



INDEPENDENT AUDITOR'S REPORT

Health Reform Transitional Organisation Western

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Health Reform Transitional Organisation Western (the Organisation), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, service group statements for the six months then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Organisation and the consolidated entity. The consolidated entity comprises the Organisation and the entities it controlled at the period's end or from time to time during the financial period.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Organisation and the consolidated entity, as at 30 June 2011, and of the financial performance and the cash flows for the six months 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.

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

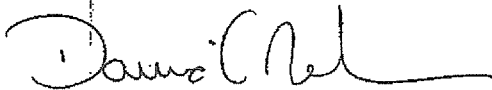
My opinion does *not* provide assurance:

- about the future viability of the Organisation 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 any other information which 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 other 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 role by the possibility of losing clients or income.



David Nolan
Director, Financial Audit Services

9 December 2011
SYDNEY

**Certification of Parent/Consolidated Financial Statements
Health Reform Transitional Organisation Western
For Period Ended 30 June 2011**

Pursuant to Section 45F of the *Public Finance and Audit Act, 1983*, I state that in my opinion:

- 1) The financial statements have been prepared in accordance with:
 - Australian Accounting Standards (which include Australian Accounting Interpretations)
 - *Public Finance and Audit Act 1983, the Public Finance and Audit Regulations 2010* and the Treasurer's Directions
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Health Reform Transitional Organisation Western.
- 3) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

I further state the financial statements have been prepared in accordance with the NSW Department of Health's Accounts and Audit Determination for Public Health Organisations.



Mike Wallace
Chief Executive HRTO(W)
2 December 2011

**Health Reform Transitional Organisation Western
Statement of Financial Position as at 30 June 2011**

PARENT		CONSOLIDATION		
Actual 2011 \$'000	Budget (unaudited) 2011 \$'000	Notes	Actual 2011 \$'000	Budget (unaudited) 2011 \$'000
ASSETS				
Current Assets				
178,543	256,371	18	178,543	256,371
153,500	110,774	19	153,500	110,774
3,426	4,241	20	3,426	4,241
217	397	21	217	397
1,500	1,500	24	1,500	1,500
337,186	373,283		337,186	373,283
Non-Current Assets				
777	7,355	19	777	7,355
Property, Plant and Equipment				
108,324	148,477	22	108,324	148,477
44,806	52,416	22	44,806	52,416
5	2,240	22	5	2,240
153,135	203,133		153,135	203,133
8,858	5,450	23	8,858	5,450
162,770	215,938		162,770	215,938
499,956	589,221		499,956	589,221
LIABILITIES				
Current Liabilities				
158,738	149,535	26	158,738	149,535
200	139	27	200	139
63,708	66,975	28	63,708	66,975
4	1,173	29	4	1,173
222,650	217,822		222,650	217,822
Non-Current Liabilities				
-	(1,569)	27	-	(1,569)
302	275	28	302	275
302	(1,294)		302	(1,294)
222,952	216,528		222,952	216,528
277,004	372,693		277,004	372,693
EQUITY				
277,004	372,693		277,004	372,693
277,004	372,693		277,004	372,693

The accompanying notes form part of these financial statements.

Health Reform Transitional Organisation Western
Statement of Changes In Equity for the Six Months ended 30 June 2011

	Notes	Accumulated Funds \$'000
Balance at 1 January 2011		-
Result For The Six Months Ended 30 June 2011		<u>99,413</u>
Total Comprehensive Income For The Six Months Ended 30 June 2011		<u>99,413</u>
Transactions With Owners In Their Capacity As Owners Increase/(Decrease) in Net Assets From Equity Transfers	38	<u>177,591</u>
Balance at 30 June 2011		<u><u>277,004</u></u>

The accompanying notes form part of these financial statements.

Health Reform Transitional Organisations Western
Service Group Statements
for the Six Months Ended 30 June 2011

SERVICES EXPENSES AND INCOME	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Total	
	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000		2011
Expenses excluding losses	9,668		1,631		43,331		14,561		93,182		10,499		8,465		30,167		8,312		219,824	
Operating Expenses	63		6		251		77		669		9		23		359		43		1,500	
Employee Related	7,282		309		11,243		3,594		33,124		2,947		6,039		3,872		14,993		63,403	
Visiting Medical Officers	324		29		1,880		829		5,128		138		246		258		342		9,174	
Other Operating Expenses	8,066		37		1						2,674		181		59		2,907		13,925	
Depreciation and Amortisation	2,445		70		972		16		16		63		2,083		1,290		150		7,089	
Grants and Subsidies	3,087				13						(11)		13,053				(1)		16,141	
Finance Costs																				
Payments to Affiliated Health Organisations																				
Other Expenses																				
Total Expenses excluding losses	30,333		2,082		57,691		19,061		132,129		16,319		30,090		36,005		26,746		351,056	
Revenue	163				25,525		3,535		208,906		46		60,934		52,123		738		351,970	
Sale of Goods and Services	288		1		170		61		2,219				132		106		979		3,956	
Investment Revenue	285				174		44		464		4,769		462		480		565		7,243	
Grants and Contributions	590		6		488		16		4,853		19		255		2,295		101		8,623	
Other Revenue	1,326		7		26,357		3,656		216,442		4,834		61,783		55,004		2,383		371,792	
Total Revenue	(10)		(1)		(35)		(12)		(79)		(2)		(24)		(8)		(8)		(179)	
Gain / (Loss) on Disposal	(148)				(1)		(1)		(1,118)		(300)		(147)		(815)		(116)		(2,645)	
Other Gains / (Losses)	29,765		2,076		51,370		15,417		(83,116)		11,787		(31,522)		(18,176)		24,487		(17,912)	
Net Cost of Services																				
Government Contributions																			81,501	
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011	(29,765)		(2,076)		(31,370)		(15,417)		83,116		(11,787)		31,522		18,176		(24,487)		81,501	
Other Comprehensive Income																				
Increase/(Decrease) in Asset Revaluation Reserve																				
Other																				
Total Other Comprehensive Income																				
TOTAL COMPREHENSIVE INCOME	(29,765)		(2,076)		(31,370)		(15,417)		83,116		(11,787)		31,522		18,176		(24,487)		81,501	
																				99,413

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

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

The Service Group Statement uses statistical data from the former GWAHS, SWAHS and SSWAHS to 31 December 2010 to allocate the current period's financial information on expenses and revenue to each service group. No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.

Health Reform Transitional Organisation Western
Service Group Statements (Continued)
for the Six Months Ended 30 June 2011

SERVICES ASSETS AND LIABILITIES	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Total	
	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000	2011	\$'000		2011
ASSETS																				
Current Assets	7,823	255	20,462	11,120	83,157	8,308	15,932	8,759	18,850	22,727	8,759	15,932	8,759	18,850	22,727	8,759	15,932	8,759	18,850	178,543
Cash and Cash Equivalents	7,161	150	8,935	898	98,172	5,753	10,481	18,850	32	1,244	32	38	32	32	32	32	32	32	32	153,500
Receivables	9	7	524	172	1,178	222	1,178	1,178	32	1,244	32	38	32	32	32	32	32	32	32	3,428
Inventories	1	1	25	13	86	9	33	5	5	44	5	33	5	5	5	5	5	5	5	217
Financial Assets at Fair Value																				
Other Financial Assets																				
Other																				
Non-Current Assets Held for Sale	83	1	214	115	851	62	112	16	16	46	16	112	16	16	16	16	16	16	16	1,500
Total Current Assets	15,077	414	20,160	12,318	189,444	14,354	26,596	27,682	27,682	27,161	27,682	26,596	27,682	27,161	27,682	27,682	26,596	27,161	27,682	337,186
Non-Current Assets	42				403	76	5	220		31	220	5	220		31	220		31	220	777
Receivables																				
Other Financial Assets																				
Property, Plant and Equipment																				
Financial Assets at Fair Value																				
Other																				
- Land and Buildings	8,845	332	17,154	6,752	45,532	4,383	17,434	4,688	17,434	3,224	4,688	17,434	4,688	3,224	4,688	4,688	3,224	4,688	108,324	
- Plant and Equipment	1,367	171	9,279	3,847	23,823	703	3,137	813	813	1,646	813	3,137	813	1,646	813	813	1,646	813	44,806	
- Infrastructure Systems			1	1	3															5
Intangible Assets	14	35	2,056	863	5,277	89	126	19	19	359	19	126	19	359	19	126	19	359	8,858	
Other																				
Total Non-Current Assets	10,288	538	28,490	11,483	75,038	5,251	20,702	5,720	20,702	5,260	5,720	20,702	5,720	5,260	5,720	5,720	5,260	5,720	182,770	
TOTAL ASSETS	25,365	952	58,650	23,801	258,482	19,605	47,298	33,382	47,298	32,421	33,382	47,298	33,382	32,421	33,382	33,382	32,421	33,382	499,956	
LIABILITIES																				
Current Liabilities	7,802	413	12,319	4,891	85,071	2,874	25,528	7,940	25,528	11,900	7,940	25,528	7,940	11,900	7,940	7,940	11,900	7,940	158,738	
Payables	41	2	26	26	1	3	93	30	93	4	30	93	30	4	30	30	4	30	200	
Banking	3,478	403	11,509	4,187	27,121	2,989	5,735	6,000	5,735	2,316	6,000	5,735	6,000	2,316	6,000	6,000	2,316	6,000	63,708	
Provisions																				
Other	4	4																		4
Total Current Liabilities	11,325	818	23,853	9,078	112,193	5,856	31,355	13,970	31,355	14,220	13,970	31,355	13,970	14,220	13,970	13,970	14,220	13,970	222,650	
Non-Current Liabilities																				
Borrowings																				
Provisions	17	2	56	20	129	15	25	28	25	10	28	25	28	10	28	28	10	28	302	
Other																				
Total Non-Current Liabilities	17	2	56	20	129	15	25	28	25	10	28	25	28	10	28	28	10	28	302	
TOTAL LIABILITIES	11,342	820	23,910	9,098	112,322	5,871	31,380	13,998	31,380	14,230	13,998	31,380	13,998	14,230	13,998	13,998	14,230	13,998	222,952	
NET ASSETS	14,023	132	34,740	14,703	146,160	13,754	15,917	19,384	15,917	18,191	19,384	15,917	19,384	18,191	19,384	19,384	18,191	19,384	277,004	

The name and purpose of each service group is summarised in Note 17.
Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ad), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

**Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

1 The Health Reform Transitional Organisation Western Reporting Entity

The Health Reform Transitional Organisation Western (HRTOW) was established under the provisions of the *Health Services Act 1997* with effect from 1 January 2011.

The HRTOW, as a reporting entity, comprises all the operating activities of the Hospital facilities and the Community Health Centres under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the HRTOW. The HRTOW is a not-for-profit entity (as profit is not its principal objective).

The HRTOW controls the former Sydney South West, Sydney West and Greater West Area Health Services Special Purpose Service Entities from 1 January 2011 in accordance with the *Public Sector Employment and Management Act 2002* and the *Health Services Act 1997*. These Divisions provide personnel services to enable a HRTOW to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the HRTOW (as the parent entity), and the consolidated financial statements of the economic entity. Separate financial statements of the special purpose entities are not presented in the consolidated statements.

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 reporting entity is consolidated as part of the NSW Department of Health and NSW Total State Sector Accounts.

These consolidated financial statements for the six months ended 30 June 2011 have been authorised for issue by the Chief Executive on 2 December 2011.

2 Summary of Significant Accounting Policies

Basic of Preparation

The HRTOW'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 Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the Act. The requirements of the *Health Services Act 1997* and its regulations including the Accounts and Audit Determination for Public Health Organisations have also been observed.

Apart from the basis for the HRTOW's budget figures, the financial statements comply with the Financial Reporting Code for Budget Dependent General Government Sector Agencies. Further information on the budget figures can be found at Note 2 (ac)

Statement of Compliance

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

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

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

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

No comparative information is given as this is the HRTOW's first reporting period.

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 HRTOW.

Accounting Standard/Interpretation

AASB 10, *Consolidated Financial Statements*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 11, *Joint Arrangement*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 12, *Disclosure of Interests in Other Entities*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 13, *Fair Value Measurement* (issued September 2011), has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 127, *Separate Financial Statements*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 120, *Investments in Associated and Joint Ventures*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 2009-11, *Amendments to Australian Accounting Standards arising from AASB 9*, have application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 1060 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.

**Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

AASB 1054, *Australian Additional Disclosure*, have application from 1 July 2011 and is assessed as having no material impact on the HRTOW.

AASB 2010-6, *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets*, has mandatory application from 1 July 2011 and is assessed as having no material impact on the HRTOW.

AASB 2010-07, *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) Financial Instruments*, has mandatory application from 1 January 2013 and will not be early adopted by the HRTOW.

AASB 2010-8, *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets*, has mandatory application from 1 July 2012 but will have no material impact on the HRTOW.

AASB 2010-9, *Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2011 and is assessed as having no material impact on the HRTOW.

AASB 2010-10, *Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-1, *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, has mandatory application from 1 July 2011 and is assessed as having no material impact on the HRTOW.

AASB 2011-2, *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements*, has mandatory application from 1 July 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-3, *Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABSGFS Manual and Related Amendments*, has mandatory application from 1 July 2012 and is assessed as having no material impact on the HRTOW.

AASB 2011-4, *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*, has mandatory application from 1 July 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-5, *Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*, has mandatory application from 1 July 2011 and is assessed as having no material impact on the HRTOW.

AASB 2011-6, *Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements*, has mandatory application from 1 July 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-7, *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-8, *Amendments to Australian Accounting Standards arising from AASB 13*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-9, *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income*, has mandatory application from 1 July 2012 and is assessed as having no material impact on the HRTOW.

AASB 2011-10, *Amendments to Australian Accounting Standards arising from AASB 119*, has mandatory application from 1 January 2013 and is assessed as having no material impact on the HRTOW.

AASB 2011-11, *Amendments to AASB 119 arising from Reduced Disclosure Requirements*, has mandatory application from 1 July 2013 and is assessed as having no material impact to the HRTOW.

Other 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 17% are applied to the value of leave payable at 30 June 2011, such on-costs being based on actuarial assessment.

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.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability attached to employees of the HRTOW transferred to the Crown Entity from the former Sydney South West, Sydney West and Greater West Area Health Services with effect from 31 December 2010 and, therefore do not appear in the financial statements of the HRTOW. 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 assumed by the Crown Entity.

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 NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The HRTOW's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The HRTOW 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 26, "Payables".

The superannuation expense for the reporting period is determined by using the formulae specified by the NSW Department of Health. 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 HRTOW 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 HRTOW'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 Area Health Service claim experience.

c) Finance Costs

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health from time to time.

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 HRTOW'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.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

The HRTOW uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

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

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for the HRTOW as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects. This allocation is included in the Statement of Comprehensive Income before arriving at the 'Result for the Period' on the basis that the allocation is earned in return for the health services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

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

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

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

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

f) Interstate Patient Flows

HRTOWs recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The revenue values reported within the financial statements have been based on 2009/10 activity data for the former Greater West Area Health Service, Sydney West Area Health Service and Sydney South West Area Health Service using standard cost weighted separation values to reflect estimated costs in 2010/11 for acute weighted inpatient separations.

The composition of interstate patient flow revenue is disclosed in Note 10.

g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the HRTOW. 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(z)).

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, ie the deferred payment amount is effectively discounted at an asset-specific rate.

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

h) Capitalisation Thresholds

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

**Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

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 HRTOW. 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.

ii) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, *Property, Plant and Equipment*.

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.

The policy requirements of the NSW Department of Health require the HRTOW to revalue its Land and Buildings and Infrastructure at minimum every three years by independent valuation.

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

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

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

Revaluation increments are credited directly to the asset revaluation reserve, 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 Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

Revaluation decrements are recognised immediately as expenses in the Result for the Year, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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

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

k) Impairment of Property, Plant and Equipment

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

m) Restoration Costs

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

**Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

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

The HRTOW 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) Intangible Assets

The HRTOW recognises intangible assets only if it is probable that future economic benefits will flow to the HRTOW 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 HRTOW's intangible assets, the assets are carried at cost less any accumulated amortisation.

Computer software developed or acquired by the HRTOW are recognised as intangible assets and are amortised over 5 years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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

q) 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.

r) 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 commencement of the lease term. 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.

s) Inventories

Inventories are stated at cost adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a non current replacement cost that is lower than the carrying amount. Costs are assigned to individual items of stock mainly on the basis of weighted average costs. All inventory at year end is to be consumed in the course of business and is not held for distribution.

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

t) Loans and Receivables

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

u) 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 HRTOW 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 HRTOW 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 Result for the Period.

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 agency's key management personnel.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

u) **Investments continued**

The risk management strategy of the HRTOW has been developed consistent with the investment powers granted under the provision of the Public Authorities (Financial Arrangements) Act. T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

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

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

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

v) **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 Result for the Period.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Period, 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 Result for the Period.

Any reversals of impairment losses are reversed through the Result for the Period 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.

w) **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 HRTOW transfers the financial asset:

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

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

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

x) **Payables**

These amounts represent liabilities for goods and services provided to the HRTOW 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 HRTOW.

y) **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 Result for the Year on derecognition.

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

z) **Equity Transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, *Contributions and Australian Interpretation 1036 Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

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

**Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

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

aa) Equity and Reserves

(i) Asset Revaluation Reserve

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

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

ab) Trust Funds

The HRTOW receives monies in a trustee capacity for various trusts as set out in Note 31. As the HRTOW performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the HRTOW's own objectives, they are not brought to account in the financial statements.

ac) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided.

ad) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data of the former Area Health Service for the twelve months ended 31 December 2010 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 Department requires that all HRTOWs take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$'000		2011 \$'000
3. Employee Related		
	Employee related expenses comprise the following:	
-	Salaries and Wages	149,799
-	Awards	9,211
-	Superannuation - Defined Benefit Plans	5,785
-	Superannuation - Defined Contribution Plans	14,392
-	Long Service Leave	11,378
-	Annual Leave	11,573
-	Sick Leave and Other Leave	4,661
-	Redundancies	273
-	Workers' Compensation Insurance	12,729
-	Fringe Benefits Tax	23
		<u>219,824</u>
4. Personnel Services		
	Personnel Services comprise the purchase of the following:	
149,799	Salaries and Wages	-
9,211	Awards	-
5,785	Superannuation - Defined Benefit Plans	-
14,392	Superannuation - Defined Contribution Plans	-
11,378	Long Service Leave	-
11,573	Annual Leave	-
4,661	Sick Leave and Other Leave	-
273	Redundancies	-
12,729	Workers' Compensation Insurance	-
23	Fringe Benefits Tax	-
		<u>219,824</u>
5. Other Operating Expenses		
2,606	Domestic Supplies and Services	2,606
302	Drug Supplies	302
2,012	Food Supplies	2,012
(534)	Fuel, Light and Power	(534)
8,391	General Expenses (See (b) below)	8,391
273	Hospital Ambulance Transport Costs	273
4,735	Information Management Expenses	4,735
1,778	Insurance	1,778
1,089	Interstate Patient Outflows	1,089
	Maintenance (See (c) below)	
5,661	Maintenance Contracts	5,661
7,152	New/Replacement Equipment under \$10,000	7,152
316	Repairs	316
591	Maintenance/Non Contract	591
1,451	Other	1,451
1,641	Medical and Surgical Supplies	1,641
5,945	Postal and Telephone Costs	5,945
1,090	Printing and Stationery	1,090
432	Rates and Charges	432
1,330	Rental	1,330
32,604	Special Service Departments	32,604
1,111	Staff Related Costs	1,111
1,273	Sundry Operating Expenses (See (a) below)	1,273
2,154	Travel Related Costs	2,154
		<u>83,403</u>
<u>83,403</u>		<u>83,403</u>

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$'000		\$'000
	(a) Sundry Operating Expenses comprise:	
(493)	Recoveries of Expenditure	(493)
<u>1,766</u>	Isolated Patient Travel and Accommodation Assistance Scheme	<u>1,766</u>
<u>1,273</u>		<u>1,273</u>
	(b) General Expenses include:	
396	Advertising	396
91	Books, Magazines and Journals	91
1,381	Consultancies - Operating Activities	1,381
730	Courier and Freight	730
250	Auditor's Remuneration - Audit of Financial Statements	250
166	Data Recording and Storage	166
301	Legal Services	301
(55)	Membership/Professional Fees	(55)
893	Motor Vehicle Expenses	893
1,152	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,152
2,579	Other Operating Lease Expense - Minimum Lease Payments	2,579
8	Payroll Services	8
682	Quality Assurance/Accreditation	682
356	Security Services	356
267	Translator Services	267
<u>(806)</u>	Other	<u>(806)</u>
<u>8,391</u>		<u>8,391</u>
	(c) Total Maintenance Expenses comprise:	
15,171	Maintenance Expense - Contracted Labour and Other (Non-Employee Related) included in Note 5	15,171
<u>1,135</u>	Employee Related/Personnel Services Maintenance Expense Included in Notes 3 and 4	<u>1,135</u>
<u>16,306</u>	Total Maintenance Expenses Included in Notes 3, 4 and 5	<u>16,306</u>
	6. Depreciation and Amortisation	
1,546	Depreciation - Buildings	1,546
6,928	Depreciation - Plant and Equipment	6,928
12	Depreciation - Infrastructure Systems	12
<u>688</u>	Amortisation - Intangible Assets	<u>688</u>
<u>9,174</u>		<u>9,174</u>
	7. Grants and Subsidies	
13,415	Non-Government Organisations	13,415
117	Research Organisations	117
29	Budget Sector Other Grants	29
<u>364</u>	Other Grants	<u>364</u>
<u>13,925</u>		<u>13,925</u>
	8. Finance Costs	
7	Interest on Bank Overdrafts and Loans	7
<u>7,082</u>	Other Interest Charges	<u>7,082</u>
<u>7,089</u>	Total Finance Costs	<u>7,089</u>
	9. Payments to Affiliated Health Organisations	
	(a) Recurrent Sourced	
9,019	- St Joseph's Hospital Auburn	9,019
1,717	- Tresillian Family Care Centre Perth	1,717
4,322	- Lourdes Hospital and Community Services	4,322
1,433	- St Vincent's Outreach Service	1,433
<u>(350)</u>	- Keritana	<u>(350)</u>
<u>16,141</u>	Total Payments to Affiliated Health Organisations	<u>16,141</u>

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$'000		\$'000
	10. Sale of Goods and Services	
	(a) Sale of Goods comprise the following:-	
423	Sale of Prosthesis	423
1	Other	1
	(b) Rendering of Services comprise the following:-	
1,451	Patient Fees	1,451
151	Staff-Meals and Accommodation	151
27,730	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	27,730
11,783	- Annual Charge	11,783
485	Car Parking	485
8	Child Care Fees	8
243	Clinical Services (excluding Clinical Drug Trials)	243
56,357	Commercial Activities	56,357
8	Fees for Medical Records	8
1,322	Information Retrieval	1,322
904	Highly Specialised Drugs	904
849	Motor Accident Authority Third Party	849
1	PADP Patient Copayments	1
6,214	Patient Inflows from Interstate	6,214
(6)	Salary Packaging Fee	(6)
31	Services Provided to Non NSW Health Organisations	31
81,628	Other	81,628
<u>162,387</u>	Services Provided to Local Health Networks	<u>162,387</u>
<u>351,970</u>		<u>351,970</u>
	11. Investment Revenue	
	Interest	
	- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	
3,888	- Other	3,888
<u>68</u>	Lease and Rental Income	<u>68</u>
<u>3,956</u>		<u>3,956</u>
	12. Grants and Contributions	
226	Clinical Drug Trials	226
483	Commonwealth Government Grants	483
(211)	Industry Contributions/Donations	(211)
1,731	Cancer Institute Grants	1,731
3,141	NSW Government Grants	3,141
12,142	Personnel Services - Superannuation Defined Benefit Plans	-
3,591	Personnel Services - Long Service Leave	-
114	Research Grants	114
<u>1,760</u>	Other Grants	<u>1,759</u>
<u>22,977</u>		<u>7,243</u>
	13. Other Revenue	
	Other Revenue comprises the following:-	
23	Commissions	23
249	Conference and Training Fees	249
5	Sale of Merchandise, Old Wares and Books	5
6,646	Treasury Managed Fund Hindsight Adjustment	6,646
<u>1,700</u>	Other	<u>1,700</u>
<u>9,623</u>		<u>9,623</u>

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$'000		\$'000
	14. Gain/(Loss) on Disposal	
5,850	Property, Plant and Equipment	5,850
5,263	Less Accumulated Depreciation	<u>5,263</u>
587	Written Down Value	587
408	Less Proceeds from Disposal	<u>408</u>
<u>(179)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(179)</u>
<u>(179)</u>	Total Gain/(Loss) on Disposal	<u>(179)</u>
	15. Other Gains/(Losses)	
<u>(2,645)</u>	Impairment of Receivables	<u>(2,645)</u>
<u>(2,645)</u>		<u>(2,645)</u>

PARENT AND CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets Specific Purpose	Health Promotion, Education and Research	Other	Total
	\$'000	\$'000	\$'000	\$'000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	3,872	5,281	8,902	18,055
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	51,989	54,786	26,184	132,959
Total amount of unexpended contributions as at balance date	<u>55,861</u>	<u>60,067</u>	<u>35,086</u>	<u>151,014</u>

Comment on restricted assets appears in Note 25

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

17. Service Groups of the Health Reform Transitional Organisation Western

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. (Note: This Service Group excludes most services for Aboriginal people provided directly by HRTOW 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 for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

Service Description: This service group covers the provision of emergency 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.

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 HRTOW and community based organisations for people seriously afflicted 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.

**Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

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 Department'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.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$'000		2011 \$'000
	18. Cash and Cash Equivalents	
141,571	Cash at Bank and On Hand	141,571
36,972	Short Term Deposits	36,972
<u>178,543</u>		<u>178,543</u>
	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:	
178,543	Cash and Cash Equivalents (per Statement of Financial Position)	178,543
<u>178,543</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>178,543</u>
	<i>Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.</i>	
	19. Receivables	
	Current	
44,284	(a) Sale of Goods and Services	44,284
96,127	Intra Health Receivables NSW Health	96,127
-	Goods and Services Tax	
<u>25,820</u>	Other Debtors	<u>25,820</u>
166,231	Sub Total	166,231
<u>(14,195)</u>	Less Allowance for Impairment	<u>(14,195)</u>
152,036	Sub Total	152,036
1,464	Prepayments	1,464
<u>153,500</u>		<u>153,500</u>
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
(8,383)	Balance at 1 January 2011	(8,383)
1,837	Amounts written off during the reporting period	1,837
(387)	Increase/(decrease) in Allowance Recognised in Result for the Six Months Ended 30 June 2011	(387)
<u>(6,933)</u>	Balance at 30 June	<u>(6,933)</u>
	(c) Movement in the Allowance for Impairment	
	Other Debtors	
(2,614)	Balance at 1 January 2011	(2,614)
(2,390)	Amounts written off during the reporting period	(2,390)
738	Increase/(decrease) in Allowance Recognised in Result for the Six Months Ended 30 June 2011	738
<u>(2,996)</u>	Balance at 30 June	<u>(2,996)</u>
<u>(14,195)</u>		<u>(14,195)</u>
	Non-Current	
777	Prepayments	777
<u>777</u>		<u>777</u>
	(d) Sale of Goods and Services Receivables	
	(Current and Non-Current) include:	
4,782	Patient Fees - Compensable	4,782
7,510	Patient Fees - Ineligible	7,510
<u>31,992</u>	Patient Fees - Other	<u>31,992</u>
<u>44,284</u>		<u>44,284</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$'000		\$'000
	20. Inventories Current - Held for Distribution	
3,430	Medical and Surgical Supplies	3,430
(4)	Other Including Goods in Transit	(4)
<u>3,426</u>		<u>3,426</u>
	21. Financial Assets at Fair Value	
	Current	
<u>217</u>	Other	<u>217</u>
<u>217</u>		<u>217</u>
	<i>Refer to Note 39 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.</i>	
	22. Property, Plant and Equipment	
	Land and Buildings - Fair Value	
175,695	Gross Carrying Amount	175,695
<u>67,371</u>	Less Accumulated Depreciation and Impairment	<u>67,371</u>
<u>108,324</u>	Net Carrying Amount	<u>108,324</u>
	Plant and Equipment - Fair Value	
170,447	Gross Carrying Amount	170,447
<u>125,641</u>	Less Accumulated Depreciation and Impairment	<u>125,641</u>
<u>44,806</u>	Net Carrying Amount	<u>44,806</u>
	Infrastructure Systems - Fair Value	
348	Gross Carrying Amount	348
<u>343</u>	Less Accumulated Depreciation and Impairment	<u>343</u>
<u>5</u>	Net Carrying Amount	<u>5</u>
<u>153,135</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>153,135</u>

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work In Progress	Plant and Equipment	Infrastructure Systems	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011						
Net Carrying Amount at 1 January 2011	-	-	-	-	-	-
Additions	-	551	3,271	5,802	-	9,624
Reclassifications to Intangibles	-	-	-	-	-	-
Recognition of Assets Held for Sale	-	-	-	-	-	-
Disposals	-	-	-	(587)	-	(587)
Administrative Restructures - Transfers In/(Out)	26,217	20,719	59,476	46,391	17	152,820
Net Revaluation Increment Less	-	-	-	-	-	-
Revaluation Decrements	-	-	-	-	-	-
Impairment Losses (Recognised in Other Gains/Losses)	-	-	-	-	-	-
Depreciation Expense	-	(1,547)	-	(6,928)	(12)	(8,487)
Reclassifications	-	34,346	(34,346)	(235)	-	(235)
Net Carrying Amount at 30 June 2011	26,217	54,669	28,401	44,443	5	153,135

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the HRTOW (see note 2(g)).
- (ii) Land and Buildings (former SSWAHS) were valued by Corporeal Property Valuers (Registered Property Valuers and Consultants) on 1 July 2009 (see note 2(j)). Corporeal Property Valuers is not an employee of the HRTOW.
- Land and Buildings (former GWAHS) were valued by Aon Valuation Consultants on 30 June 2009 (see note 2(j)). Aon Valuation Consultants are not an employee of the HRTOW.
- Land and Buildings (former SWAHS) were valued by AON Valuation Services on 30 June 2008 (see note 2(j)). AON Valuation Services is not an employee of the HRTOW.
- (iii) The value of Work In Progress (former SSWAHS) \$0.363 million at 30 June 2011 is for Plant & Equipment.

PARENT

CONSOLIDATION

2011
\$'000

2011
\$'000

23. Intangible Assets

	PARENT	CONSOLIDATION
	2011 \$'000	2011 \$'000
Software		
11,538 Cost (Gross Carrying Amount)		11,538
2,680 Less Accumulated Amortisation and Impairment		2,680
8,858 Net Carrying Amount		8,858
8,858 Total Intangible Assets at Net Carrying Amount		8,858

PARENT AND CONSOLIDATION

23. Intangibles - Reconciliation

	Software	Other	Total
	\$'000	\$'000	\$'000
2011			
Net Carrying Amount at 1 January 2011	-	-	-
Additions (From Internal Development or Acquired Separately)	255	-	255
Reclassification from Plant & Equipment	-	-	-
Administrative Restructures - Transfers In/(Out)	9,291	-	9,291
Assets Held for Sale	-	-	-
Impairment Losses	-	-	-
Amortisation (Recognised in Depreciation and Amortisation)	(688)	-	(688)
Other Movements	-	-	-
Net Carrying Amount at 30 June 2011	8,858	-	8,858

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$'000		2011 \$'000
	24. Non-Current Assets (or Disposal Groups) Held for Sale	
	Assets Held for Sale	
1,500	Land and Buildings - 229 Bridge Road GLEBE	1,500
<u>1,500</u>		<u>1,500</u>
	25. Restricted Assets	
	The HRTOW's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.	
	Category	
96,542	Specific Purposes	96,542
5,024	Research Grants	5,024
49,448	Private Practice Funds	49,448
<u>151,014</u>		<u>151,014</u>
	26. Payables	
	Current	
	Accrued Salaries, Wages and On-Costs	9,298
	Taxation and Payroll Deductions	236
9,534	Accrued Liability - Purchase of Personnel Services	
31,192	Creditors	31,192
1,257	Interest	1,257
	Other Creditors	
1,320	- Capital Works	1,320
52,893	- Intra Health Liability	52,893
27,914	- Other	27,914
34,628	- Taxation	34,628
<u>158,738</u>		<u>158,738</u>
	27. Borrowings	
	Current	
200	Other Loans and Deposits	200
<u>200</u>		<u>200</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 39.

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

Other loans (former Greater West Area Health Service) still to be extinguished represent monies to be repaid to former Sydney South West Area Health Service. Final Repayment is scheduled for December 2011.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 39.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$'000		2011 \$'000
	28. Provisions	
	Current Employee Benefits and Related On-Costs	
-	Annual Leave - Short Term Benefit	26,340
-	Annual Leave - Long Term Benefit	31,955
-	Long Service Leave - Long Term Benefit	2,184
-	Sick Leave	92
-	Long Service Leave On-Costs	3,137
<u>63,708</u>	Provision for Personnel Services Liability	<u>-</u>
<u>63,708</u>	Total Current Provisions	<u>63,708</u>
	Non-Current Employee Benefits and Related On-Costs	
-	Long Service Leave - Conditional	137
-	Long Service Leave On-Costs	165
<u>302</u>	Provision for Personnel Services Liability	<u>-</u>
<u>302</u>	Total Non-Current Provisions	<u>302</u>
	Aggregate Employee Benefits and Related On-Costs	
63,708	Provisions - Current	63,708
302	Provisions - Non-Current	302
-	Accrued Salaries, Wages and On-Costs (Note 26)	9,298
<u>9,534</u>	Accrued Liability - Purchase of Personnel Services (Note 26)	<u>-</u>
<u>73,544</u>		<u>73,308</u>
	29. Other Liabilities	
	Current	
<u>4</u>	Income in Advance	<u>4</u>
<u>4</u>		<u>4</u>
	30. Commitments for Expenditure	
	(a) Capital Commitments	
	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:	
639	Not later than one year	639
-	Later than one year and not later than five years	-
<u>639</u>	Total Capital Expenditure Commitments (including GST)	<u>639</u>
	Of the commitments reported at 30 June 2011 it is expected that \$0.639 million will be met from locally generated moneys.	
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for the acquisition of contracted for at balance date and not provided for:	
6,758	Not later than one year	6,758
1,218	Later than one year and not later than five years	1,218
-	Later than five years	-
<u>7,976</u>	Total Other Expenditure Commitments (including GST)	<u>7,976</u>
	(c) Operating Lease Commitments	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
7,754	Not later than one year	7,754
12,867	Later than one year and not later than five years	12,867
<u>4,071</u>	Later than five years	<u>4,071</u>
<u>24,692</u>	Total Operating Lease Commitments (including GST)	<u>24,692</u>
	(d) Contingent Asset Related to Commitments for Expenditure	
	The total of "Commitments for Expenditure" above, i.e. \$33.307 million as at 30 June 2011 includes input tax credits of \$3.03 million that are expected to be recoverable from the Australian Taxation Office.	

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

31. Trust Funds

The HRTOW holds trust fund moneys of \$6.035 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 HRTOW cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust	Refundable Deposits	Private Practice Trust Funds	Total
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Cash Balance at the beginning of the financial reporting period	52	1,581	4,855	6,488
Receipts	246	136	48,428	48,810
Expenditure	(36)	(1,316)	(47,911)	(49,263)
Cash Balance at the end of the financial reporting period	262	401	5,372	6,035

32. Contingent Liabilities and Assets

a) Claims on Managed Fund

The HRTOW is a member of the NSW Treasury Managed Fund. The predecessor organisations were also members since 1 July 1989. The Fund will pay to or on behalf of the HRTOW all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the HRTOW. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the HRTOW or the former Area Health Services. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the HRTOW.

b) 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 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2010/11. As a result, the 2005/06 final and 2007/08 interim hindsight calculations pertaining to the former Greater West Area Health Service, Sydney West Area Health Service and Sydney South West Area Health Service will be paid in 2011/12.

It is not possible for the HRTOW to reliably quantify the benefit to be received.

c) 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 8 of the Health Services Act, 1997 are only recognised in the HRTOW'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, the HRTOW and the Department.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$'000		2011 \$'000
	33. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services	
35,841	Net Cash Flows from Operating Activities	35,841
(9,174)	Depreciation	(9,174)
(2,645)	Allowance for Impairment	(2,645)
-	Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	(13,980)
(1,861)	Decrease/(Increase) in Provisions	(1,861)
40,526	Increase / (Decrease) in Prepayments and Other Assets	40,526
36,907	(Increase)/ Decrease in Creditors	36,907
(179)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(179)
(60,887)	NSW Health Department Recurrent Allocations	(60,887)
(4,830)	NSW Health Department Capital Allocations	(4,830)
(52)	Asset Sale Proceeds Transferred to the NSW Department of Health	(52)
<u>33,646</u>	Cash Reimbursements from the Government	<u>(1,754)</u>
	Net Cost of Services	<u>17,912</u>
	34. Statement of Cash Flows - Non-Cash Financing and Investing Activities	
-	Assets Received by Donation	-
-	Property, Plant and Equipment Acquired by Finance Lease	-
	35. 2011 Voluntary Services	
	It is considered impracticable to quantify the monetary value of voluntary services provided to the Network. Services provided include:	
-	Chaplaincies and Pastoral Care	-Patient & Family Support
-	Pink Ladies/Hospital Auxiliaries	-Patient Services, Fund Raising
-	Patient Support Groups	-Practical Support to Patients and Relative
-	Community Organisations	-Counselling, Health Education, Transport, Home Help & Patient Activities

PARENT AND CONSOLIDATED

36. Unclaimed Moneys

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

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATED

37. Budget Review - Parent and Consolidated

Net Cost of Services

The Net Cost of Services (NCOS) was \$7.017 million above budget target.

Result for the Year

Result for the year was \$99.4 million which was \$45 million below the budget target of \$144.4 million

Assets and Liabilities

Total Assets were \$500 million which was \$89 million below the budget target of \$589.2 million.

Total Liabilities were \$223 million which was \$6 million above budget target.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the preliminary budget advice on 30 December 2010 are as follows:

	2011
	\$'000
Initial Allocation (former Greater West Area Health Service - GWAHS)	79,483
Initial Allocation (former Sydney West Area Health Service - SWAHS)	67,127
Initial Allocation (former Sydney South West Area Health Service - SSWAHS)	<u>329,367</u>
Total Initial Allocation	475,977
Award Increases	561
Special Projects	283
Aboriginal Health Adj	206
Compacts	(880)
Depreciation Adjustment	(600)
Interstate Flows	(2,476)
Line Transfer Leave	336
Loan Adjustment	(12,200)
LSL Adj	416
Nurse Practitioner Funding	(233)
Nurse Strategy	(14)
Planned Surgery	(600)
PPP	8,862
Redundancy	274
Statewide Clinical Leadership	161
Transfer WTO Actuals	(44,619)
VMO Supp	51
MAU to OBH	(2,193)
Radiation Oncology to OBH	(1,981)
PPP to Mental Health	(1,084)
ACORN OT Standard Transfer	(476)
Vocational Training Places to DBH & OBH	(531)
Organ & Tissue Donation to OBH	(245)
Take on Dec NCOS Variance GEN	14,699
Take on Dec NCOS Variance SPT	226
Reserve Transfer FWLHN	(8,226)
Other including HRTO (GWAHS) Overhead allocation to LHNs	<u>(2,527)</u>
Total Budget Supplementation - former GWAHS	(52,810)
Award Increases	2,479
Statewide Clinical Leadership	85
COAG Additional Bed Capacity	(4,800)
Aboriginal Health Promotion Enhancement Funding	207
Population Health Additional Funding	92
VMOs Remuneration Supplementation	77
Transfer of Long Service Leave Liability to Crown	(1,605)
St Joseph's Hospital Subsidy Adjustment	(2,281)
Superannuation Guarantee Charge Adjustment	246
Other Enhancements and LHN Budget Realignment to other entities	(5,176)
Other including HRTO (SWAHS) Overhead allocation to LHNs	<u>(82,784)</u>
Total Budget Supplementation - former SWAHS	(93,460)
Allocations to SLHD & SWSLHD	(132,281)
Allocations of Annual Leave Budget Provision to SLHD & SWSLHD	(11,638)
Allocations of Depreciation Budget to SLHD & SWSLHD	(39,975)
Allocations of COAG Surgery and Additional Beds to SLHD & SWSLHD	(5,700)
Revenue due to Overhead Allocations to SLHD & SWSLHD	(109,730)
Transfer of Crown Acceptance of Super Liability	(15,750)
Transfer of Provision for Doubtful Debts to SLHD & SWSLHD	(1,540)
Inter State Flow	(2,445)
NSW Health recoup Mental Health Budget from former SSWAHS	(3,372)
Transitional Aged Care	(235)
Transfer of Long Service Leave to Crown	(12,893)
Nurses Award	1,688
Others	<u>(6,731)</u>
Total Budget Supplementation - former SSWAHS	(340,602)
Balance as per Statement of Comprehensive Income	<u>(10,895)</u>

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

Net assets of \$177.591 million transferred from the former GWAHS, SWAHS and SSWAHS with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the HATOW on that date in accordance with the provisions of the *Health Services Act 1989*.

Consistent with Treasury approval, Long Service Leave liability of \$76.512 million, \$46.347 million and \$47.935 million transferred from former GWAHS, SWAHS and SSWAHS respectively with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

	2011
	\$'000
Other equity transfers effected in year were:	
Transfer of plant and equipment from Western NSW LHN	181
Transfer of plant and equipment to Western NSW LHN	(919)
Transfer of buildings to Western NSW LHN	(34,385)
Loan adjustment for Long Service Leave component	484
Loan Reduction Health Support Services	(1,172)
Loan reduction GWAHS & GSAHS	2,532
NETS transfer to SCHHN	(631)
	(33,910)

Assets and Liabilities transferred are as follows:

	2010
	\$'000
Assets	
Cash and Cash Equivalents	156,663
Receivables	113,771
Inventories	2,813
Other Financial Assets	209
Asset Held for Sale	1,500
Property, Plant and Equipment	
- Land and Buildings	104,462
- Plant and Equipment	45,449
- Intangible Assets	9,291
Work in Progress	1,421
Total Assets	435,579
Liabilities	
Payables	195,645
Provisions	62,149
Borrowings	194
Total Liabilities	257,988
Increase/(Decrease) in Net Assets From Equity Transfers	177,591

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Note 39. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount
		2011 \$'000
Cash and Cash Equivalents (note 18)	N/A	178,543
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	152,036
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	217
Total Financial Assets		<u>330,796</u>
Financial Liabilities		
Borrowings (note 27)	Financial liabilities	200
Payables (note 26) ²	measured at amortised cost	124,110
Total Financial Liabilities		<u>124,310</u>

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)

CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount
		2011 \$'000
Cash and Cash Equivalents (note 18)	N/A	178,543
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	152,036
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	217
Total Financial Assets		<u>330,796</u>
Financial Liabilities		
Borrowings (note 27)	Financial liabilities	200
Payables (note 26) ²	measured at amortised cost	124,110
Total Financial Liabilities		<u>124,310</u>

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)

(b) Credit Risk

Credit risk arises when there is the possibility of the HRTOW's debtors defaulting on their contractual obligations, resulting in a financial loss to the HRTOW. 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 HRTOW, including cash, receivables and authority deposits. No collateral is held by the HRTOW. The HRTOW has not granted any financial guarantees.

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

(b) Credit Risk continued

Credit risk associated with the HRTOW'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 approximately from 3.45% to 6% in 2010/11. 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 NSW Department 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 HRTOW will not be able to collect all amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The HRTOW is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtors balance at year end, \$70.661 M related to debtors that were not past due and not considered impaired and debtors of \$23.347 M were past due but not considered impaired. Together these represent 43% of total trade debtors.

The receivables include Patient Fees Compensables which are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the HRTOW's debtors 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.

Financial assets that are past due or impaired could be either 'sales of goods and services' or 'other debtors' in the 'receivables' category of the Statement of Financial Position. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

	\$'000		
2011	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered Impaired ^{1,2}
<3 months overdue	6,033	6,033	
3 months - 6 months overdue	983	850	133
> 6 months overdue	30,527	16,464	14,063

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 statements.

Authority Deposits

The HRTOW has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 5.37%, while over the year the weighted average interest rate was 5.24% on a weighted average balance during the year of \$39,028 M. None of these assets are past due or impaired.

(c) Liquidity Risk

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

The HRTOW has negotiated no loan outside of arrangements with the NSW Department of Health or NSW Treasury.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The HRTOW's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Department of Health has indicated its ongoing financial support for the HRTOW (refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. 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.

In those instances 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 are advantageous to both parties.

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

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Maturity Analysis and Interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	\$'000				Maturity Dates		
		Interest Rate Exposure				< 1 Yr	1-5 Yr	> 5Yr
		Nominal Amount 1	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing			
%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2011								
Payables:								
Accrued Salaries								
Wages, On-Costs and Payroll Deductions		9,534	-	-	9,534	9,534	-	-
Creditors		113,319	-	-	113,319	113,319	-	-
Interest		1,257	-	-	1,257	1,257	-	-
Borrowings:								
Bank Overdraft		-	-	-	-	-	-	-
Non Interest Loans		-	-	-	-	-	-	-
Other Loans and Deposits		200	-	200	-	-	-	-
Finance Leases		-	-	-	-	-	-	-
		124,310	-	200	124,110	124,110	-	-

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 HRTOW 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.

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 HRTOW's exposures to market risk are primarily through interest rate risk on the HRTOW's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The HRTOW has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest rate risk

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

However, HRTOWs are not permitted to borrow external to the NSW Department of Health (Energy loans which are negotiated through Treasury excepted).

Both Treasury and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The HRTOW 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 HRTOW's exposure to interest rate risk is set out below.

	Carrying Amount	-1%		+1%		
		Profit	Equity	Profit	Equity	
2011						
Financial Assets						
Cash and Cash Equivalents	178,543	(1,785)	(1,785)	1785	1785	
Receivables	152,036	(1,520)	(1,520)	1520	1520	
Financial Assets at Fair Value	217	(2)	(2)	2	2	
Financial Liabilities						
Payables	124,110	(1,241)	(1,241)	1241	1241	
Borrowings	200	(2)	(2)	2	2	

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2011 \$'000
Cash facility	Cash, money market instruments	Up to 2 years	37,260
Strategic cash facility	Cash, money market and other interest rate instruments	2 years to 4 years	-
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	4 years to 7 years	-
Long-term growth facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over	-

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

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

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

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

	Change in unit price	Impact on profit/loss
		2011 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	373
Hour-Glass Investment - Strategic cash facility	+/- 1%	-
Hour-Glass Investment - Medium-term growth facility	+/- 6%	-
Hour-Glass Investment - Long-term growth facility	+/- 15%	-

(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 HRTOW's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

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. The following table details the financial instruments where the fair value differs from the carrying amount:

	2011 \$'000	2011 \$'000
	Carrying amount	Fair value
Financial assets		
TCorp Hour-Glass Investment Facility	37,260	37,260

Health Reform Transitional Organisation Western
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

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

- Level 1 - derived from quoted prices in active markets for identical assets/liabilities.
- Level 2 - derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2011 Total \$'000
TCorp Hour-Glass Invt.Facility		37,260		37,260

(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 2011.

Note 40. Post Balance Date Events

No matters have arisen subsequent to balance date that would require these financial statements to be amended.

However, the revised governance framework, endorsed by the Minister for Health requires the dissolution of the three Health Reform Transitional Organisation, which operated in 2010/11 to oversight the establishment of Local Health Districts and provide specialty services.

Under the revised framework the majority of staff and services will be assigned to Local Health Districts, although some statewide services, eg pathology will be established where it is sufficiently demonstrated that the service will result in improved quality and/or efficiency and the establishment of the service is also consistent with whole of NSW government policies.

END OF AUDITED FINANCIAL STATEMENTS

