amendments requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassified to Profit or Loss. No change is expected.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119 has application from 1 July 2013 and makes consequential amendments to 7 standards and 1 interpretation to the changes made by AASB 119, Employee Entitlements. Any change to the 2013/14 will be dependent on the policy of NSW Treasury.

AASB 2011-11, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

AASB 2011-12, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

AASB 2011-13, Amendments to Australian Accounting Standard - Improvements to AASB 1049, has application from 1 July 2013 and relates to the Whole of Government General Purpose Financial Statements and General Government Sector Financial Statements. Any change will be dependent on the mandate of NSW Treasury.

Ministry of Health  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

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 between 15.3% and 21% are applied to the value of leave payable at 30 June 2012, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2012 were also between 15.3% and 21%).

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**

Responsibility for Long Service Leave liability transferred to the Crown Entity with effect from 31 December 2010. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are now assumed by the Crown Entity, with the exception of those Long Service Leave consequential costs carried by the Ministry in accordance with the requirements of Treasury Circular 12/06.

Long Service Leave is measured at present value in accordance with AASB119, Employee Benefits. This is based on the application of certain factors (specified in Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Ministry's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Ministry accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 27, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie 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 Ministry has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

**b) Insurance**

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

Ministry of Health  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

**c) Finance Costs**

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's mandate for general government sector agencies.

**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.

*i) Parliamentary Appropriations & Contributions*

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

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

*ii) Sale of Goods / Rendering of Services*

Revenue from the sale of goods is recognised as revenue when the Ministry transfers the significant risks and rewards of ownership of the assets. Revenue from the rendering of services is recognised as revenue when the service is provided.

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates charged in accordance with approvals communicated in the Government Gazette.

Specialist doctors with rights of private practice are charged an infrastructure charge for the use of hospital facilities at rates determined by the Ministry of Health. Charges are based on fees collected.

*iii) Investment Revenue*

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement". Rental revenue is recognised in accordance with AASB117, "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 "Revenue" when the Ministry's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB118 on an accrual basis in accordance with the substance of the relevant agreement.

*iv) Grants and Contributions*

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

*(v) 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.

*(vi) 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.

*(vii) 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. Payment for inpatient services are based on admitted public activity whilst payments for non admitted patients are subject to a block grant paid to the credit of the Ministry of Health.



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

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

- \* the amount of GST incurred by the Ministry as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of 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) Intangible Assets**

The Ministry recognises intangible assets only if it is probable that future economic benefits will flow to the Ministry and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Ministry's intangible assets, the assets are carried at cost less any accumulated amortisation.

Computer software developed or acquired by the Ministry is recognised as an intangible asset and amortised over three to five years 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.

**g) Acquisition of Assets**

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

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 specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues 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.

**h) Capitalisation Thresholds**

Individual items of property, plant & equipment 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 Ministry. 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.

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

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP07-1). This policy adopts fair value in accordance with AASB116, "Property, Plant and Equipment" and AASB140, "Investment Property".

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 depreciated replacement cost.

The Ministry revalues Land and Buildings and Infrastructure at least every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

To ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date, indices from external independent valuers are applied. The indices reflect an assessment of movements in the period between revaluations. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Values assigned to Land and Buildings and Infrastructure have been modified accordingly.

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

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

Revaluation increments are credited directly to the asset 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 for the year, the increment is recognised immediately as revenue in the net result for the year.

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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 asset revaluation surplus in respect of the same class of assets, they are debited directly to the asset 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 surplus in respect of that asset is transferred to accumulated funds.

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

As a not-for-profit entity with no cash generating units, the Ministry is effectively exempt from AASB 136 Impairment of Assets and impairment testing.

This is because AASB136 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 material. Selling costs are regarded as immaterial.

**l) 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.

**m) 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.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value 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.

**n) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

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

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

**p) Investments**

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

*\* Fair value through profit or loss:*

The Ministry of Health 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 Districts' key management personnel.

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

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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'.

**q) 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 accounted for in the net result for the year 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.

**r) 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.

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

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

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

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

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

**t) Payables**

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

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

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

**u) 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 de-recognition.

**v) Trust Funds**

The Ministry's controlled entities receive monies in a trustee capacity for various trusts as set out in Note 32. As the controlled entities perform only a custodial role in respect of these monies and because the monies cannot be used for the achievement of NSW Health's objectives, they are not brought to account in the financial statements.

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**w) Administered Activity**

The Ministry administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Ministry's own objectives.

Transactions and balances relating to the administered activities are not recognised as Ministerial revenue but are disclosed as "Administered Revenues" in the service group statement.

The accrual basis of accounting and all applicable accounting standards have been adopted.

**x) Budgeted Amounts**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period.

**y) Equity Transfers**

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by Accounting Standards to be treated as contributions by owners and 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 and for-profit government entities are recognised at the amount at which the assets and liabilities were 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 entity 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.

**z) Emerging Assets**

The Ministry of Health's emerging interest in car parks and hospitals has been valued in accordance with "Accounting for Privately Financed Projects" (TPP06-8). This policy requires the Ministry of Health and its controlled entities to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period.

**aa) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2011 which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

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

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

**ab) Equity and Reserves**

**(i) Asset Revaluation Surplus**

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

**(ii) Accumulated Funds**

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

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
104,008	96,401	Salaries and Wages	7,757,111	7,412,365
2,080	2,949	Superannuation - Defined Benefit Plans	158,487	170,743
4,318	8,455	Superannuation - Defined Contribution Plans	637,316	614,077
6,341	3,192	Long Service Leave *	500,015	292,338
6,559	7,789	Annual Leave	837,662	777,128
5,093	6,578	Redundancies	19,635	5,274
1,026	630	Workers' Compensation Insurance	179,555	153,833
6,215	6,015	Payroll Tax and Fringe Benefits Tax	6,749	7,221
<u>135,640</u>	<u>132,009</u>		<u>10,096,530</u>	<u>9,432,979</u>
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Intangibles	6,903	5,695
<p>* The Long Service Leave expense is periodically subject to actuarial review. Review as at 30 June 2012 resulted in the adoption of revised actuarial factors which increased from 11.1% to 22.0%</p>				
<b>4. Other Operating Expenses</b>				
15,745	13,196	Blood and Blood Products *	110,747	75,612
569	910	Domestic Supplies and Services	89,396	72,933
108,954	105,939	Drug Supplies	646,463	650,792
----	----	Food Supplies	91,595	115,322
614	447	Fuel, Light and Power	114,403	106,885
65,833	161,035	General Expenses (See (b) below)	419,914	411,430
8,585	10,067	Information Management Expenses	247,550	181,909
202,048	194,507	Insurance	226,835	217,121
281,828	170,946	Interstate Patient Outflows **	206,768	198,015
		Maintenance (See (c) below)		
1,431	1,535	Maintenance Contracts	130,259	117,359
666	656	New/Replacement Equipment under \$10,000	162,616	151,266
1,737	2,548	Repairs Maintenance/Non Contract	95,384	87,734
----	----	Operating Lease Motor Vehicles - Minimum Lease Payments	56,805	55,985
2,352	----	Medical and Surgical Supplies	693,157	641,157
1,794	2,024	Postal and Telephone Costs	45,633	44,800
2,827	3,168	Printing and Stationery	46,413	45,866
388	240	Rates and Charges	23,044	23,261
7,500	6,090	Rental	63,588	52,503
173	99	Special Service Departments	204,933	240,675
12,723	13,468	Staff Related Costs	132,422	109,979
----	----	Sundry Operating Expenses (See (a) below)	159,577	137,827
2,197	2,280	Travel Related Costs	75,223	71,411
----	----	Visiting Medical Officers	633,140	595,300
<u>717,964</u>	<u>689,155</u>		<u>4,675,865</u>	<u>4,405,142</u>

\* The cost of private hospital blood and blood products has been reclassified from Grants and Subsidies for both 2011/12 and 2010/11.

\*\* Accounting arrangements for Interstate Patient Flows were varied from 1 January 2011 with the Parent responsible for all patient outflows from that time. Prior to 1 January 2011 interstate patient flow expense was also reported by the former Area Health Services.

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		<b>(a) Sundry Operating Expenses comprise :</b>		
----	----	Aircraft Expenses (Ambulance)	66,906	62,071
----	----	Contract for Patient Services	79,772	65,052
----	----	Isolated Patient Travel and Accommodation Assistance Scheme	12,899	10,704
-----	-----		-----	-----
-----	-----		<b>159,577</b>	<b>137,827</b>
		<b>(b) General Expenses include :</b>		
3,814	8,160	Advertising	10,370	12,864
386	350	Auditor's Remuneration - Audit of Financial Statements	6,028	5,661
----	25,468	Bad Debt Write Off *	----	25,468
188	200	Books, Magazines and Journals	6,475	6,653
		Consultancies		
385	101	- Capital Works	2,386	2,471
1,193	2,290	- Operating Activities	11,947	14,605
----	----	Capital Projects Expensed	40,564	13,311
1,963	1,947	Courier and Freight	19,707	16,862
299	415	Data Recording and Storage	5,528	4,981
----	68,959	Forgiveness of prior Health Services debt to the Ministry	----	----
907	1,103	Legal Services	6,649	7,094
111	107	Membership/Professional Fees	6,669	4,269
18	----	Other Operating Lease Expense - Minimum Lease Payments	26,661	34,444
----	----	Payroll Services	416	290
----	----	Public Private Partnership	61,098	54,059
----	----	Quality Assurance/Accreditation	6,378	4,319
288	354	Security Services	14,782	10,700
24	368	Translator Services	4,640	4,195
		<b>(c) Reconciliation - Total Maintenance</b>		
3,835	4,739	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	388,259	356,359
----	----	Employee Related/Personnel Services Maintenance Expense included in Notes 3 & 4	30,933	25,833
-----	-----		-----	-----
<b>3,835</b>	<b>4,739</b>	<b>Total Maintenance Expenses included in Notes 3 &amp; 4</b>	<b>419,192</b>	<b>382,192</b>

\* In 2010/11 The Parent reported a bad debt expense of \$21.1 million for Elective Surgery Waiting Lists. The Ministry had recognised this amount as revenue in 2010/11 having satisfied the Commonwealth criteria for payment due. Monies were ultimately received in 2010/11 by Treasury which provided the due funds to the Ministry by way of Consolidated Fund support.

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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>5. Depreciation and Amortisation</b>				
2,241	2,241	Depreciation - Buildings	324,795	322,229
-----	-----	Amortisation - Leased Buildings	3,751	1,992
1,446	1,343	Depreciation - Plant and Equipment	169,618	167,932
-----	-----	Depreciation - Infrastructure Systems	17,841	15,869
-----	-----	Amortisation - Intangible Assets	19,417	17,116
<u>3,687</u>	<u>3,584</u>		<u>535,422</u>	<u>525,138</u>
<b>6. Grants and Subsidies</b>				
		Payments to the National Blood Authority and the Red Cross Blood Transfusion Service net of payments recognised in Note 4	12,154	10,800
12,154	10,800	Operating Payments to Other Affiliated Health Organisations	547,366	546,890
296,291	140,917	Capital Payments to Affiliated Health Organisations	36,274	9,765
35,632	6,332	Grants -		
		Cancer Institute NSW	145,378	141,645
145,378	141,645	Community Aged Care Packages	28,067	24,960
-----	-----	External Research *	48,429	11,932
40,891	9,118	Non-Government Organisations	159,044	151,894
75,810	73,368	Payments to Controlled Health Entities	-----	-----
12,154,862	11,912,886	Other Grants	133,785	121,078
102,379	72,989			
<u>12,863,397</u>	<u>12,368,055</u>		<u>1,110,497</u>	<u>1,018,964</u>
<p>* As part of the 2010 Government Election Commitment, the Office of Science and Medical Research (OSMR) transferred to the Ministry of Health. All grants associated with the Medical Research grants program are now being paid and managed by the Ministry of Health. The increase in grants in 2011/12 reflect this transfer of function.</p>				
<b>7. Finance Costs</b>				
-----	-----	Finance Lease Interest Charges	42,036	34,728
-----	-----	Other Interest Charges	2,107	7,083
<u>-----</u>	<u>-----</u>	Total Finance Costs	<u>44,143</u>	<u>41,811</u>



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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>8. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
----	----	Sale of Prosthesis	52,610	47,879
----	62	Other	----	----
----	----	Pharmacy Sales	8,768	7,251
(b) Rendering of Services comprise the following:-				
----	----	Patient Fees	579,834	528,168
----	----	Staff-Meals and Accommodation	4,718	7,634
81,125	65,886	Department of Veterans' Affairs	333,711	306,686
----	----	Infrastructure Fees - Monthly Facility Charge	251,133	239,398
----	----	- Annual Charge	70,282	72,122
----	----	Cafeteria/Kiosk	20,374	20,903
----	----	Car Parking	21,831	17,442
----	----	Child Care Fees	10,842	10,199
----	----	Clinical Services (excluding Clinical Drug Trials)	14,979	12,674
314	1,888	Commercial Activities	36,440	29,236
----	----	Fees for Medical Records	1,941	1,854
----	----	High Cost Drugs	209,003	190,973
----	----	Linen Service Revenues - Non Health Services	6,888	9,282
----	----	Meals on Wheels	1,647	2,149
----	6,145	Motor Accident Authority Third Party *	92,973	96,549
----	----	PADP Patient Copayments	175	189
2,570	525	Patient Inflows from Interstate	2,570	525
----	----	Patient Transport Fees	77,812	70,988
----	----	Private Use of Motor Vehicles	2,681	1,510
----	----	Salary Packaging Fees	6,505	2,913
182	253	Services Provided to Non NSW Health Organisations	24,690	24,610
----	----	Use of Ambulance Facilities	3,853	3,772
38,070	29,984	Other	120,554	103,809
<hr/>	<hr/>		<hr/>	<hr/>
<b>122,261</b>	<b>104,743</b>		<b>1,956,814</b>	<b>1,808,715</b>
<p>* Motor Accident Authority Revenues reported by the Parent constitute revenues paid in settlement of amounts over the years 2006/07 to 2009/10. Health entities are now deemed to be the direct beneficiaries of revenues obtained through the Motor Vehicle Third Party Comprehensive Insurance arrangements.</p>				
<b>9. Investment Revenue</b>				
10,378	12,656	Interest	52,621	60,720
----	----	Royalties	335	241
----	----	Other	3,203	8,172
<hr/>	<hr/>		<hr/>	<hr/>
<b>10,378</b>	<b>12,656</b>		<b>56,159</b>	<b>69,133</b>

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>10. Grants and Contributions</b>				
-----	-----	Clinical Drug Trials	20,542	18,518
15,789	13,638	Commonwealth Government Grants	90,608	73,735
-----	-----	Industry Contributions/Donations	65,125	66,540
-----	-----	Cancer Institute Grants	59,030	57,281
4,199	5,553	NSW Government Grants	75,948	18,457
-----	-----	Research Grants	22,076	25,672
-----	-----	University Commission Grants	4	236
8,059	9,377	Other Grants	43,493	53,158
<b><u>28,047</u></b>	<b><u>28,568</u></b>		<b><u>376,826</u></b>	<b><u>313,597</u></b>

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

The following liabilities and expenses have been assumed by the Crown Entity:				
2,080	2,949	Superannuation-defined benefit	158,487	170,743
6,288	3,192	Long Service Leave *	435,331	165,290
113	161	Payroll Tax	113	161
<b><u>8,481</u></b>	<b><u>6,302</u></b>		<b><u>593,931</u></b>	<b><u>336,194</u></b>

\* Long Service Leave is impacted by actuarial review (See Note 3). Also, with effect from 31 December 2010 the Crown Entity assumed responsibility for the Long Service Leave liability of all Health Services controlled by the Ministry of Health.

**12. Other Revenue**

Other Revenue comprises the following:-

-----	-----	Ambulance Death & Disability Cover		
2	3	- Employee Contributions	4,412	4,087
-----	-----	Commissions	2,275	2,265
2,854	3,451	Conference and Training Fees	6,769	5,270
38	-----	Discounts	3,374	3,899
1,650	1,634	Insurance Refunds	4,707	3,848
5	31	Lease and Rental Income	24,424	21,436
-----	-----	Sale of Merchandise, Old Wares and Books	621	734
-----	-----	Sponsorship Income	1,157	762
-----	465	Treasury Managed Fund Hindsight Adjustment	17,174	29,934
39,078	956	Other *	63,045	37,177
<b><u>43,627</u></b>	<b><u>6,540</u></b>		<b><u>127,958</u></b>	<b><u>109,412</u></b>

\* Other Revenue for 2011/12 includes a one off adjustment for monies paid & received by the Parent under the former funding agreements for Department of Veterans' Affairs, \$18 million and High Cost Drugs \$7 million. Other Revenue also includes an on ongoing revenue stream from the contractual arrangements for the Royal North Shore carpark.

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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>13. Loss on Disposal</b>				
(264)	7,036	Property, Plant and Equipment	207,231	224,182
-----	(6,157)	Less: Accumulated Depreciation	(173,991)	(180,313)
<b>(264)</b>	<b>879</b>	<b>Written Down Value</b>	<b>33,240</b>	<b>43,869</b>
-----	(600)	Less: Proceeds from Disposal	(18,813)	(17,326)
<b>(264)</b>	<b>(279)</b>	<b>Loss on Disposal of Property, Plant and Equipment</b>	<b>(14,427)</b>	<b>(26,543)</b>
11,434	108,880	Financial Assets at Fair Value	-----	-----
(11,434)	(108,880)	Less: Proceeds from Disposal	-----	-----
-----	-----	<b>Loss on Disposal of Financial Assets at Fair Value</b>	-----	-----
-----	-----	Assets Held for Sale	18,281	2,412
-----	-----	Less: Proceeds from Disposal	(6,605)	(2,393)
-----	-----	<b>Loss on Disposal of Assets Held for Sale</b>	<b>(11,676)</b>	<b>(19)</b>
<b>(264)</b>	<b>(279)</b>	<b>Total Loss on Disposal</b>	<b>(26,103)</b>	<b>(26,562)</b>
<b>14. Other Losses</b>				
-----	-----	Property, Plant and Equipment Asset Revaluation Decrement	-----	(3,087)
(68)	-----	Impairment of Receivables	(60,784)	(46,643)
<b>(68)</b>	-----		<b>(60,784)</b>	<b>(49,730)</b>

**PARENT AND CONSOLIDATED**

**15. Conditions on Contributions**

	Purchase of Assets \$000	Health Promotion, Education and Research \$000	Other \$000	Total \$000
Contributions recognised as revenues during the current year for which expenditure in the manner specified had not occurred as at balance date	41,459	171,024	82,244	294,727
Contributions recognised in previous years which were not expended in the current financial year	83,017	386,799	96,974	566,790
Total amount of unexpended contributions as at balance date	<u>124,476</u>	<u>557,823</u>	<u>179,218</u>	<u>861,517</u>

Comment on restricted assets appears in Note 26

## 16. Service Groups of the Health Service

### 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 potentially preventable hospitalisation
- 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 Service Group excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services which 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 to provide 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 designated emergency departments of public hospitals.

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

### Service Group 2.2 - Inpatient Hospital Services

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

**Service Group 2.2 - Inpatient Hospital Services (continued)**

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 illness and mental health problems. It also includes the development of preventative programs which 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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<b>PARENT</b>			<b>CONSOLIDATION</b>	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>17. Cash and Cash Equivalents</b>				
160,389	235,104	Cash at Bank and On Hand	821,560	795,971
-----	-----	Short Term Deposits	481,203	329,174
<b>160,389</b>	<b>235,104</b>		<b>1,302,763</b>	<b>1,125,145</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:				
160,389	235,104	Cash and Cash Equivalents (per Statement of Financial Position)	1,302,763	1,125,145
<b>160,389</b>	<b>235,104</b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b>1,302,763</b>	<b>1,125,145</b>
<i>Refer to Note 41 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.</i>				
<b>18. Receivables</b>				
<b>Current</b>				
69,927	34,416	Sale of Goods and Services	302,744	274,263
18,995	-----	Intra Health Receivables	-----	-----
9,569	6,840	Goods and Services Tax	52,796	161,464
11,874	20,908	Other Debtors	107,606	94,723
110,365	62,164	<b>Sub Total</b>	463,146	530,450
-----	(1,016)	Less Allowance for Impairment	(63,249)	(60,032)
110,365	61,148	<b>Sub Total</b>	399,897	470,418
4,800	1,708	Prepayments	74,326	36,561
<b>115,165</b>	<b>62,856</b>		<b>474,223</b>	<b>506,979</b>
<b>(a) Movement in the Allowance for Impairment</b>				
Sale of Goods and Services				
(1,016)	(171)	Balance at Commencement of Reporting Period	(46,387)	(48,057)
1,016	171	Amounts written off during the year	52,505	45,933
-----	(1,016)	Increase/(decrease) in Allowance Recognised in Result for the Year	(47,358)	(44,263)
-----	<b>(1,016)</b>	Balance at 30 June	<b>(41,240)</b>	<b>(46,387)</b>
<b>(b) Movement in the Allowance for Impairment</b>				
Other Debtors				
-----	-----	Balance at Commencement of Reporting Period	(13,645)	(9,566)
-----	-----	Amounts written off during the year	4,410	2,034
-----	-----	Amounts recovered during the year	-----	(657)
-----	-----	Increase/(decrease) in Allowance Recognised in Result for the Year	(12,774)	(5,456)
-----	-----	Balance at 30 June	<b>(22,009)</b>	<b>(13,645)</b>
-----	<b>(1,016)</b>		<b>(63,249)</b>	<b>(60,032)</b>

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		<b>18. Receivables (continued)</b>		
		<b>Non-Current</b>		
----	----	Sale of Goods and Services	1,358	569
----	----	Leave Mobility	25	----
----	----	Other Debtors	----	34
		<b>Sub Total</b>	<b>1,383</b>	<b>603</b>
		Less Allowance for Impairment	(938)	(286)
		<b>Sub Total</b>	<b>445</b>	<b>317</b>
		Prepayments	8,595	12,142
			<b>9,040</b>	<b>12,459</b>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
----	----	Balance at Commencement of Reporting Period	(286)	(275)
----	----	Increase/(decrease) in Allowance Recognised in		
----	----	Result for the Year	(652)	(11)
----	----	Balance at 30 June	<b>(938)</b>	<b>(286)</b>
		Sale of Goods and Services Receivables		
		(Current and Non-Current) include:		
----	----	Patient Fees - Compensable	10,692	17,401
----	----	Patient Fees - Ineligible	18,638	30,623
----	----	Patient Fees - Other	92,442	77,941
			<b>121,772</b>	<b>125,965</b>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 41.*

**19. Inventories - Current - Held for Distribution**

34,977	26,217	Drugs	71,090	79,499
5,988	6,057	Medical and Surgical Supplies	54,742	41,361
----	----	Food and Hotel Supplies	137	29
----	----	Engineering Supplies	325	384
----	----	Other Including Goods in Transit	13,515	5,114
			<b>139,809</b>	<b>126,387</b>
<b>40,965</b>	<b>32,274</b>			

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<b>PARENT</b>			<b>CONSOLIDATION</b>	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>20. Financial Assets at Fair Value</b>				
<b>Current</b>				
----	----	Treasury Corporation - Hour-Glass Investment Facilities	106,306	207,451
----	----	Other	11,043	----
<u>----</u>	<u>----</u>		<u>117,349</u>	<u>207,451</u>
<b>Non Current</b>				
----	----	Treasury Corporation - Hour-Glass Investment Facilities	36,161	40,464
<u>----</u>	<u>----</u>		<u>36,161</u>	<u>40,464</u>

Refer to Note 41 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

<b>21. Other Financial Assets</b>				
<b>Current</b>				
8,784	12,438	Advances Receivable - Intra Health	----	----
<u>8,784</u>	<u>12,438</u>		<u>----</u>	<u>----</u>
<b>Non-Current</b>				
15,431	344	Advances Receivable - Intra Health	----	----
<u>15,431</u>	<u>344</u>		<u>----</u>	<u>----</u>

Refer to Note 41 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
215,216	201,649	Gross Carrying Amount	16,182,672	15,846,755
86,904	71,733	Less Accumulated Depreciation and Impairment	6,836,513	6,656,191
<u>128,312</u>	<u>129,916</u>	Net Carrying Amount	<u>9,346,159</u>	<u>9,190,564</u>
<b>Plant and Equipment - Fair Value</b>				
8,042	26,668	Gross Carrying Amount	2,043,796	2,573,260
3,971	21,992	Less Accumulated Depreciation and Impairment	1,173,851	1,737,686
<u>4,071</u>	<u>4,676</u>	Net Carrying Amount	<u>869,945</u>	<u>835,574</u>
<b>Infrastructure Systems - Fair Value</b>				
----	----	Gross Carrying Amount	712,347	628,221
----	----	Less Accumulated Depreciation and Impairment	349,252	283,454
<u>----</u>	<u>----</u>	Net Carrying Amount	<u>363,095</u>	<u>344,767</u>
<u>132,383</u>	<u>134,592</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>10,579,199</u>	<u>10,370,905</u>



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**22. Property, Plant and Equipment (Continued)**

**PARENT Reconciliation**

	Land	Buildings	Plant and Equipment	Total
	\$000	\$000	\$000	\$000
<b>2012</b>				
Net Carrying Amount at Start of Year	67,060	62,856	4,676	<b>134,592</b>
Additions	----	1,301	----	<b>1,301</b>
Reclassifications to Intangibles			(177)	<b>(177)</b>
Disposals	(160)	----	(104)	<b>(264)</b>
Net Revaluation Increment Less				
Revaluation Decrements	----	618	----	<b>618</b>
Depreciation Expense	----	(2,241)	(1,446)	<b>(3,687)</b>
Reclassifications		482	(482)	----
Net Carrying Amount at End of Year	<b>66,900</b>	<b>63,016</b>	<b>2,467</b>	<b>132,383</b>

	Land	Buildings	Plant and Equipment	Total
	\$000	\$000	\$000	\$000
<b>2011</b>				
Net Carrying Amount at Start of Year	67,060	64,684	4,981	<b>136,725</b>
Additions	----	413	1,917	<b>2,330</b>
Disposals	----	----	(879)	<b>(879)</b>
Depreciation Expense	----	(2,241)	(1,343)	<b>(3,584)</b>
Net Carrying Amount at End of Year	<b>67,060</b>	<b>62,856</b>	<b>4,676</b>	<b>134,592</b>

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the Parent entity.
- (ii) Land and Buildings were valued by the Department of Finance and Services on 1 July 2009.
- (iii) 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 also determined by the Department of Finance and Services :

Year	Land	Buildings
2010/11	0%	0%
2011/12	0%	2%

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**22. Property, Plant and Equipment (Continued)**

**CONSOLIDATED Reconciliation**

	Land	Buildings	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2012</b>						
Net Carrying Amount at Start of Year	1,589,643	7,539,483	61,438	835,574	344,767	10,370,905
Additions	12,431	535,912	7,946	95,484	5,456	657,229
Reclassifications to Intangibles	----	----	----	(609)	----	(609)
Recognition of Assets Held for Sale	(3,027)	(35,227)	----	----	----	(38,254)
Disposals	(1,060)	(14,007)	----	(18,173)	----	(33,240)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	68,411	118,255	----	----	30,919	217,585
Impairment Losses (Recognised in "Other Gains/Losses")	(2,449)	(75,748)	----	----	(215)	(78,412)
Depreciation Expense	----	(324,795)	(3,751)	(169,618)	(17,841)	(516,005)
Reclassifications	----	(127,296)	----	127,287	9	----
<b>Net Carrying Amount at End of Year</b>	<b>1,663,949</b>	<b>7,616,577</b>	<b>65,633</b>	<b>869,945</b>	<b>363,095</b>	<b>10,579,199</b>

	Land	Buildings	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>						
Net Carrying Amount at Start of Year	1,593,862	7,369,896	63,430	742,086	357,779	10,127,053
Additions	4,873	453,125	----	285,120	2,857	745,975
Reclassifications to Intangibles	----	----	----	(50)	----	(50)
Recognition of Assets Held for Sale	(10,099)	----	----	----	----	(10,099)
Disposals	(6,188)	(14,031)	----	(23,650)	----	(43,869)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	7,195	52,722	----	----	----	59,917
Depreciation Expense	----	(322,229)	(1,992)	(167,932)	(15,869)	(508,022)
<b>Net Carrying Amount at End of Year</b>	<b>1,589,643</b>	<b>7,539,483</b>	<b>61,438</b>	<b>835,574</b>	<b>344,767</b>	<b>10,370,905</b>

Land and Buildings include land owned by the Health Administration Corporation, the Ministry or its controlled entities.

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

In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets for those health entities that last performed revaluations in 2009/10 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 gave consideration to the valuation of Physical Non-Current Assets at Fair Value at that time. The indices used have been determined by valuers external to NSW Health.

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PARENT		CONSOLIDATION	
2012	2011	2012	2011
\$000	\$000	\$000	\$000
<b>23. Intangible Assets</b>			
<b>Software</b>			
177	-----	421,264	331,622
-----	-----	118,500	106,396
<u>177</u>	<u>-----</u>	<u>302,764</u>	<u>225,226</u>
<b>Net Carrying Amount</b>			

**PARENT Reconciliation**

	Software \$000	Total \$000
<b>2012</b>		
Net Carrying Amount at Start of Year	-----	-----
Reclassification from Plant & Equipment (Software only)	177	177
<b>Net Carrying Amount at End of Year</b>	<b>177</b>	<b>177</b>

**CONSOLIDATED Reconciliation**

	Software \$000	Total \$000
<b>2012</b>		
Net Carrying Amount at Start of Year	225,226	225,226
Additions (From Internal Development or Acquired Separately)	96,346	96,346
Reclassifications from Plant & Equipment	609	609
Amortisation (Recognised in Depreciation and Amortisation)	(19,417)	(19,417)
<b>Net Carrying Amount at End of Year</b>	<b>302,764</b>	<b>302,764</b>

	Software \$000	Total \$000
<b>2011</b>		
Net Carrying Amount at Start of Year	172,290	172,290
Additions (From Internal Development or Acquired Separately)	70,002	70,002
Reclassifications from Plant & Equipment	50	50
Amortisation (Recognised in Depreciation and Amortisation)	(17,116)	(17,116)
<b>Net Carrying Amount at End of Year</b>	<b>225,226</b>	<b>225,226</b>

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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		<b>24. Other Assets</b>		
		<b>Non-Current</b>		
-----	-----	Emerging Rights to Assets (refer Note 2(z))	54,411	24,636
-----	-----		<b>54,411</b>	<b>24,636</b>
=====	=====			
		<b>25. Non-Current Assets Held for Sale</b>		
		<b>Assets Held for Sale</b>		
-----	-----	Land and Buildings	66,638	46,587
-----	-----	Infrastructure Systems	33	111
-----	-----		<b>66,671</b>	<b>46,698</b>
=====	=====			
No amounts are recognised in equity relating to No-Current Assets Held for Sale.				
		<b>26. Restricted Assets</b>		
The 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.				
-----	-----	Specific Purposes	307,712	378,850
-----	-----	Perpetually Invested Funds	24,584	23,483
-----	-----	Research Grants	210,701	166,751
-----	-----	Private Practice Funds	265,249	229,207
-----	-----	Other	53,271	36,211
-----	-----	<b>TOTAL</b>	<b>861,517</b>	<b>834,502</b>
=====	=====			

Details of Conditions on Contributions appear in Note 15.  
Major categories included in the Consolidation are:

<b>Category</b>	<b>Brief Details of Externally Imposed Conditions</b>
Specific Purposes Trust Funds	Donations, contributions and fundraisings held for the benefit of specific patient, District and/or staff groups.
Perpetually Invested Trust Funds	Funds invested in perpetuity. The income, there from used in accordance with donors' or trustees' instructions for the benefit of patients and/or in support of hospital services.
Research Grants	Specific research grants.
Private Practice Funds	Annual Infrastructure Charges raised in respect of Salaried Medical Officers Rights of Private Practice arrangements.

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		<b>27. Payables</b>		
		<b>Current</b>		
1,332	1,260	Accrued Salaries, Wages and On-Costs	195,900	147,339
389	395	Taxation and Payroll Deductions	71,526	150,180
52,770	61,465	Superannuation Guarantee Charge Payables	68,441	75,836
82,189	78,973	Creditors	701,774	698,785
		Other Creditors		
0	----	- Capital Works	110,439	71,267
87,406	65,234	- Intra Health Liability	----	----
<u>224,086</u>	<u>207,327</u>		<u>1,148,080</u>	<u>1,143,407</u>

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

		<b>28. Borrowings</b>		
		<b>Current</b>		
----	----	Other Loans and Deposits	4,799	1,901
----	----	Finance Leases [see note 2(m)]	2,154	2,501
----	----	Public Private Partnership - Long Bay	----	978
----	----	Public Private Partnership - Mater	7,412	6,629
----	----		<u>14,365</u>	<u>12,009</u>
		<b>Non-Current</b>		
----	----	Other Loans and Deposits	5,017	4,626
----	----	Finance Leases [see note 2(m)]	7,206	9,000
----	----	ANZAC Foundation loan from Sydney University	----	1,568
----	----	Public Private Partnership - Long Bay	82,054	82,043
----	----	Public Private Partnership - Mater	132,796	140,208
----	----	Public Private Partnership - Orange	162,091	162,092
----	----	Public Private Partnership - Royal North Shore	49,565	49,565
----	----		<u>438,729</u>	<u>449,102</u>

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

Ministry of Health  
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PARENT		CONSOLIDATION	
2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>29. Provisions</b>			
<b>Current Employee Benefits and Related On-Costs</b>			
5,731	7,406	693,132	727,607
3,039	4,099	678,093	570,669
-----	62	1,175	354
677	558	677	3,717
-----	-----	12,291	7,719
-----	-----	430	427
<u>4,238</u>	<u>2,625</u>	<u>178,663</u>	<u>91,242</u>
<b><u>13,685</u></b>	<b><u>14,750</u></b>	<b><u>1,564,461</u></b>	<b><u>1,401,735</u></b>
<b>Non-Current Employee Benefits and Related On-Costs</b>			
46	91	3,265	409
-----	-----	-----	2,854
-----	-----	-----	56
<u>863</u>	<u>331</u>	<u>8,865</u>	<u>6,205</u>
<b><u>909</u></b>	<b><u>422</u></b>	<b><u>12,130</u></b>	<b><u>9,524</u></b>
<b>Aggregate Employee Benefits and Related On-Costs</b>			
13,685	14,750	1,564,461	1,401,735
909	422	12,130	9,524
<u>70,016</u>	<u>78,291</u>	<u>307,867</u>	<u>373,355</u>
<b><u>84,610</u></b>	<b><u>93,463</u></b>	<b><u>1,884,458</u></b>	<b><u>1,784,614</u></b>
<b>30. Other Liabilities</b>			
<b>Current</b>			
2,427	2,427	34,992	24,980
<u>2,427</u>	<u>2,427</u>	<u>34,992</u>	<u>24,980</u>
<b>Non-Current</b>			
60,686	63,113	104,327	110,405
697	697	2,128	697
<u>61,383</u>	<u>63,810</u>	<u>106,455</u>	<u>111,102</u>

At 30 June 2012 the Ministry held \$63 million as Income in Advance relating to licensing rights for the future use of the Royal North Shore Hospital car park. At Consolidated level, the Income in Advance principally relates to the Royal North Shore Car Park and monies received from the Sydney University as a contribution towards the construction costs of a research and education facility. Upon commissioning of the facility the University will partly occupy the facility and the income in advance will be exhausted over the term of the occupation. Income in advance has also been received as a consequence of Health Entities entering into agreements for the sale of surplus properties and the provision and operation of private facilities and car parks.

Ministry of Health  
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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		<b>31. 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	332,378	141,063
----	----	Later than one year and not later than five years	571,718	181,429
----	----	Later than five years	2,788,445	2,102,698
-----	-----	<b>Total Capital Expenditure Commitments (Including GST)</b>	<b><u>3,692,542</u></b>	<b><u>2,425,190</u></b>
		<b>(b) Operating Lease Commitments</b>		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
----	7,377	Not later than one year	133,807	145,035
----	15,950	Later than one year and not later than five years	249,301	271,458
----	----	Later than five years	179,994	159,716
-----	<b><u>23,327</u></b>	<b>Total Operating Lease Commitments (Including GST)</b>	<b><u>563,102</u></b>	<b><u>576,209</u></b>
		<b>The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.</b>		
		<b>(c) Contingent Asset Related to Commitments for Expenditure</b>		
		The total of 'Commitments for Expenditure' above, i.e. \$4,255.6 million as at 30 June 2012 includes input tax credits of \$386.9 million that are expected to be recoverable from the Australian Taxation Office (2011: \$ 368.7 million).		
		<b>(d) Finance Lease Commitments</b>		
		Minimum lease payment commitments in relation to finance leases are payable as follows:		
----	----	Not later than one year	53,995	48,101
----	----	Later than one year and not later than five years	218,842	203,012
----	----	Later than five years	859,029	933,934
-----	-----	<b>Minimum Lease Payments (Including GST)</b>	<b><u>1,131,866</u></b>	<b><u>1,185,047</u></b>
----	----	Less: Future Finance Charges	585,691	624,298
----	----	Less: GST component	<u>102,897</u>	<u>107,733</u>
-----	-----	<b>Present Value of Minimum Lease Payments</b>	<b><u>443,278</u></b>	<b><u>453,016</u></b>
		<b>The present value of finance lease commitments is as follows:</b>		
----	----	Not later than one year	9,566	9,130
----	----	Later than one year and not later than five years	49,017	50,740
----	----	Later than five years	384,695	393,146
-----	-----	<b>Present Value of Minimum Lease Payments</b>	<b><u>443,278</u></b>	<b><u>453,016</u></b>
		<b>Classified as:</b>		
----	----	(a) Current (Note 28)	9,566	9,130
----	----	(b) Non-Current (Note 28)	433,712	443,886
-----	-----		<b><u>443,278</u></b>	<b><u>453,016</u></b>

**31. Commitments for Expenditure (continued)**

**(e) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)**

In 2005-06, the Health Administration Corporation entered into a contract with a private sector provider, NovaCare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment has been completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.

When Stage 1 construction was completed in January 2008, the former Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33 million. The recognition is based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either the former HNEAHS or the Department. Upon completion of the Project, the former HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48 million in June 2009.

The former HNEAHS recognised the new mental health facility as an asset of \$39.29 million. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by the former HNEAHS, was also recognised as an asset and offsetting liability of \$11.08 million. The basis for the accounting treatment is that services will be delivered by the former HNEAHS on the site of Mater Hospital for the duration of the Head Lease of the these facilities until November 2033.

In addition, the former Hunter New England Area Health Service recognised the liability to NovaCare, payable over the period to 2033, for the construction of both hospitals.

An estimate of the commitments is as follows:

**(a) Commitments – Repayment of PPP Liability**

Nominal	2012 \$000	2011 \$000
Not later than one year	8,153	7,292
Later than one year and not later than five years	44,366	39,264
Later than five years	101,710	114,965

**(b) Capital Commitments – New Mental Health Building and Refurbished Buildings (PPP interest)**

Nominal	2012 \$000	2011 \$000
Not later than one year	15,119	15,804
Later than one year and not later than five years	50,569	54,922
Later than five years	85,385	96,151

**(c) Other Expenditure Commitments – Redevelopment of Mater Hospital (which will be recognised as a grant after completion of construction) and provision of facilities management and other non-clinical services to both hospitals.**

Nominal	2012 \$000	2011 \$000
Not later than one year	16,904	15,895
Later than one year and not later than five years	82,066	75,290
Later than five years	443,668	467,348

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$77.1 million (2011: \$80.6 million) are expected to be recoverable from the Australian Taxation Office.



**31. Commitments for Expenditure (continued)**

**(f) Royal North Shore Hospital Public, Private Partnership (PPP)**

In October 2008, a private sector company, InfraShore Pty Limited, was engaged to finance, design and construct the new Royal North Shore Hospital, the new Community Health Facility and a new car park. InfraShore is required to provide facilities management services and delivery of ancillary non-clinical support services for these hospital facilities, the new Research and Education Centre (the Kolling Building) and some existing facilities under a Project Deed. Provision of facilities maintenance commenced in October 2009 and other support services commenced in April 2010. The new development will be completed in stages and full service commissioning is anticipated in 2014/15.

Upon construction of each stage, the Northern Sydney Local Health District (NSLHD) will operate and recognise the new Community Health Facility, the new Royal North Hospital, and the new car park facility as an asset of \$722 million. In addition, NSLHD will recognise the liability to InfraShore, payable over the period to 2036 for these facilities.

In March 2011, Stage 1 of the new Community Health Building was completed on target. Northern Sydney Local Health District recognised the Community Health Building as an asset of \$49.565 million. The basis for the accounting treatment is that services will be delivered by NSLHD for the duration of the term until 2036. NSLHD recognised the PPP liability, payable from 2011/12 to 2036 for the construction of the Community Health Building.

The car park facilities across the Hospital campus are managed under a separate licence agreement with InfraShore Parking Pty Ltd over 28 years to match the Project Deed term. The new car park was treated as a capital purchase with deferred settlement. Under the securitisation for the Car Park Licence Agreement, on 28 April 2010, NSLHD received an upfront payment that represented the net present value of the annual base licence fee for the term from the InfraShore Asset Management Trust.

An estimate of the commitments is as follows:

**(a) Repayment of PPP Non-Current Liability - New Community Health Building**

Nominal	2012 \$000	2011 \$000
Not later than one year	----	----
Later than one year and not later than five years	----	----
Later than five years	54,521	54,521

**(b) Capital Commitments – PPP interest**

Nominal	2012 \$000	2011 \$000
Not later than one year	5,824	5,649
Later than one year and not later than five years	23,527	23,290
Later than five years	94,234	100,038

**(c) Capital Commitments – New acute hospital and car park**

Nominal	2012 \$000	2011 \$000
Not later than one year	----	----
Later than one year and not later than five years	240,448	161,019
Later than five years	1,983,549	2,048,177

**(d) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to the new and existing facilities.**

Nominal	2012 \$000	2011 \$000
Not later than one year	45,362	37,729
Later than one year and not later than five years	192,618	190,558
Later than five years	1,477,014	1,642,116

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$374.3 million (2011: \$387.5 million) are expected to be recoverable from the Australian Taxation Office.

**31. Commitments for Expenditure (continued)**

**(g) Long Bay Forensic and Prisons Hospital Public, Private Partnership (PPP)**

In 2006-07 a private sector company, PPP Solutions (Long Bay) Pty Limited, was engaged to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The development was a joint project between the NSW Department of Health (now Ministry of Health) and the Department of Corrective Services. The new development was completed in December 2008.

After completion of construction, Justice Health, a statutory health corporation operated and recognised the new Hospital, the Operations Building and the Pharmacy Building as an asset of \$86 million. The basis for the accounting treatment is that services are being delivered by Justice Health for the duration of the term until May 2034.

In addition, Justice Health recognised the liability to PPP Solutions, payable over the period to 2034 for the construction of the new facilities.

An estimate of the commitments is as follows:

**(a) Repayment of PPP Non-Current Liability - New Forensic Hospital and Operations Building**

Nominal	2012 \$000	2011 \$000
Not later than one year	1,190	1,076
Later than one year and not later than five years	6,166	5,574
Later than five years	82,903	84,685

**(b) Capital Commitments – PPP interest**

Nominal	2012 \$000	2011 \$000
Not later than one year	9,584	9,698
Later than one year and not later than five years	36,929	37,521
Later than five years	98,509	107,501

**(c) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to the new and existing facilities.**

Nominal	2012 \$000	2011 \$000
Not later than one year	9,370	8,704
Later than one year and not later than five years	40,851	40,213
Later than five years	262,851	272,860

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$50.0 million (2011: \$51.6 million) are expected to be recoverable from the Australian Taxation Office.

**31. Commitments for Expenditure (continued)**

**(h) Orange and Associated Health Services Public, Private Partnership (PPP)**

In December 2007, a private sector company, Pinnacle Healthcare (OAHS) Pty Limited, was engaged to finance, design and construct the new Orange Hospital and new health facilities including Orange Tertiary Mental Health and other expansion works. Pinnacle will refurbish existing buildings and provide facilities management and delivery of ancillary non-clinical services for these hospital facilities and the new Bathurst Hospital under a Project Deed. Provision of facilities maintenance commenced in April 2007, followed by other non-clinical support services in December 2008.

In 2008/09, NSW Health requested a contract variation to expand the Orange Hospital and health facilities to accommodate additional clinical services. Following the change procedures in the Project Deed and subsequently government approval, the Project Deed was amended through the Deed of Amendment No. 1 in June 2010.

Upon construction completion of the new facilities including the Orange Hospital in March 2011, Western NSW Local Health District (LHD) recognised these facilities as an asset of \$162.1 million under the original PPP financing arrangements. The basis for the accounting treatment is that services will be delivered by Western NSW LHD for the duration of the term until December 2035.

In addition, Western NSW LHD recognised the liability to Pinnacle Healthcare, payable over the period to 2035 for the construction of the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities.

The construction costs of the extended works due to the State variations were progressively paid outside of the PPP financing during construction. Western NSW LHD recognised the extended works as its assets at the completion of construction in March 2011.

An estimate of the commitments is as follows:

**(a) Repayment of PPP Non-Current Liability - New Orange Hospital and Various Facilities**

Nominal	2012	2011
	\$000	\$000
Not later than one year	-----	-----
Later than one year and not later than five years	143	-----
Later than five years	178,157	178,300

**(b) Capital Commitments – PPP interest**

Nominal	2012	2011
	\$000	\$000
Not later than one year	16,418	15,896
Later than one year and not later than five years	69,567	67,631
Later than five years	246,901	262,280

**(c) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to the new and existing facilities.**

Nominal	2012	2011
	\$000	\$000
Not later than one year	29,856	30,325
Later than one year and not later than five years	128,752	125,481
Later than five years	884,269	1,011,265

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$141.2 million (2011: \$153.7 million) are expected to be recoverable from the Australian Taxation Office.

**PARENT AND CONSOLIDATED**

**32. Trust Funds**

The Ministry of Health consolidated entity holds trust fund moneys of \$92.334 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Ministry's controlled entities cannot use them for the achievement of their objectives. Nil Trust monies are held by the Parent entity. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash Balance at the beginning of the financial year	7,270	5,495	12,936	8,930	61,165	49,389	81,371	63,814
Receipts	7,657	8,672	20,557	31,719	435,420	376,218	463,634	416,609
Expenditure	(9,681)	(6,897)	(20,595)	(27,713)	(422,395)	(364,442)	(452,672)	(399,052)
Cash Balance at the end of the financial year	5,245	7,270	12,898	12,936	74,191	61,165	92,334	81,371

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	<b>Parent and Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>33. Appropriations</b>		
<b>Recurrent Appropriations</b>		
Total Recurrent Draw-Downs from NSW Treasury (per Summary of Compliance)	<u>13,039,539</u>	<u>12,546,945</u>
<b>Total</b>	<b><u>13,039,539</u></b>	<b><u>12,546,945</u></b>
Comprising:		
Recurrent Appropriations (per Statement of Comprehensive Income)	<u>13,039,539</u>	<u>12,546,945</u>
<b>Total</b>	<b><u>13,039,539</u></b>	<b><u>12,546,945</u></b>
<b>Capital Appropriations</b>		
Total Capital Draw-Downs from NSW Treasury (per Summary of Compliance)	<u>487,631</u>	<u>479,596</u>
<b>Total</b>	<b><u>487,631</u></b>	<b><u>479,596</u></b>
Comprising:		
Capital Appropriations (per Statement of Comprehensive Income)	<u>487,631</u>	<u>479,596</u>
<b>Total</b>	<b><u>487,631</u></b>	<b><u>479,596</u></b>

**PARENT AND CONSOLIDATED**

**34. Contingent Liabilities and Assets**

**(a) Workers Compensation Hindsight Adjustment**

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2005/06 fund year and an interim adjustment for the 2007/08 fund year were not calculated until 2011/12.

As a result, the 2006/07 final and 2008/09 interim hindsight calculations will be paid in 2012/13. It is not possible to reliably quantify either the benefit to be received or the cost to be incurred.

**(b) Affiliated Health Organisations**

Based on the definition of control in Australian Accounting Standard AASB127, Consolidated and Separate Financial Statements, Affiliated Health Organisations listed in Schedule 3 of the *Health Services Act 1997* are only recognised in the Ministry's consolidated financial statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship which may exist or be formulated between the administering bodies of the organisation and the Ministry.

**(c) Newcastle Mater Public Private Partnership (PPP)**

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

**(d) Justice and Forensic Mental Health Network**

**(i)** The Network is in dispute with Intheshed Asset Management Pty Ltd over storage charges. The amount in dispute is \$356,757. The matter has been referred for expert determination pursuant to clauses 13 and 25 of the NSW State Contracts Control Board Deed of Agreement for Management of Surplus Equipment for the Ministry of Health (SCCBA).

**(ii) Long Bay Forensic and Prison Hospitals Public Private Partnership (PPP)**

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

**(e) Royal North Shore Hospital Redevelopment Public Private Partnership (PPP)**

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

**PARENT AND CONSOLIDATED**

**34. Contingent Liabilities and Assets**

**(f) Sydney Local Health District**

A claim was made against Sydney Local Health District (Part of the former SSWAHS) by the lessee of certain property controlled by the Network on the Royal Prince Alfred Hospital campus, on which the lessee had agreed to construct a car park and private hospital to be operated by the lessee. The lessee sought damages principally because it claimed its failure to commence construction of the hospital and to complete the car park was caused by the District. The lessee also sought to be restored to possession and an account of net revenue from the incomplete car park since termination.

The Supreme Court judgement in favour of the District on virtually all issues was handed down in 2008/09. Costs were awarded against the lessee in favour of the District.

The lessee appealed to the Court of Appeal. There was no alteration to the finding that the District did not cause the lessee's failure to commence construction of the hospital and complete the car park. It was for other reasons that the lessee was not ready, willing and able to comply. Accordingly, the lessee's claim for substantial damages failed.

However, the Court of Appeal ordered that the lessee be restored to possession, entitling the lessee to an account of net revenue from the car park since termination or damages for being out of possession, less rental of more than \$4 million which the lessee has not paid. Taking into account the many issues in the proceedings and overlap between them, the District was ordered to pay 25% of the lessee's costs of the trial in the Supreme Court. The issues on appeal were much narrower. The Network was ordered to pay 50% of the lessee's costs of the appeal. Any payment to the lessee for the period of being out of possession will take into account that the lessee was not in a position to construct a hospital at the date of termination. The proceedings to determine quantum have commenced, and it is not expected that the matter will be heard until the first half of 2013.

The lessee has not yet sought to be restored to possession. Although the lessee remains obliged to construct a hospital, the timetable for doing so has expired. The lessee has indicated a willingness to construct a hospital, however the lessee would need an extended timetable to do so. The District is considering termination. Discussions between the parties are ongoing.

**(g) Western New South Wales Local Health District**

- (i)** Contractual Dispute with PRP Diagnostic Imaging Pty Ltd [PRP]. The former Greater Western Area Health Service (GWAHS) contracted PRP to provide radiologist services in December 2009 for 3 years commencing April 2009. The agreement set a fixed fee for the 1st year and for price reviews for the following years based on changes to actual activity in excess of 15%. PRP has made a claim for back payment for the period April 2010 to April 2011 for radiology services in the sum of \$503,880. A tax invoice has been received for the period 1st May 2011 to 30 April 2012 for \$503,880. A total of \$1,007,760. The Western NSW Local Health District disputes basis for the PRP "rise and fall in activity" calculation.

**(ii) Orange and Associated Health Services Public Private Partnership (PPP)**

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

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>35. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
(61,979)	135,290	Net Cash Flows from Operating Activities	780,215	966,437
(3,687)	(3,584)	Depreciation	(535,422)	(525,138)
68	(1,016)	Allowance for Impairment	(22,945)	(49,730)
2,427	-----	(Increase) / Decrease in Income in advance	(3,934)	-----
577	1,380	(Increase) / Decrease in Provisions	(165,332)	(147,993)
104,614	(28,553)	Increase / (Decrease) in Prepayments and Other Assets	86,237	142,130
(14,718)	(19,103)	Increase in Creditors	(52,977)	(195,878)
(264)	(279)	Loss on Sale of Property, Plant and Equipment	(26,103)	(26,562)
-----	(68,959)	Debt Forgiveness	-----	-----
-----	-----	Right to Emerging Asset	29,775	-----
<u>27,038</u>	<u>15,176</u>	<b>Net Result</b>	<u>89,514</u>	<u>163,266</u>

**36. Non-Cash Financing and Investing Activities**

-----	-----	Property, Plant and Equipment Acquired, PPP arrangement	-----	211,657
<u>-----</u>	<u>-----</u>		<u>-----</u>	<u>211,657</u>

**37. 2011/12 Voluntary Services**

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

- \* Chaplaincies and Pastoral Care
- \* Patient and Family Support
- \* Pink Ladies/Hospital Auxiliaries
- \* Patient Services, Fund Raising
- \* Patient Support Groups
- \* Patient Support to Patients and Relatives
- \* Community Organisations
- \* Counselling, Health Education, Transport, Home Help and Patient Activities



**PARENT AND CONSOLIDATED**

**38. Unclaimed Moneys**

All money and personal effects of patients which are left in the custody of Health entities 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 Health entities.

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.

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

The reported actual Net Result was \$276 million less than the Statement of Comprehensive Income budget result for the 2011/12 year.

The 2011/12 Statement of Comprehensive Income budget represents the initial budget as allocated by Government at the time of the 2011 State Budget presented to Parliament on 6 September 2011.

Over the course of the 2011/12 year, the Treasurer has approved Net Result adjustments totalling \$7.516 million. Of this amount \$32.8 million related to increases in 2011/12 budgeted expenses and a further \$25.3 million was approved for the recognition of expected increases in general revenue received.

Additionally, the Treasurer approved \$216 million in capital appropriations to be rolled over to future years to better align with project delivery and milestones schedules for a range of projects that had largely been impacted by delays in planning and wet weather conditions that occurred during 2011/12.

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

		\$M
Budget Result for 2011/12		365
Change in Government Grants & Subsidy		
Decrease in Capital Allocation rolled over to future years	216	
Decrease in Recurrent Allocation rolled over to future years	58	
Increase in Accounting of Crown Entity Liabilities	(40)	234
Sub Total		131
Change in own source revenue performance		
Improvements in revenue received over budget	50	
In year Technical & Parameter adjustments approved by Treasurer	25	75
Sub Total		206
Change in expenditure performance during year		
Includes technical/parameter adjustment approved during the course of 2011/12 by the Treasurer. It includes recognition of the additional cost arising above initial budget estimates to account for the value of the Commonwealth Bond rate at 30 June 2012 and the resultant impact to the value of the Long Service Leave actuarial adjustment recognised.	(32)	
Other variations to expenditure result from normal operating activities	(9)	(41)
Sub Total		165
Recognition of loss from disposal of surplus assets compared to written down asset value and other losses recognised in respect to doubtful or bad debts above budget estimate		(76)
<b>Actual Net Result</b>		<b>89</b>

Ministry of Health  
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**PARENT AND CONSOLIDATED**

**ASSETS & LIABILITIES**

Net assets decreased by \$137 million when compared to the initial budget as approved on 6 September 2011. The variation comprised a number of movements between the actual result and the budget estimate.

* Movement in property, plant & equipment	23
* Decrease in intangibles	(39)
* Increase in cash and cash equivalents	178
* Increase in receivables	33
* Increase in provisions <sup>1</sup>	(229)
* Increase in payables	(34)
* Decrease in Financial Assets at Fair Value	(94)
* Increase in inventories	13
* Other miscellaneous movements in assets & liabilities	12
	<u>(137)</u>

<sup>1</sup> The NSW Health initial budget for LSL provision was premised on a 5.2155% Commonwealth Bond Rate that was effective at 30 June 2011. For recognition of the Long Service Leave provision, the bond rate at 30 June 2012 was 3.04%. This decrease had an overall \$80.5 million impact over the budget provision and was a major factor in the budget comparison to actual.

**STATEMENT OF CASH FLOWS**

- \* The actual Net Cash Flows from Operating Activities varies from the Budget by \$108 million and is principally influenced by the reductions in Government appropriations of \$274 million (as referred above), duly adjusted for the impact of additional receipts.
- \* The Cash Flow from Investing Activities is less than Budget by \$290 million due, principally, to the necessary rollover of capital projects to 2012/13.

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

**Parent**

**2010/11**

No equity transfers occurred in 2010/11.

**2011/12**

In 2011/12 net equity of \$45.72 million transferred to the three Health Reform Transitional Organisations as part of the dissolution process (see consolidated note below).

**Consolidated**

**2010/11**

In 2010/11 Long Service Leave totalling \$1.629 billion transferred to the Crown Entity on 31 December 2010. No other transfers were effected outside of the Ministry in 2010/11. However, a series of equity transfers were effected within the Ministry controlled health services, for example, the establishment of Local Health Districts and the Sydney Children's Hospital Network.

**2011/12**

No equity transfers were effected outside the Ministry in 2011/12. However, a series of equity transfers were effected within the Ministry's controlled Health Services, for example, the establishment of NSW Health Pathology as a unit within the Health Administration Corporation from 1 June 2012, the dissolution of the three Health Reform Transitional Organisations at 31 May 2012 and the establishment of the Health Education and Training Institute from 2 April 2012.

Ministry of Health  
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**41. Financial Instruments**

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

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

The Director General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Ministry, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Committees/internal auditors of each controlled health entity on a continuous basis.

**(a) Financial Instrument Categories**

**PARENT**

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2012 \$000	2011 \$000
Cash and Cash Equivalents (note 17)	N/A	160,389	235,104
Receivables (note 18) <sup>1</sup>	Loans and receivables (at amortised cost)	100,796	54,308
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	24,215	12,739
<b>Total Financial Assets</b>		<b>285,400</b>	<b>302,151</b>
<b>Financial Liabilities</b>			
Borrowings (note 28)	Financial liabilities		
Payables (note 27) <sup>2</sup>	measured at	171,316	145,396
Other (note 30)	amortised cost	697	697
<b>Total Financial Liabilities</b>		<b>172,013</b>	<b>146,093</b>

Notes

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

Ministry of Health  
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**CONSOLIDATION**

<b>Financial Assets Class:</b>	<b>Category</b>	<b>Carrying Amount</b>	<b>Carrying Amount</b>
		<b>2012</b>	<b>2011</b>
		<b>\$000</b>	<b>\$000</b>
Cash and Cash Equivalents (note 17)	N/A	1,302,763	1,125,145
Receivables (note 18) <sup>1</sup>	Loans and receivables (at amortised cost)	347,546	309,271
Financial Assets at Fair Value (note 20)	At fair value through profit or loss (designated as such upon initial recognition)	153,510	247,915
<b>Total Financial Assets</b>		<b><u>1,803,819</u></b>	<b><u>1,682,331</u></b>
<b>Financial Liabilities</b>			
Borrowings (note 28)	Financial liabilities	453,094	461,111
Payables (note 27) <sup>2</sup>	measured at	1,008,113	917,391
Other (note 30)	amortised cost	2,128	697
<b>Total Financial Liabilities</b>		<b><u>1,463,335</u></b>	<b><u>1,379,199</u></b>

Notes

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

Ministry of Health  
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**(b) Credit Risk**

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

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

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

**Cash**

Cash comprises cash on hand and bank balances deposited in accordance with *Public Authorities (Financial Arrangements) Act* approvals. Interest is earned on daily bank balances at rates of between approximately 3.38% and 5.70% in 2011/12 compared to between 4.5% and 6.0% in the previous year. The TCorp Hour-Glass cash facility is discussed in para (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 Ministry of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Ministry will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Ministry is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtor balance at year end \$99.925 million (2011: \$50.569 million) for the Parent and \$202.369 million (2011: \$174.533 million) for the Consolidated related to debtors that were not considered past due and not considered impaired. Debtors of \$0.871 million (2011: \$2.633 million) for the Parent and \$86.630 million (2011: \$134.738 million) for the Consolidated were past due but not considered impaired. Together these represent 100% (2011: 98.2%) for the Parent and 83.3% (2011: 83.7%) for the Consolidated, of total trade debtors. Most of the debtors of the Ministry and its controlled entities are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

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<b>PARENT</b>		<b>\$000</b>	
<b>2012</b>	<b>Total</b> <sup>1,2</sup>	<b>Past due but not impaired</b> <sup>1,2</sup>	<b>Considered impaired</b> <sup>1,2</sup>
<3 months overdue	759	759	-----
3 months - 6 months overdue	-----	-----	-----
> 6 months overdue	112	112	-----
	<b>871</b>	<b>871</b>	<b>-----</b>
<b>2011</b>			
<3 months overdue	1,474	1,474	-----
3 months - 6 months overdue	99	99	-----
> 6 months overdue	2,076	1,060	1,016
	<b>3,649</b>	<b>2,633</b>	<b>1,016</b>
<b>CONSOLIDATED</b>		<b>\$000</b>	
<b>2012</b>	<b>Total</b> <sup>1,2</sup>	<b>Past due but not impaired</b> <sup>1,2</sup>	<b>Considered impaired</b> <sup>1,2</sup>
<3 months overdue	86,835	71,132	15,703
3 months - 6 months overdue	28,900	16,666	12,234
> 6 months overdue	41,173	10,743	30,430
	<b>156,908</b>	<b>98,541</b>	<b>58,367</b>
<b>2011</b>			
<3 months overdue	108,084	77,015	31,069
3 months - 6 months overdue	41,253	29,315	11,938
> 6 months overdue	45,719	28,408	17,311
	<b>195,056</b>	<b>134,738</b>	<b>60,318</b>

**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**

Controlled entities of the Ministry have 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 vary. The deposits at balance date across Health Entities under the control of the Ministry were earning an average interest rate of 4.03% and 7.00%, while over the year the weighted average interest rates reported by Health Entities ranged between 4.77% and 4.91% (2011: 5.24% and 5.42%). None of these assets are past due or impaired.

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**(c) Liquidity Risk**

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

The Ministry and its controlled entities have negotiated no loan outside of arrangements with Treasury or the Private Public Partnership arrangements negotiated through Treasury.

During the current and prior year, there were no defaults on any loans payable. No assets have been pledged as collateral. The Ministry's controlled entities' exposure to liquidity risk is significant. However, this risk is minimised as the Ministry of Health has indicated its ongoing financial support to those entities. Risks to the Ministry are not considered significant as the Ministry is a budget dependent agency that is funded to continue to provide essential health services.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the Ministry of Health. 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, eg due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated which to the satisfaction of both parties.

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

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*Maturity Analysis and interest rate exposure of financial liabilities*

PARENT	Interest Rate Exposure				Maturity Dates			Weighted Average Effective Int. Rate %
	Nominal Amount \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000	> 5Yr \$000	
<b>2012</b>								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions	1,721	---	---	1,721	1,721	---	---	---
Creditors	169,595	---	---	169,595	169,595	---	---	---
Other Liabilities	697	---	---	697	---	697	---	---
	<b>172,013</b>	<b>---</b>	<b>---</b>	<b>172,013</b>	<b>171,316</b>	<b>697</b>	<b>---</b>	<b>---</b>
<b>2011</b>								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions	1,593	---	---	1,593	1,593	---	---	---
Creditors	144,207	---	---	144,207	144,207	---	---	---
Other Liabilities	697	---	---	697	---	697	---	---
	<b>146,497</b>	<b>---</b>	<b>---</b>	<b>146,497</b>	<b>145,800</b>	<b>697</b>	<b>---</b>	<b>---</b>

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 Ministry can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.



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*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure				Maturity Dates			Weighted Average Effective Int. Rate
	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr <sup>2</sup>	> 5Yr	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%
<b>2012</b>								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions	195,900	-----	-----	195,900	195,900	-----	-----	-----
Creditors	812,213	-----	-----	812,213	812,213	-----	-----	-----
Borrowings:								
Other Loans and Deposits	1,026,389	1,026,389	-----	-----	50,948	194,505	780,935	9.55
Finance Leases	12,396	12,396	-----	-----	2,937	9,459	-----	6.72
Other Liabilities	2,128	2,128	-----	-----	2,128	-----	-----	-----
	<b>2,049,026</b>	<b>1,040,913</b>	<b>-----</b>	<b>1,008,113</b>	<b>1,064,126</b>	<b>203,964</b>	<b>780,935</b>	
<b>2011</b>								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions	147,339	-----	-----	147,339	147,339	-----	-----	-----
Creditors	770,052	-----	-----	770,052	770,052	-----	-----	-----
Borrowings:								
Other Loans and Deposits	1,069,588	1,069,588	-----	-----	42,204	178,619	848,765	9.35
Finance Leases	15,821	15,821	-----	-----	3,425	12,131	265	6.70
Other Liabilities	697	697	-----	-----	697	-----	-----	-----
	<b>2,003,497</b>	<b>1,086,106</b>	<b>-----</b>	<b>917,391</b>	<b>963,717</b>	<b>190,750</b>	<b>849,030</b>	

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 Ministry can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

2. Of the \$194.5 million disclosed in the 2012 'other loans and deposits' time band 1-5 yrs, the Ministry has no intention to effect payments in advance of maturity dates.

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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 exposures of the Ministry and its controlled entities to market risk are primarily through interest rate risk on borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Ministry and its controlled entities have no exposure to foreign currency risk and do not enter into commodity contracts.

The effect on the reported result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Ministry and its controlled entities operate 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 2011. The analysis assumes that all other variables remain constant.

*Interest rate risk*

Exposure to interest rate risk arises primarily through the interest bearing liabilities held by the Ministry's controlled entities.

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

Both Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Ministry does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Ministry's exposure to interest rate risk is set out below and addresses both the Parent and the Consolidated Entity.

<b>PARENT</b>	<b>Carrying Amount \$'000</b>	<b>-1% Profit</b>	<b>Equity</b>	<b>+1% Profit</b>	<b>Equity</b>
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	160,389	(1,604)	(1,604)	1,604	1,604
Receivables	100,796	----	----	----	----
Other Financial Assets	24,215	----	----	----	----
<b>Financial Liabilities</b>					
Payables	171,316	----	----	----	----
Other	697	----	----	----	----
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	235,104	(2,351)	(2,351)	2,351	2,351
Receivables	54,308	----	----	----	----
Other Financial Assets	12,739	----	----	----	----
<b>Financial Liabilities</b>					
Payables	145,396	----	----	----	----
Other	697	----	----	----	----

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d) Market Risk (continued)

CONSOLIDATED	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,302,763	(13,028)	(13,028)	13,028	13,028
Receivables	347,546	-----	-----	-----	-----
Financial Assets at Fair Value	153,510	(1,535)	(1,535)	1,535	1,535
<b>Financial Liabilities</b>					
Payables	1,008,113	-----	-----	-----	-----
Borrowings	453,094	4,531	4,531	(4,531)	(4,531)
Other	2,128	21	21	(21)	(21)
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,125,145	(11,251)	(11,251)	11,251	11,251
Receivables	309,271	-----	-----	-----	-----
Financial Assets at Fair Value	247,915	(2,479)	(2,479)	2,479	2,479
<b>Financial Liabilities</b>					
Payables	917,391	-----	-----	-----	-----
Borrowings	461,111	4,611	4,611	(4,611)	(4,611)
Other	697	7	7	(7)	(7)

*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. Neither the Ministry nor its controlled entities have direct equity investments. Units in the following Hour-Glass investment trusts are confined to controlled entities only with the Parent entity having no such investments:

Facility	Investment Sectors	Investment Horizon	2012 \$'000	2011 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	239,943	221,745
Strategic cash facility	Cash, money market	1.5 years to 3 years	67,334	78,960
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	3 years to 7 years	19,243	68,406
Long-term growth facility	Cash, money market instruments, Australian and International bonds, listed property and Australian shares	7 years and over	25,724	80,686

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**d) Market Risk (continued)**

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. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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

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

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

	Change in unit price	Impact on profit/loss	
		2012 \$'000	2011 \$'000
Hour-Glass Investment - Cash facility	1%	3,003	1,002
Hour-Glass Investment - Strategic cash facility	2 to 5%	673	748
Hour-Glass Investment - Medium term growth facility	7 to 24%	2,355	3,169
Hour-Glass Investment - Long term growth facility	15%	6,347	9,307

**(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 share of the value of the underlying assets of the facility held by controlled entities, based on the market value. The Parent entity has no such investments. All of the Hour-Glass facilities are valued using 'redemption' pricing.

Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments. There are no financial instruments where the fair value differs from the carrying amount.

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

The Ministry 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 - prices are observable, however, no active market exists for these facilities as they are only accessible to government agencies.

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	2012 Total \$'000
TCorp Hour-Glass Investment Facility	----	352,244	----	352,244

(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 2012.

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**Note 42 Events after the Reporting Period**

**Activity Based Funding**

A national approach to activity based funding (ABF) commences from 1 July 2012 and will make public hospital funding more transparent and help to drive efficiency in the delivery of hospital services. Through ABF, public hospitals will be funded according to the numbers and kinds of services they provide.

The Commonwealth Government will meet 45% of the increase in National Health Reform Agreement expenditure commencing from 2014/15, rising to 50% by 2017/18.

A National efficient price of public hospital services will be determined by the Independent Hospital Pricing Authority for use in calculating the Commonwealth's share of growth.

Commonwealth and State government contributions for public hospital funding will be transparent with both amounts to be provided to Local Health Districts through the National Health Funding Pool. For small hospitals where ABF would not be appropriate, funding will continue to be provided through block grants.

END OF AUDITED FINANCIAL STATEMENTS

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