



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Justice Health

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Justice Health, 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 and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of Justice Health and the consolidated entity. The consolidated entity comprises Justice Health and the entities it controlled at the period's end or from time to time during the period.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of Justice Health and the consolidated entity, as at 30 June 2011, and of the financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

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

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of 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 and fair presentation of the financial statements 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 Justice Health or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about 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.



Peter Achterstraat
Auditor-General

6 October 2011
SYDNEY

**Certification of Parent/Consolidated Financial Statements
Justice Health
for the Year Ended 30 June 2011**

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

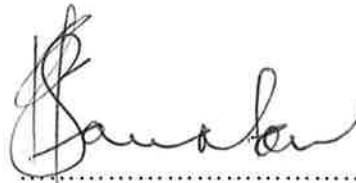
- a) The financial statements have been prepared in accordance with:
- Australian Accounting Standards (which include Australian Accounting Interpretations)
 - *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions.
- b) The financial statements exhibit a true and fair view of the financial position and the financial performance of Justice Health.
- c) 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.



Julie Babineau
Chief Executive

Date: 06 October 2011



The Hon. Patricia Staunton
Chairperson

Date: 06 October 2011

Justice Health
Statement of Financial Position as at 30 June 2011

PARENT			CONSOLIDATION				
Actual	Budget (unaudited)	Actual		Notes	Actual	Budget (unaudited)	Actual
2011	2011	2010			2011	2011	2010
\$000	\$000	\$000			\$000	\$000	\$000
ASSETS							
Current Assets							
18,328	17,571	12,560	Cash and Cash Equivalents	16	18,328	17,571	12,560
2,039	2,180	3,097	Receivables	17(a)	2,039	2,180	3,097
294	294	354	Inventories	18	294	294	354
20,661	20,045	16,011	Total Current Assets		20,661	20,045	16,011
Non-Current Assets							
101,429	105,347	97,353	Property, Plant and Equipment		101,429	105,347	97,353
4,348	4,438	4,429	- Land and Buildings	19,20	4,348	4,438	4,429
			- Plant and Equipment	19,20			
105,777	109,785	101,782	Total Non-Current Assets		105,777	109,785	101,782
126,438	129,830	117,793	Total Assets		126,438	129,830	117,793
LIABILITIES							
Current Liabilities							
11,426	12,311	9,737	Payables	21	11,426	12,311	9,737
15,855	32,687	26,666	Provisions	22(a)	15,855	32,687	26,666
1,078	100	985	Other	23(a)	1,078	100	985
28,359	45,098	37,388	Total Current Liabilities		28,359	45,098	37,388
Non-Current Liabilities							
48	----	852	Provisions	22(b)	48	----	852
82,053	83,044	83,032	Other - PPP Liability	23(b)	82,053	83,044	83,032
82,101	83,044	83,884	Total Non-Current Liabilities		82,101	83,044	83,884
110,460	128,142	121,272	Total Liabilities		110,460	128,142	121,272
15,978	1,688	(3,479)	Net Assets		15,978	1,688	(3,479)
EQUITY							
6,274	----	----	Reserves		6,274	----	----
9,704	1,688	(3,479)	Accumulated Funds		9,704	1,688	(3,479)
15,978	1,688	(3,479)	Total Equity		15,978	1,688	(3,479)

The accompanying notes form part of these financial statements.

Justice Health
Statement of Changes in Equity for the Year Ended 30 June 2011

<u>PARENT & CONSOLIDATED</u>		Accumulated Funds	Asset Revaluation Reserve	Total
	Notes	\$000	\$000	\$000
Balance at 1 July 2010		(3,479)	-----	(3,479)
Result For The Year		(2,001)	-----	(2,001)
Other Comprehensive Income; Net Increase/(Decrease) in Property, Plant & Equipment	20	-----	6,274	6,274
Other Comprehensive Income For The Year		-----	6,274	6,274
Total Comprehensive Income For The Year		(2,001)	6,274	4,273
Transactions with owners in their capacity as owners Increase/(Decrease) in Net Assets from Equity transfers	32	15,184	-----	15,184
Balance at 30 June 2011		9,704	6,274	15,978
Balance at 1 July 2009		(6,802)	-----	(6,802)
Result For The Year		3,323	-----	3,323
Other Comprehensive Income For The Year		-----	-----	-----
Total Comprehensive Income For The Year		3,323	-----	3,323
Balance at 30 June 2010		(3,479)	-----	(3,479)

The accompanying notes form part of these financial statements.

Justice Health
Statement of Cash Flows for the Year Ended 30 June 2011

PARENT			CONSOLIDATION			
Actual	Budget (unaudited)	Actual		Actual	Budget (unaudited)	Actual
2011	2011	2010	Notes	2011	2011	2010
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(120,808)	(116,958)	(105,631)		(120,808)	(116,958)	(105,631)
(924)	(1,090)	(1,154)	Employee Related	(924)	(1,090)	(1,154)
(7,598)	(7,598)	(5,952)	Grants and Subsidies	(7,598)	(7,598)	(5,952)
(39,483)	(32,899)	(31,847)	Finance Costs	(39,483)	(32,899)	(31,847)
			Other			
(168,813)	(158,545)	(144,584)	Total Payments	(168,813)	(158,545)	(144,584)
Receipts						
6,786	2,045	5,343	Sale of Goods and Services	6,786	2,045	5,343
623	161	215	Interest Received	623	161	215
7,563	2,699	1,404	Other	7,563	2,699	1,404
14,972	4,905	6,962	Total Receipts	14,972	4,905	6,962
Cash Flows From Government						
160,643	160,643	149,811	NSW Department of Health Recurrent Allocations	160,643	160,643	149,811
1,350	1,350	1,084	NSW Department of Health Capital Allocations	1,350	1,350	1,084
161,993	161,993	150,895	Net Cash Flows From Government	161,993	161,993	150,895
8,152	8,353	13,273	NET CASH FLOWS FROM OPERATING ACTIVITIES	8,152	8,353	13,273
CASH FLOWS FROM INVESTING ACTIVITIES						
627	----	373	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	627	----	373
(2,127)	(2,600)	(3,142)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(2,127)	(2,600)	(3,142)
(1,500)	(2,600)	(2,769)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,500)	(2,600)	(2,769)
CASH FLOWS FROM FINANCING ACTIVITIES						
(884)	(884)	(799)	Repayment of Borrowings	(884)	(884)	(799)
(884)	(884)	(799)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(884)	(884)	(799)
5,768	4,869	9,705	NET INCREASE / (DECREASE) IN CASH	5,768	4,869	9,705
12,560	12,560	2,855	Opening Cash and Cash Equivalents	12,560	12,560	2,855
18,328	17,429	12,560	CLOSING CASH AND CASH EQUIVALENTS	18,328	17,429	12,560

The accompanying notes form part of these financial statements.

Justice Health
Service Group Statements
for the Year Ended 30 June 2011

SERVICE'S EXPENSES AND INCOME	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Not Attributable		Total		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																					
Operating Expenses																					
Employee Related	7,986	7,539	339	516	55,714	55,739	5,073	1,210	52,274	13,540	1,959	30,198	1,331	1,539	891	744	-----	-----	125,567	111,025	
Visiting Medical Officers	373	354	16	24	2,602	2,615	237	57	2,443	635	91	1,417	62	72	41	34	-----	-----	5,865	5,208	
Other Operating Expenses	1,889	1,809	80	129	13,470	13,972	1,200	303	12,061	3,369	463	7,685	615	386	212	271	-----	-----	29,990	27,924	
Depreciation and Amortisation	235	217	10	15	1,641	1,608	149	35	1,540	391	58	871	39	44	27	22	-----	-----	3,699	3,203	
Grants and Subsidies	65	78	3	5	452	579	41	13	424	141	16	314	11	16	8	8	-----	-----	1,020	1,154	
Finance Costs	-----	-----	-----	-----	-----	-----	-----	-----	7,598	5,952	-----	-----	-----	-----	-----	-----	-----	-----	7,598	5,952	
Other Expenses	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Expenses excluding losses	10,548	9,997	448	689	73,879	74,513	6,700	1,618	76,340	24,028	2,587	40,485	2,058	2,057	1,179	1,079	-----	-----	173,739	154,486	
Revenue																					
Sale of Goods and Services	420	201	19	14	2,707	3,871	284	32	2,526	400	98	804	70	41	48	20	-----	-----	6,152	5,383	
Investment Revenue	40	15	2	1	276	108	25	2	259	26	10	59	7	4	4	-----	-----	-----	623	215	
Grants and Contributions	-----	26	-----	2	3	189	-----	4	2	46	-----	103	-----	5	1	2	-----	-----	6	377	
Other Revenue	20	-----	-----	-----	435	89	15	-----	360	-----	10	-----	3	-----	2	-----	-----	-----	835	89	
Total Revenue	480	242	21	17	3,421	4,257	304	38	3,137	472	118	966	80	50	55	22	-----	-----	7,616	6,064	
Gain / (Loss) on Disposal	(17)	(5)	(1)	-----	(122)	(41)	(11)	(1)	(114)	(10)	(4)	(50)	(3)	(1)	(3)	(1)	-----	-----	(275)	(109)	
Other Gains / (Losses)	-----	-----	-----	-----	-----	-----	-----	-----	292	-----	-----	-----	-----	-----	-----	-----	-----	-----	292	-----	
Net Cost of Services	10,085	9,760	428	672	70,580	70,297	6,407	1,581	73,025	23,566	2,473	39,569	1,981	2,008	1,127	1,058	-----	-----	164,105	148,511	
Government Contributions	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	164,105	151,834	
RESULT FOR THE YEAR	(10,085)	(9,760)	(428)	(672)	(70,580)	(70,297)	(6,407)	(1,581)	(73,025)	(23,566)	(2,473)	(39,569)	(1,981)	(2,008)	(1,127)	(1,058)	-----	-----	164,105	151,834	
Other Comprehensive Income	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----
Asset Revaluation Reserve	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----
Other Comprehensive Income	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----
For The Year	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	6,274	-----
TOTAL COMPREHENSIVE INCOME	(10,085)	(9,760)	(428)	(672)	(70,580)	(70,297)	(6,407)	(1,581)	(66,751)	(23,566)	(2,473)	(39,569)	(1,981)	(2,008)	(1,127)	(1,058)	164,105	151,834	4,273	3,323	

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

* The name and purpose of each service group is summarised in Note 15.

The Service Group Statement uses historical financial data to 30 June 2011 to allocate the current period's financial information on Expenses and Income to each service group.

SERVICE'S ASSETS AND LIABILITIES	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Not Attributable		Total		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																					
Current Assets																					
Cash and Cash Equivalents	1,166	652	49	58	8,132	6,305	740	136	7,626	1,532	286	3,416	194	174	195	87	-----	-----	18,328	12,560	
Receivables	129	199	6	13	903	1,476	86	31	842	518	34	800	24	41	15	19	-----	-----	2,039	3,097	
Inventories	19	24	1	1	130	177	12	4	122	43	5	96	3	5	2	4	-----	-----	294	354	
Total Current Assets	1,314	1,075	56	72	9,165	7,958	838	171	8,590	2,093	325	4,312	221	220	162	110	-----	-----	20,661	16,011	
Non-Current Assets																					
Property, Plant and Equipment																					
- Land and Buildings	955	398	41	62	6,662	5,549	607	-----	92,897	91,304	-----	-----	159	1	108	39	-----	-----	101,429	97,353	
- Plant and Equipment	277	18	12	2	1,929	252	176	-----	1,809	5	68	4,149	46	-----	31	3	-----	-----	4,348	4,429	
Total Non-Current Assets	1,232	416	53	64	8,591	5,801	783	-----	94,706	91,309	68	4,149	205	1	139	42	-----	-----	105,777	101,782	
Total Assets	2,546	1,491	109	136	17,756	13,759	1,621	171	103,296	93,402	393	8,461	426	221	291	152	-----	-----	126,438	117,793	
LIABILITIES																					
Current Liabilities																					
Payables	726	673	31	46	5,068	4,650	465	108	4,748	1,358	182	2,698	123	137	83	67	-----	-----	11,426	9,737	
Provisions	1,011	1,810	43	124	7,056	13,387	642	291	6,569	3,252	250	7,253	169	370	115	179	-----	-----	15,855	26,666	
Other	6	-----	-----	44	-----	4	-----	4	-----	42	-----	979	985	2	-----	1	-----	-----	1,078	985	
Total Current Liabilities	1,743	2,483	74	170	12,168	18,037	1,111	399	11,359	4,610	1,411	10,936	294	507	199	246	-----	-----	28,359	37,388	
Non-Current Liabilities																					
Borrowings	-----	-----	-----	-----	-----	-----	-----	-----	82,053	83,032	-----	-----	-----	-----	-----	-----	-----	-----	-----	82,053	83,032
Provisions	-----	58	-----	4	-----	428	-----	9	48	104	-----	232	-----	11	-----	6	-----	-----	48	852	
Total Non-Current Liabilities	-----	58	-----	4	-----	428	-----	9	82,101	83,136	-----	232	-----	11	-----	6	-----	-----	82,101	83,884	
Total Liabilities	1,743	2,541	74	174	12,168	18,465	1,111	408	93,460	87,746	1,411	11,168	294	518	199	252	-----	-----	110,460	121,272	
Net Assets	803	(1,050)	35	(38)	5,588	(4,706)	510	(237)	9,836	5,656	(1,018)	(2,707)	132	(297)	(92)	(100)	-----	-----	15,978	(3,479)	

* The name and purpose of each service group is summarised in Note 15.

Assets and liabilities that are specific to service groups are allocated accordingly. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(x), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

The historical financial data collected to 30 June 2011 to apportion service expenses and revenues is also used to attribute assets and liabilities to each service group.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

1. Justice Health Reporting Entity

Justice Health was established under the provisions of Justice Health Act with effect from 1 January 2005.

Justice Health, 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 Justice Health. Justice Health is a not-for-profit entity (as profit is not its principal objective).

Justice Health also controls the Justice Health Special Purpose Service Entity that was established as a Division of the Government Service on 17 March 2006 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. This Division provides personnel services to enable Justice Health to exercise its functions.

As a consequence, the values in the annual financial statements presented herein consist of Justice Health (as the parent entity), and the consolidated financial statements of the economic entity. Separate financial statements of the special purpose service entity 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 the NSW Total State Sector Accounts.

These consolidated financial statements have been authorised for issue by the Chief Executive and Chair on 06 October 2011.

2. Summary of Significant Accounting Policies

Statement of Compliance

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

Basis of Preparation

Justice Health's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010, and the Financial Reporting Directions published in the Financial Reporting Code for 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 Justice Health'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(v).

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

The consolidated entity has a deficiency of working capital of \$7.7M (2010: \$21.4M). This position being greatly improved in 2011 due to the transfer of Long Service Leave liabilities to the Crown Entity.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

Notwithstanding the consolidated entity has a working capital deficiency of \$7.7M (2010: \$21.4M) and in recognition that a significant portion of annual leave entitlements are not expected to be settled within the next 12 months (refer Note 22(a), Annual Leave - Long term Benefit \$8.4M (2010: \$7.4M)), the financial statements of Justice Health have been prepared on a going concern basis.

As has been the case in prior years, the NSW Department of Health issued a letter of financial support on 21 September 2011 confirming that Justice Health receives each year funding from monies appropriated to the Minister from the Consolidated Fund in accordance with Section 127 of the *Health Services act 1997*. These appropriated funds, combined with other revenues earned, are applied to pay its debts as and when they become due and payable.

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.

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

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 Justice Health.

Accounting Standard/Interpretation issued but not yet effective.

AASB 2010-07, Financial Instruments, arising from the issuance of AASB 9, Financial Instruments, in AASB 2009-5 in December 2010, has mandatory application from 1 July 2013 and will not be adopted early by Justice Health.

AASB 124 and AASB2009-12, Related Party Transactions, have application from 1 July 2011 but are assessed as having no material impact on Justice Health.

AASB 2009-14, Amendments to Australian Interpretation -Prepayment of a Minimum Funding Requirement, has application from 1 July 2011 and principally addresses contributions relating to future service. It has no impact on Justice Health.

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

AASB 2010-04, Annual Improvements, has application from 1 July 2011 and is assessed as having no material impact on Justice Health.

AASB 2010-5, Editorial Corrections, applies from 1 July 2011 and principally addresses editorial amendments to a range of Australian Accounting Standards and Interpretations. It is assessed as having no impact on Justice Health.

AASB 2010-6 , Disclosures on Transfers of Financial Assets, has mandatory application from 1 July 2011 and is assessed as having no impact on Justice Health.

AASB 2010-8, Deferred Tax: Recovery of Underlying Assets, has mandatory application from 1 July 2012 but will have no impact on Justice Health.

AASB 2010-9, Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters, has application from 1 July 2011 and is assessed as having no impact on Justice Health.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

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

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 based on actuarial assessment (Comparable on costs for 30 June 2010 were also 17%).

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

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

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability transferred to the Crown Entity with effect from 31 December 2010. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are now assumed by the Crown Entity. Justice Health 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 21, "Payables".

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 are based on approximate present value.

Last year Long Service Leave provisions were measured on a short hand basis at an escalated rate of 18.3% for all employees with five or more years of service. The escalation applied was consistent with actuarial assessments.

The superannuation expense for the financial year is determined by using the formulae specified by NSW Treasury and communicated via the NSW Department of Health. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Justice Health
Notes to and forming part of the Financial Statements
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iii) Other Provisions

Other provisions exist when: Justice Health 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

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

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.

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".

Grants and Contributions

Grants and Contributions are generally recognised as revenues when Justice Health 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 Justice Health 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 Year" on the basis that the allocation is earned in return for Justice Health providing services 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 Justice Health 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;
- * receivables and payables are stated with the amount of GST included.

Justice Health
Notes to and forming part of the Financial Statements
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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) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Justice Health. 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 except for assets transferred as a result of an administrative restructure. (See note 2(t)).

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

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

g) Capitalisation Thresholds

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

h) 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 Justice Health. Land is not a depreciable asset.

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%
Leasehold Improvements	10.0%
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%

Depreciation rates are subsequently varied where changes occur in the assessment of the remaining useful life of the assets reported.

i) 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 & Equipment" and AASB140, Investment Property.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

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

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

Justice Health revalues its Land and Buildings and Infrastructure at a minimum of 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.

j) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, Justice Health is effectively exempt from AASB 136 "Impairment of Assets" and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

k) 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.

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

Justice Health has no non-current assets (or disposal groups) classified as held for sale.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

m) Intangible Assets

Justice Health has no intangible assets.

n) 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.

o) 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.

p) Inventories

Inventories held for distribution 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 current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or 'first in first out' method. 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.

q) Loans and Receivables

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

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

r) De-recognition of financial assets and financial liabilities

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire, or if Justice Health transfers the financial asset:

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

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

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

s) Payables

These amounts represent liabilities for goods and services provided to Justice Health 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 Justice Health.

t) 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 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit Government Departments are recognised at the amounts at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

All other equity transfers are recognised at fair value.

u) Trust Funds

Justice Health receives monies in a trustee capacity for various trusts as set out in Note 25. As Justice Health performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of Justice Health's own objectives, they are not brought to account in the financial statements.

v) Budgeted Amounts

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

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

w) 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 de-recognition.

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

x) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 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 action be taken 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 Property, Plant & Equipment.

y) 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 Justice Health's policy on the revaluation of property, plant and equipment as discussed in Note 2(i).

(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.

z) 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 Year.

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

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

<u>PARENT</u>		<u>CONSOLIDATION</u>	
2011	2010	2011	2010
\$000	\$000	\$000	\$000
3. Employee Related			
Employee related expenses comprise the following:			
----	----	94,084	84,953
----	----	1,236	939
----	----	8,463	7,621
----	----	3,333	2,068
----	----	10,295	9,057
----	----	4,875	4,741
----	----	3	10
----	----	3,207	1,632
----	----	71	4
<u>-----</u>	<u>-----</u>	<u>125,567</u>	<u>111,025</u>
Total Employee Related			
4. Personnel Services			
Personnel Services comprise the purchase of the following:			
94,084	84,953	----	----
1,236	939	----	----
8,463	7,621	----	----
3,333	2,068	----	----
10,295	9,057	----	----
4,875	4,741	----	----
3	10	----	----
3,207	1,632	----	----
71	4	----	----
<u>125,567</u>	<u>111,025</u>	<u>-----</u>	<u>-----</u>
Total Personnel Services			

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

<u>PARENT</u>			<u>CONSOLIDATION</u>	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
		5. Other Operating Expenses		
315	321	Consultancies - Operating Activities	315	321
232	188	Domestic Supplies and Services	232	188
9,589	8,880	Drug Supplies	9,589	8,880
343	316	Education & Training	343	316
412	379	Food Supplies	412	379
805	330	Fuel, Light and Power	805	330
2,802	4,425	General Expenses (See (a) below)	2,802	4,425
458	381	Health Support Services	458	381
933	221	Information Management Expenses	933	221
238	95	Insurance	238	95
119	458	Maintenance Contracts	119	458
900	417	New/Replacement Equipment under \$10,000	900	417
54	10	Repairs	54	10
626	737	Medical and Surgical Supplies	626	737
687	244	Postal and Telephone Costs	687	244
855	765	Printing and Stationery	855	765
390	448	Rental	390	448
1,106	917	Special Service Departments	1,106	917
29	8	Staff Related Costs	29	8
7,739	6,878	Sundry Operating Expenses (See (b) below)	7,739	6,878
1,358	1,506	Travel Related Costs	1,358	1,506
29,990	27,924	Total Other Operating Expenses	29,990	27,924
		(a) General Expenses include:		
136	1,086	Advertising	136	1,086
50	7	Books, Magazines and Journals	50	7
248	244	Courier and Freight	248	244
89	123	Auditor's Remuneration - Audit of Financial Statements	89	123
62	138	Auditor's Remuneration - Other Services	62	138
153	125	Data Recording and Storage	153	125
83	76	Legal Services	83	76
45	8	Membership/Professional Fees	45	8
----	20	Other Operating Lease Expense - Minimum Lease Payments	----	20
19	14	Payroll Services	19	14
12	51	Quality Assurance/Accreditation	12	51
18	1	Security Services	18	1
68	40	Translator Services	68	40
1,172	2,017	Other	1,172	2,017
(5)	26	Financial Services	(5)	26
140	28	Human Resource Services	140	28
2	44	Other Management Services	2	44
294	248	Data Communications Services	294	248
216	129	Agency Costs	216	129
2,802	4,425	Total General Expenses	2,802	4,425
		(b) Sundry Operating Expenses comprise:		
1,499	1,190	PPP Building Maintenance	1,499	1,190
1,667	1,612	PPP Catering	1,667	1,612
777	749	PPP Cleaning	777	749
350	108	PPP Energy	350	108
224	339	PPP General Services	224	339
33	20	PPP Ground Maintenance	33	20
736	736	PPP Insurance	736	736
232	225	PPP Other	232	225
1,777	1,727	PPP Security	1,777	1,727
343	275	PPP SPV Expenses	343	275
332	322	PPP Utilities	332	322
(231)	(425)	PPP Volume Adjustments	(231)	(425)
7,739	6,878	Total Sundry Operating Expenses	7,739	6,878

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

<u>PARENT</u>			<u>CONSOLIDATION</u>	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
2,402	2,382	Depreciation - Buildings	2,402	2,382
1,297	821	Depreciation - Plant and Equipment	1,297	821
<u>3,699</u>	<u>3,203</u>	Total Depreciation and Amortisation	<u>3,699</u>	<u>3,203</u>
7. Grants and Subsidies				
689	664	Non-Government Voluntary Organisations	689	664
331	490	Other	331	490
<u>1,020</u>	<u>1,154</u>	Total Grants and Subsidies	<u>1,020</u>	<u>1,154</u>
8. Finance Costs				
7,598	5,952	Finance Costs - PPP Interest	7,598	5,952
<u>7,598</u>	<u>5,952</u>	Total Finance Costs	<u>7,598</u>	<u>5,952</u>
9. Sale of Goods and Services				
Rendering of Services comprise the following:				
1,197	733	Patient Fees [see note 2(d)]	1,197	733
54	----	Cafeteria/Kiosk	54	----
247	296	Fees for Medical Records	247	296
1,297	1,140	Salary Packaging Fee	1,297	1,140
721	826	Services Provided to Non NSW Health Organisations	721	826
2,576	2,388	High Cost Drugs	2,576	2,388
60	----	Other	60	----
<u>6,152</u>	<u>5,383</u>	Total Sale of Goods and Services	<u>6,152</u>	<u>5,383</u>
10. Investment Revenue				
623	215	Interest	623	215
<u>623</u>	<u>215</u>	Total Investment Revenue	<u>623</u>	<u>215</u>
11. Grants and Contributions				
6	377	Other grants	6	377
1,261	939	Personnel Services - Super Defined Benefits	----	----
851	----	Personnel Services - Long Service Leave	----	----
<u>2,118</u>	<u>1,316</u>	Total Grants and Contributions	<u>6</u>	<u>377</u>

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

<u>PARENT</u>			<u>CONSOLIDATION</u>	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
12. Other Revenue				
Other Revenue comprises the following:				
1	2	Commissions	1	2
48	37	Conference and Training Fees	48	37
688	-----	Treasury Managed Fund Hindsight Adjustment	688	-----
69	50	Staff Reimbursements - Private Use of Motor Vehicle	69	50
29	-----	Other	29	-----
<u>835</u>	<u>89</u>	Total Other Revenue	<u>835</u>	<u>89</u>
13. Gain/(Loss) on Assets				
1,762	1,176	(a) Property, Plant and Equipment	1,762	1,176
860	694	Less Accumulated Depreciation	860	694
<u>902</u>	<u>482</u>	Written Down Value	<u>902</u>	<u>482</u>
627	373	Less Proceeds from Disposal	627	373
<u>(275)</u>	<u>(109)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(275)</u>	<u>(109)</u>
(b) Other Gains/ (losses)				
292	-----	Asset Revaluation Increment/(Decrement) - Land at Malabar	292	-----
<u>292</u>	<u>-----</u>	Other Gains / (Loss) Land	<u>292</u>	<u>-----</u>
14. Acceptance of the Crown Entity of Employee Benefits & Other Liabilities				
14,733	-----	Long Service Leave	14,733	-----
451	-----	Superannuation - defined benefit	451	-----
<u>15,184</u>	<u>-----</u>	Total Acceptance of the Crown Entity of Employee Benefits & Other Liabilities	<u>15,184</u>	<u>-----</u>

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

15. Service Groups of the Health Service

Service Group 1.1 Primary and Community Based Services

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

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

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of 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 Local Health Networks (formally known as Area Health Services) 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 2.2 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.

Justice Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2011

Service Group 3.1 Mental Health Services

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Networks (formally Area Health Services) and community based organisations for people seriously affected by mental illness and mental health problems. It also includes the development of preventative programs which meet the needs of specific client groups.

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

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

Service Group 4.1 Rehabilitation and Extended Care Services

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the 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.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

<u>PARENT</u>			<u>CONSOLIDATION</u>	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
16. Current Assets - Cash and Cash Equivalents				
18,328	12,560	Cash at Bank and On Hand	18,328	12,560
<u>18,328</u>	<u>12,560</u>		<u>18,328</u>	<u>12,560</u>
For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the statements of cash flow as follows:				
18,328	12,560	Cash and cash equivalent (per Statement of Financial Position)	18,328	12,560
<u>18,328</u>	<u>12,560</u>		<u>18,328</u>	<u>12,560</u>
Refer to Note 30 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.				
17. Receivables				
Current				
1,257	921	(a) Sale of Goods and Services	1,257	921
116	----	Leave Mobility	116	----
128	12	NSW Department of Health	128	12
352	602	Goods and Services Tax	352	602
461	1,766	Other Debtors	461	1,766
56	147	Prepayments	56	147
(331)	(351)	Less: Allowance for Impairment	(331)	(351)
<u>2,039</u>	<u>3,097</u>		<u>2,039</u>	<u>3,097</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
351	----	Balance at 1 July	351	----
155	59	Amounts written off during the year	155	59
----	----	Amounts recovered during the year	----	----
135	410	Increase/(decrease) in provision recognised in result for the year	135	410
<u>331</u>	<u>351</u>	Balance at 30 June	<u>331</u>	<u>351</u>
Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 30.				
18. Inventories				
Current - at cost				
294	354	Drugs	294	354
<u>294</u>	<u>354</u>	Total Inventories	<u>294</u>	<u>354</u>
19. Property, Plant and Equipment				
(a) Land and Buildings - fair value				
107,919	101,035	Gross Carrying Amount	107,919	101,035
6,490	3,682	Less Accumulated depreciation and impairment	6,490	3,682
<u>101,429</u>	<u>97,353</u>	Net Carrying Amount	<u>101,429</u>	<u>97,353</u>
(b) Plant and Equipment - fair value				
8,250	7,881	Gross Carrying Amount	8,250	7,881
3,902	3,452	Less Accumulated depreciation and impairment	3,902	3,452
<u>4,348</u>	<u>4,429</u>	Net Carrying Amount	<u>4,348</u>	<u>4,429</u>
<u>105,777</u>	<u>101,782</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>105,777</u>	<u>101,782</u>

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20. Property, Plant and Equipment - Reconciliation

	Land	Building	Work in Progress	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000
2011					
Net Carrying Amount at Start of Year	5,848	91,505	----	4,429	101,782
Additions	----	---	94	1,936	2,030
Disposals	----	(88)	----	(814)	(902)
Revaluation (Increments) / Decrements Recognised in Reserves	292	6,274	----	----	6,566
Depreciation Expense	----	(2,402)	----	(1,297)	(3,699)
Net Carrying Amount at End of Year	6,140	95,289	94	4,254	105,777

	Land	Building	Work in Progress	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000
2010					
Net Carrying Amount at Start of Year	5,848	92,653	----	3,967	102,468
Additions	----	1,130	----	2,007	3,137
Disposals	----	----	----	(483)	(483)
Other	----	104	----	(241)	(137)
Depreciation expense	----	(2,382)	----	(821)	(3,203)
Net Carrying Amount at End of Year	5,848	91,505	----	4,429	101,782

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Justice Health [see note 2(f)].
- (ii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (i). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the index applied to Non Current Assets as determined by the Department of Finance and Services:

Year	Land	Buildings
08/09	0.93	1.01
09/10	1.05	1.04
10/11	1.00	1.03

- (iii) The Gross method of accounting from revaluations was used. This method requires the separate restatement of gross asset amounts and accumulated depreciation. The policy favours this method where assets are deemed specialised assets with no feasible alternate use. For Buildings, the gross adjustment to carrying value was \$0,093K and \$419K to accumulated depreciation.

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PARENT			CONSOLIDATION	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
		21. Payables		
		Current		
-----	-----	Accrued Salaries and Wages	3,058	2,527
3,058	2,527	Accrued Liability - Purchase of Personnel Services	-----	-----
7,962	5,353	Creditors	7,962	5,353
		Other Creditors		
56	-----	- Intra Health Liability	56	-----
236	1,316	- Other	236	1,316
114	541	- Taxation - FBT, Withholding	114	541
11,426	9,737		11,426	9,737

Details regarding credit risk, liquidity risk and market risk including a maturity analysis of the above payables are disclosed in Note 30.

		22. Provisions		
		(a) Current Employee benefits and related on-costs		
-----	-----	Annual Leave - Short Term Benefit	6,553	5,597
-----	-----	Annual Leave - Long Term Benefit	8,398	7,398
-----	-----	Long Service Leave - Short Term Benefit	-----	1,129
-----	-----	Long Service Leave - Long Term Benefit	-----	12,542
-----	-----	Long Service Leave On-Costs	904	-----
15,855	26,666	Provision for Personnel Services Liability	-----	-----
15,855	26,666	Total Current Provisions	15,855	26,666
		(b) Non-Current Employee benefits and related on-costs		
-----	-----	Long Service Leave - Conditional	-----	852
-----	-----	Long Service Leave On-Costs	48	-----
48	852	Provision for Personnel Services Liability	-----	-----
48	852	Total Non-Current Provisions	48	852
		Aggregate Employee Benefits and Related On-costs		
15,855	26,666	Provisions - Current	15,855	26,666
48	852	Provisions - Non-Current	48	852
-----	-----	Accrued Salaries and Wages and on costs (Note 21)	3,058	2,527
3,058	2,527	Accrued Liability - Purchase of Personnel Services (Note 21)	-----	-----
18,961	30,045		18,961	30,045

		23. Other Liabilities		
		(a) Current		
100	101	Income in Advance	100	101
978	884	PPP Liability Repayments (Note 31)	978	884
1,078	985		1,078	985
		(b) Non Current		
82,053	83,032	PPP Liability Repayments (Note 31)	82,053	83,032
82,053	83,032		82,053	83,032

Justice Health
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2011 \$000	2010 \$000		2011 \$000	2010 \$000
24. Commitments for Expenditure				
(a) Repayment of PPP Liability				
- New Forensic Hospital & Operations Building				
This relates to the PPP Project for the Forensic Hospital and Operations Building. Refer to Note 31 for more details.				
10,773	10,773	Not later than one year	10,773	10,773
43,095	43,095	Later than one year and not later than five years	43,095	43,095
192,185	202,960	Later than five years	192,185	202,960
246,053	256,828	Total Repayment of PPP liability	246,053	256,828
154,719	164,520	Less: future finance charges	154,719	164,520
91,334	92,308	Present Value of PPP Liability Repayments	91,334	92,308
The present value of commitments are as follows:				
1,076	972	Not later than one year	1,076	972
5,574	5,039	Later than one year and not later than five years	5,574	5,039
84,684	86,297	Later than five years	84,684	86,297
91,334	92,308		91,334	92,308
Classified as:				
978	884	Current (Note 23(a))	978	884
82,053	83,032	Non-current (Note 23(b))	82,053	83,032
83,031	83,916	Present Value of PPP Liability Repayments (#)	83,031	83,916
(#) the figures in this total are exclusive of GST and therefore will not directly agree with the above notes				
(b) Other Expenditure Commitments - Provision of facilities management and other non-clinical services to the new facilities.				
Aggregate other expenditure contracted for the facility management and non clinical services for the Forensic Hospital and Operations Building at balance date and not provided for:				
8,704	8,560	Not later than one year	8,704	8,560
40,213	38,679	Later than one year and not later than five years	40,213	38,679
272,860	283,098	Later than five years	272,860	283,098
321,777	330,337	Total Other Expenditure Commitments (Including GST)	321,777	330,337
(c) Rental Lease Commitments				
Commitments in relation to non-cancellable rental leases not provided for and payable:				
305	264	Not later than one year	305	264
164	128	Later than one year and not later than five years	164	128
469	392	Total Rental Lease Commitments (Including GST)	469	392
(d) Purchase Order Commitments				
Commitments in relation to non-cancellable purchase orders not provided for and payable:				
907	239	Not later than one year	907	239
907	239	Total Purchase Order Commitments (Including GST)	907	239

The expenditure commitments identified in the notes 24 above include GST. Related input tax credits of \$51.7M (2010: \$53.4M) are expected to be recoverable from the Australian Taxation Office.

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25. Trust Funds

Justice Health holds trust fund monies of \$0.473 million which are used for the safe keeping of patients' monies and deposits on hired items of equipment. These monies are excluded from the financial statements as Justice Health cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust		Total	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Cash Balance at the beginning of the financial reporting period	1,037	157	1,037	157
Receipts	1,272	1,046	1,272	1,046
Expenditure	(1,836)	(166)	(1,836)	(166)
Cash Balance at the end of the financial reporting period	473	1,037	473	1,037

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26. Contingent Liabilities and Contingent Assets

a) Claims on Managed Fund

Justice Health is a member of the NSW Treasury Managed Fund. Any predecessor organisations were also members. The Fund will pay to or on behalf of Justice Health 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 state-wide implications. The costs relating to such exceptions are to be absorbed by Justice Health.

As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against Justice Health. 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 Justice Health.

b) Workers Compensation Hindsight Adjustment

NSW 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.

Consequently, the 2005/06 final and 2007/08 interim hindsight calculations will be paid in 2011/12. It is not possible for Justice Health to reliably quantify the benefit to be received.

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<u>PARENT</u>			<u>CONSOLIDATION</u>	
2011	2010		2011	2010
\$000	\$000		\$000	\$000
27. Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services				
8,152	13,273	Net Cash Used on Operating Activities	8,152	13,273
(3,699)	(3,203)	Depreciation Expense	(3,699)	(3,203)
(160,643)	(149,811)	NSW Health Department Recurrent Allocations	(160,643)	(149,811)
(1,350)	(1,084)	NSW Health Department Capital Allocations	(1,350)	(1,084)
----	----	Acceptance by the Crown Entity of Employee Superannuation Benefits	(1,261)	(939)
----	----	Acceptance by the Crown Entity of Long Service Leave	(851)	----
(3,541)	(4,262)	Decrease/(Increase) in Provisions	(3,541)	(4,262)
(155)	----	Allowance for Impairment of Receivables	(155)	----
(1,086)	(3,334)	Increase / (Decrease) in Prepayments and Other Assets	(1,086)	(3,334)
(1,689)	958	(Increase)/ Decrease in Creditors	(1,689)	958
(275)	(109)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(275)	(109)
292	----	Net Gain/ (Loss) on Revaluation of Land	292	----
<u>(163,994)</u>	<u>(147,572)</u>	Net Cost of Services	<u>(166,106)</u>	<u>(148,511)</u>

Justice Health
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28. Unclaimed Monies

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

29. Budget Review - Consolidated

Net Cost of Services

The actual Net Cost of Services for the year was lower than budget by \$1.66M. This represents a favourable variance to budget of 1.0%. Factors contributing to this favourable variance include; delayed commencement of Adolescent Health and Mental Health projects, underspend on VMO related expenditure due to vacancies particularly in rural based positions, a favourable revaluation adjustment for Land (that offset in part a prior year revaluation decrement), lower Forensic Hospital operating costs due to lower than budgeted patient numbers, and above budget revenue generation offset by increases in employee related expenses mainly in order to satisfy increased service delivery.

Result for the Year

The Result for the Year was better than budget by \$0.89M which is attributable to; the benefit from the transfer of the Employee Entitlement for Long Service Leave to the Crown, the benefit from the revaluation of Land and Buildings, and the favourable Net Cost of Services outcome for the year. Partially offsetting this balance is the variation in Government contributions in respect of Crown Entity sponsored employee benefits which saw a reduction in funding compared to budget levels.

Assets and Liabilities

During the year and under instruction from the NSW Department of Health, Justice Health's liability as at 31 December 2010 for the Employee Entitlement relating to Long Service Leave was transferred to the Crown. This transfer was not envisaged at the time of the budget preparation. Property, Plant & Equipment has increased over budget due to the application of the valuation indices, resulting in an increase in the carrying values of both Land and Buildings. Other than as noted above there are no significant actual to budget variations in Justice Health's assets and liabilities.

Cash Flows

Actual Net cash inflows for the year were slightly higher than that budgeted by \$0.76M. This is mainly due to the favourable result achieved for the year.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2010 are as follows:

	\$'000
Initial Allocation, 01 July 2010	141,509
Special Projects	860
General Funding	18,274
Capital Allocation	1,350
Crown Acceptance - Superannuation	1,261
Crown Acceptance - Long Service Leave	<u>851</u>
Balance as per Statement of Comprehensive Income	<u><u>164,105</u></u>

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30. Financial Instruments

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

Justice Health's main risks arising from financial instruments are outlined below, together with Justice Health'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 Justice Health, 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

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Financial Assets	Category	Carrying Amount	Carrying Amount
Class:		2011	2010
		\$000	\$000
Cash and Cash Equivalents (note 16)		18,328	12,560
Receivables (note 17) ¹	Loans and receivables (at amortised cost)	1,962	2,699
Total Financial Assets		20,290	15,259
Financial Liabilities			
Payables (note 21) ²		11,256	9,196
Finance Lease (note 23)		83,031	83,916
Total Financial Liabilities	Financial liabilities measured at amortised cost	94,287	93,112

Notes;

- (1) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
(2) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of Justice Health's debtors defaulting on their contractual obligations, resulting in a financial loss to Justice Health. 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 Justice Health, including cash and receivables. No collateral is held by the Justice Health nor has it granted any financial guarantees.

Credit risk associated with Justice Health'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.

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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 4.56% in 2010/11 compared to 3.89% in the previous year.

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 Justice Health will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

Justice Health 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, \$926K (2010 : \$570K) related to debtors that were not past due and not considered impaired, and no debtors (2010: \$28K) were past due but not considered impaired. Together these represent 74% (2010: 62%) 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. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

	\$000		
	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2011			
<3 months overdue	926	926	----
3 months - 6 months overdue	60	----	60
> 6 months overdue	271	----	271
2010			
<3 months overdue	542	542	----
3 months - 6 months overdue	7	7	----
> 6 months overdue	372	21	351

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 totals recognised in the statement of financial position.

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(c) Liquidity Risk

Liquidity risk is the risk that Justice Health will be unable to meet its payment obligations when they fall due. Justice Health 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, liquid assets and liabilities.

No assets have been pledged as collateral. Justice Health'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 Justice Health (refer to 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, e.g. due to short term liquidity constraints, terms of payment are negotiated with creditors.

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount (Note 1)	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2011								
Payables:								
Accrued Salaries	<i>n/a</i>	3,058	----	----	3,058	3,058	----	----
Creditors	<i>n/a</i>	8,254	----	----	8,254	8,254	----	----
PPP Liability	10.6	246,053	246,053	----	----	10,773	43,095	192,185
		<u>257,365</u>	<u>246,053</u>	<u>----</u>	<u>11,312</u>	<u>22,085</u>	<u>43,095</u>	<u>192,185</u>
2010								
Payables:								
Accrued Salaries	<i>n/a</i>	2,527	----	----	2,527	2,527	----	----
Creditors	<i>n/a</i>	6,669	----	----	6,669	6,669	----	----
PPP Liability	10.6	256,828	256,828	----	----	10,773	43,095	202,960
		<u>266,024</u>	<u>256,828</u>	<u>----</u>	<u>9,196</u>	<u>19,969</u>	<u>43,095</u>	<u>202,960</u>

Notes:

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

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d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Justice Health's exposures to market risk are primarily through interest rate risk on Justice Health's cash at bank. Justice Health 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 Justice Health operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2010. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through changes in market interest rates.

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. Justice Health's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1%		+1%	
		Profit	Equity	Profit	Equity
2011					
Financial assets					
Cash and Cash Equivalents	18,328	(183)	(183)	183	183
Receivables	1,962	----	----	----	----
Financial liabilities					
Payables	11,256	----	----	----	----
Finance Lease	83,031	----	----	----	----
2010					
Financial assets					
Cash and Cash Equivalents	12,560	(126)	(126)	126	126
Receivables	2,699	----	----	----	----
Financial liabilities					
Payables	9,195	----	----	----	----
Finance Lease	83,916	----	----	----	----

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e) Fair Value compared to Carrying Amount

Financial instruments are generally recognised at cost. 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.

31. PPP Financial Disclosure

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

At the time of completion, Justice Health recognised the new Hospital, the Operations Building and the Pharmacy Building as assets totalling \$86M. The basis for the accounting treatment is that services will be delivered by Justice Health for the duration of the term until May 2034.

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

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

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

Consistent with Treasury approval, Long Service Leave liability of \$15.2 Million transferred from Justice Health with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Liabilities transferred are as follows:	2011	2010
	\$000	\$000
Liabilities:		
Long Service Leave	15,184	-----
Increase/(Decrease) in Net Assets From Equity Transfers	<u>15,184</u>	<u>-----</u>

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33. Post Balance Date Events

There are no known post balance date events that have occurred between the financial reporting date and the date of this report that require adjustment to, or disclosure in the 2010/11 financial statements.

However, as part of the restructure of services delivered by NSW Health, a new specialist health network was established on 01 January 2011. This new network titled, Forensic Mental Health Network, is a specialty network governed statutory health corporation constituted under section 41 of the Health Services Act 1997.

The Forensic Mental Health Network was created by the *Health Services Amendment (Local Health Networks) Act 2010*. The new network will consolidate currently existing resources to be transferred from other NSW Health entities, including Justice Health.

Assets and related liabilities to be transferred from Justice Health will include those in relation to the Forensic Hospital, Malabar, and community based forensic mental health services currently in operation. Corresponding adjustments will be made by the NSW Department of Health to the recurrent and capital budget allocations to Justice Health to reflect any transfer in service delivery responsibilities.

END OF AUDITED FINANCIAL STATEMENTS