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INDEPENDENT AUDITOR'S REPORT

Illawarra Shoalhaven Local Health District

To Members of the New South Wales Parliament

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

Opinion

In my opinion, the financial statements:

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

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

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

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Peter Coulogeorgiou
Director, Financial Audit Services

12 October 2012
SYDNEY

**Illawarra Shoalhaven Local Health District
Certification of the Parent/Consolidated Financial Statements
for the year ended 30 June 2012**

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:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *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 Illawarra Shoalhaven Local Health District; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.

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



Sue Browbank
Chief Executive Officer
8 October 2012



Henry Kornacki
Director Of Finance
8 October 2012

Illawarra Shoalhaven Local Health District
Statement of Comprehensive Income for the year ended 30 June 2012

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual Six months ended	Notes	Actual	Budget Unaudited	Actual Six months ended	
2012	2012	30 June 2011		2012	2012	30 June 2011	
\$000	\$000	\$000		\$000	\$000	\$000	
Expenses excluding losses							
Operating Expenses							
0	0	0	Employee Related	3	449,329	466,295	200,534
449,329	466,295	200,534	Personnel Services	4	0	0	0
33,029	35,006	14,065	Visiting Medical Officers		33,029	35,006	14,065
190,770	177,596	102,487	Other Operating Expenses	5	190,770	177,596	102,487
18,709	19,601	8,708	Depreciation and Amortisation	2(i), 6	18,709	19,601	8,708
3,597	3,924	70	Grants and Subsidies	7	3,597	3,924	70
146	148	0	Finance Costs	8	146	148	0
695,580	702,570	325,864	Total Expenses excluding losses		695,580	702,570	325,864
Revenue							
576,798	576,798	265,913	NSW Ministry of Health Recurrent Allocations	2(d)	576,798	576,798	265,913
20,704	22,031	11,464	NSW Ministry of Health Capital Allocations	2(d)	20,704	22,031	11,464
0	0	6,949	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 12	25,925	21,993	6,949
80,099	77,164	34,320	Sale of Goods and Services	9	80,099	77,164	34,320
691	2,304	331	Investment Revenue	10	691	2,304	331
37,320	38,152	3,725	Grants and Contributions	11	11,395	16,159	3,725
1,308	4,907	3,445	Other Revenue	13	1,308	4,907	3,445
716,920	721,356	326,147	Total Revenue		716,920	721,356	326,147
(256)	0	(283)	Gain / (Loss) on Disposal	14	(256)	0	(283)
(507)	(2)	(46)	Other Gains / (Losses)	15	(507)	(2)	(46)
20,577	18,784	(46)	Net Result	32	20,577	18,784	(46)
Other Comprehensive Income							
Net Increase in Property, Plant & Equipment							
28,645	0	0	Asset Revaluation Surplus		28,645	0	0
0	0	0	Other Net Increases in Equity		0	0	0
28,645	0	0	Total Other Comprehensive Income for the year		28,645	0	0
49,222	18,784	(46)	TOTAL COMPREHENSIVE INCOME		49,222	18,784	(46)

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District
Statement of Financial Position as at 30 June 2012**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual
2012	2012	2011			2012	2012	2011
\$000	\$000	\$000			\$000	\$000	\$000
ASSETS							
Current Assets							
23,828	17,330	2,151	Cash and Cash Equivalents	18	23,828	17,330	2,151
18,128	27,198	27,057	Receivables	19	18,128	27,198	27,057
7,620	7,022	7,012	Inventories	20	7,620	7,022	7,012
12,683	12,118	12,118	Financial Assets at Fair Value	21	12,683	12,118	12,118
62,259	63,668	48,338	Total Current Assets		62,259	63,668	48,338
Non-Current Assets							
Property, Plant and Equipment							
368,012	345,622	334,721	- Land and Buildings	22	368,012	345,622	334,721
24,167	16,676	19,030	- Plant and Equipment	22	24,167	16,676	19,030
31,298	31,008	31,325	- Infrastructure Systems	22	31,298	31,008	31,325
423,477	393,306	385,076	Total Property, Plant and Equipment		423,477	393,306	385,076
774	1,194	774	Intangible Assets	23	774	1,194	774
424,251	394,500	385,850	Total Non-Current Assets		424,251	394,500	385,850
486,510	458,168	434,188	Total Assets		486,510	458,168	434,188
LIABILITIES							
Current Liabilities							
38,808	37,359	38,402	Payables	25	38,808	37,359	38,402
402	0	0	Borrowings	26	402	0	0
61,350	55,627	49,659	Provisions	27	61,350	55,627	49,659
646	67	0	Other	28	646	67	0
101,206	93,053	88,061	Total Current Liabilities		101,206	93,053	88,061
Non-Current Liabilities							
283	0	0	Borrowings	26	283	0	0
779	398	195	Provisions	27	779	398	195
1,062	398	195	Total Non-Current Liabilities		1,062	398	195
102,268	93,451	88,256	Total Liabilities		102,268	93,451	88,256
384,242	364,717	345,932	Net Assets		384,242	364,717	345,932
EQUITY							
28,645	0	0	Reserves		28,645	0	0
355,597	364,717	345,932	Accumulated Funds		355,597	364,717	345,932
384,242	364,717	345,932	Total Equity		384,242	364,717	345,932

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Changes in Equity for the year ended 30 June 2012

	Notes	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
Balance at 1 July 2011		345,932	0	0	345,932
Net Result for the year		20,577			20,577
Other Comprehensive Income:					
Net Increase in Property, Plant & Equipment		0	28,645	0	28,645
Total Other Comprehensive Income		0	28,645	0	28,645
Total Comprehensive Income for the year		20,577	28,645	0	49,222
Transactions With Owners In Their Capacity As Owners					
Decrease in Net Assets From Equity Transfers	36	(10,912)	0	0	(10,912)
Balance at 30 June 2012		355,597	28,645	0	384,242
Balance at 1 January 2011		0	0	0	0
Net Result for the year		(46)			(46)
Other Comprehensive Income:					
Net Increase in Property, Plant & Equipment		0	0	0	0
Total Other Comprehensive Income		0	0	0	0
Total Comprehensive Income for the year		(46)	0	0	(46)
Transactions With Owners In Their Capacity As Owners					
Increase in Net Assets From Equity Transfers	36	345,978	0	0	345,978
Balance at 30 June 2011		345,932	0	0	345,932

The accompanying notes form part of these financial statements.

Illawarra Shoalhaven Local Health District
Statement of Cash Flows for the year ended 30 June 2012

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual Six months ended		Actual	Budget Unaudited	Actual Six months ended
2012	2012	30 June 2011	Notes	2012	2012	30 June 2011
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(434,650)	(440,734)	(194,465)	Employee Related/Personnel Services	(434,650)	(440,734)	(194,465)
(3,598)	(3,924)	(76)	Grants and Subsidies	(3,598)	(3,924)	(76)
(115)	(148)	0	Finance Costs	(115)	(148)	0
(225,701)	(210,021)	(94,312)	Other	(225,701)	(210,021)	(94,312)
(664,064)	(654,827)	(288,853)	Total Payments	(664,064)	(654,827)	(288,853)
Receipts						
576,798	576,798	265,913	NSW Ministry of Health Recurrent Allocations	576,798	576,798	265,913
20,704	22,031	11,464	NSW Ministry of Health Capital Allocations	20,704	22,031	11,464
0	0	6,949	Cash Reimbursements from the Crown Entity	25,925	0	6,949
75,362	77,467	16,343	Sale of Goods and Services	75,362	77,467	16,343
274	2,387	331	Interest Received	274	2,387	331
37,319	14,749	0	Grants and Contributions	11,394	14,749	0
3,570	4,824	3,446	Other	3,570	4,824	3,446
714,027	698,256	304,446	Total Receipts	714,027	698,256	304,446
49,963	43,429	15,593	NET CASH FLOWS FROM OPERATING ACTIVITIES	49,963	43,429	15,593
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from Sale of Land and Buildings, Plant and Equipment						
54	0	424	and Infrastructure Systems	54	0	424
Purchases of Land and Buildings, Plant and Equipment						
(28,775)	(28,250)	(14,703)	Infrastructure Systems and Intangibles	(28,775)	(28,250)	(14,703)
(565)	0	(257)	Purchases of Investments	(565)	0	(257)
(29,286)	(28,250)	(14,536)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(29,286)	(28,250)	(14,536)
CASH FLOWS FROM FINANCING ACTIVITIES						
1,721	0	0	Proceeds from Borrowings and Advances	1,721	0	0
(1,036)	0	0	Repayment of Borrowings and Advances	(1,036)	0	0
685	0	0	NET CASH FLOWS FROM FINANCING ACTIVITIES	685	0	0
21,362	15,179	1,057	NET INCREASE / (DECREASE) IN CASH	21,362	15,179	1,057
2,151	2,151	0	Opening Cash and Cash Equivalents	2,151	2,151	0
315	0	1,094	Cash Transferred In/(Out) as a Result of Administrative Restructuring	315	0	1,094
23,828	17,330	2,151	CLOSING CASH AND CASH EQUIVALENTS	23,828	17,330	2,151

The accompanying notes form part of these financial statements.

**Illawarra Shoalhaven Local Health District
Service Group Statements
for the Year Ended 30 June 2012**

DISTRICT EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Total			
	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																						
Operating Expenses																						
Employee Related	28,253	10,381	2,208	648	42,055	16,339	89,002	31,625	52,363	26,690	6,565	948	4,490	6,549	449,329	200,534						
Visiting Medical Officers	2,078	101	162	11	3,092	1,262	7,802	1,989	3,848	660	483	5	329	452	33,029	14,065						
Other Operating Expenses	11,884	5,288	928	327	17,826	8,926	93,845	10,212	22,341	8,297	2,778	3,635	2,018	3,519	190,770	102,487						
Depreciation and Amortisation	1,177	127	92	11	1,751	777	4,526	1,664	764	2,180	1,302	273	10	186	18,709	8,708						
Grants and Subsidies	225	---	18	---	336	1	1,766	4	420	1	52	37	1	---	3,597	70						
Finance Costs	9	---	1	---	14	---	72	13	17	---	---	---	---	---	146	---						
Total Expenses excluding losses	43,626	15,897	3,409	997	65,074	27,305	153,264	44,652	81,169	36,950	10,153	4,598	7,061	10,848	695,580	325,864						
Revenue																						
NSW Ministry of Health Recurrent Allocations ***																						
NSW Ministry of Health Capital Allocations ***																						
Acceptance by the Crown Entity																						
of Employee Benefits and Other Liabilities	1,631	---	127	---	2,427	---	12,714	2,305	3,020	---	379	---	258	---	6,949	6,949						
Sale of Goods and Services	4,230	1,255	39	13	20,534	8,357	43,723	1,781	8,756	3,647	51	29	515	299	80,099	34,320						
Investment Revenue	11	15	---	---	63	11	510	5	1	43	2	1	30	20	691	331						
Grants and Contributions	527	572	5	5	2,580	606	6,619	221	39	1,147	77	11	149	135	11,395	3,725						
Other Revenue	70	17	1	---	338	987	710	29	51	144	1	2	8	20	1,308	3,445						
Total Revenue	6,469	1,859	172	18	25,942	9,961	64,276	4,341	13,110	4,376	444	40	960	474	597,502	284,326						
Gain / (Loss) on Disposal	(16)	(229)	(1)	(2)	(24)	(13)	(125)	(21)	(6)	(30)	(4)	(10)	(3)	(2)	(256)	(283)						
Other Gains / (Losses)	(32)	(2)	(2)	(2)	(47)	(12)	(249)	(45)	(2)	(60)	(5)	(60)	(5)	(5)	(507)	(46)						
Net Result	(37,205)	(14,269)	(3,240)	(981)	(39,203)	(17,369)	(277,536)	(43,426)	(88,149)	(32,589)	(9,720)	(4,558)	(6,109)	(10,376)	597,502	284,326						
Other Comprehensive Income																						
Increase/(Decrease) in Asset Revaluation Reserve	1,802	---	141	---	2,681	---	14,048	2,547	3,337	---	419	---	285	---	28,645	---						
Total Other Comprehensive Income	(35,403)	(14,269)	(3,099)	(981)	(36,522)	(17,369)	(263,488)	(43,426)	(64,812)	(32,589)	(9,301)	(4,558)	(5,824)	(10,376)	597,502	284,326						
Total Comprehensive Income																						

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

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

** Comparatives for 2011 are for the six months ended 30 June 2011.

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

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

**Illawarra Shoalhaven Local Health District
Service Group Statements (Continued)
for the Year Ended 30 June 2012**

DISTRICT ASSETS AND LIABILITIES	Service Group 1.1 * Primary and Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Total			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2012	2011	2012	2011	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
ASSETS																						
Current Assets																						
Cash and Cash Equivalents	1,494	105	117	7	2,229	180	2,809	207	11,696	1,011	2,112	295	2,781	244	348	30	242	72	23,828	2,151		
Receivables	982	1,220	26	12	3,936	6,537	562	291	9,761	14,980	669	809	1,989	2,871	67	27	146	310	18,128	27,057		
Inventories	478	362	37	22	713	611	898	708	3,742	3,552	675	699	889	568	111	249	77	241	7,620	7,012		
Financial Assets at Fair Value	795	591	62	37	1,187	1,015	1,495	1,166	6,226	5,701	1,124	1,660	1,480	1,374	185	171	129	403	12,663	12,118		
Total Current Assets	3,749	2,278	242	78	8,065	8,343	5,764	2,372	31,425	25,244	4,570	3,463	7,139	5,057	711	477	594	1,026	62,259	48,338		
Non-Current Assets																						
Property, Plant and Equipment	23,082	4,874	1,804	416	34,429	29,856	43,381	33,223	180,644	173,985	32,621	29,355	42,945	50,073	5,372	378	3,736	12,561	368,014	334,721		
- Land and Buildings	1,516	277	118	23	2,261	1,698	2,849	1,889	11,863	9,890	2,142	1,669	2,820	2,847	353	22	245	715	24,167	19,030		
- Plant and Equipment	1,963	456	153	39	2,928	2,794	3,689	3,109	15,364	16,283	2,774	2,747	3,652	4,686	457	35	318	1,176	31,298	31,325		
- Infrastructure Systems	49	11	4	1	72	69	91	77	380	402	69	68	90	116	11	1	8	29	774	774		
Intangible Assets	26,610	5,618	2,079	479	39,690	34,417	50,010	38,298	208,251	200,560	37,606	33,839	49,507	57,722	6,193	436	4,307	14,481	424,253	385,850		
Total Non-Current Assets	30,359	7,896	2,321	557	47,755	42,760	55,774	40,670	239,676	225,804	42,176	37,302	56,646	62,779	6,904	913	4,901	15,507	486,512	434,188		
TOTAL ASSETS																						
LIABILITIES																						
Current Liabilities																						
Payables	2,434	1,981	190	123	3,631	3,345	4,575	3,879	19,048	19,458	3,440	3,826	4,529	3,109	567	1,362	394	1,319	38,808	38,402		
Borrowings	25	---	2	---	38	---	47	---	197	---	36	---	47	---	6	---	4	---	402	---		
Provisions	3,848	2,571	301	160	5,740	4,046	7,232	4,545	30,113	22,040	5,438	7,831	7,159	6,609	896	235	623	1,622	61,350	49,659		
Other	33	---	---	---	162	---	4	---	358	---	14	---	70	---	---	---	5	---	646	---		
Total Current Liabilities	6,340	4,552	493	283	9,571	7,391	11,858	8,424	49,716	41,498	8,928	11,657	11,805	9,718	1,469	1,587	1,026	2,941	101,206	88,061		
Non-Current Liabilities																						
Borrowings	18	---	1	---	26	---	33	---	140	---	25	---	33	---	4	---	3	---	283	---		
Provisions	49	10	4	1	73	16	92	18	382	86	69	31	91	26	11	1	8	6	779	195		
Total Non-Current Liabilities	67	10	5	1	99	16	125	18	522	86	94	31	124	26	15	1	11	6	1,062	195		
TOTAL LIABILITIES	6,407	4,562	498	284	9,670	7,407	11,983	8,442	50,238	41,584	9,022	11,688	11,929	9,744	1,484	1,588	1,037	2,947	102,268	88,256		
NET ASSETS	23,952	3,334	1,823	273	38,085	35,353	43,791	32,228	189,438	184,220	33,154	25,614	44,717	53,035	5,420	(665)	3,864	12,560	384,244	345,932		

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

1. The Reporting Entity

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

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

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

The District controls the Illawarra Shoalhaven Local Health District Special Purpose Service Entity which was established as a Division of the Government Service on 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 District to exercise its functions.

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

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

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive on 20 September 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and its regulations, and the Treasurers' Direction.

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

Notwithstanding the consolidated entity has a working capital deficiency of \$38.947 million and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the District have been prepared on a going concern basis.

As has been the case in prior years, the NSW Ministry of Health on 27 September 2012, issued a letter of financial support confirming that the District 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.

**Illawarra Shoalhaven Local Health District
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These appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.

Other mitigating circumstances why the going concern is appropriate include:

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

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

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

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

Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. The comparative period is a six month period as the entity was established on 1 January 2011.

Statement of Compliance

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

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

a) Employee Benefits and Other Provisions

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

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

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. The Ministry of Health advised that a loading of 22% is required to cover leave accrued whilst on Long Service Leave. 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 2012, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2011 were also 17%).

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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 when the employee benefits to which they relate have been recognised.

ii) Long Service Leave and Superannuation

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

The District accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item.

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

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

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

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

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

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

iii) Other Provisions

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

b) Insurance

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

Illawarra Shoalhaven Local Health District
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c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector 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 out-inpatients on the basis of rates specified by the NSW Ministry of Health.

High Cost Drugs

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

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Ministry of Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents.

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs, through which direct funding is provided for the provision of health services to entitled veterans. Payment for inpatient services are based on admitted public activity whilst payments for non admitted patients are subject to a block grant paid to the credit of the NSW Ministry of Health.

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 District'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.

**Illawarra Shoalhaven Local Health District
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Debt Forgiveness

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

Use of Hospital Facilities

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

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

Use of Outside Facilities

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

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

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

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

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

- * the amount of GST incurred by the District as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- * 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

Districts 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 2010/11 activity data using standard cost weighted separation values to reflect estimated costs in 2011/12 for acute weighted inpatient separations.

The composition of interstate patient flow revenue is disclosed in Note 9 c.

**Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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g) Acquisition of Assets

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the 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, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

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

h) Capitalisation Thresholds

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

i) Depreciation of Property, Plant and Equipment

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

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

Buildings	2.50%
Electro Medical Equipment	
- Costing less than \$200,000	10.00%
- Costing more than or equal to \$200,000	12.50%
Computer Equipment	20.00%
Infrastructure Systems	2.50%
Motor Vehicle - Sedans	12.50%
- Trucks & Vans	20.00%
Office Equipment	10.00%
Plant and Machinery	10.00%
Linen	25.00%
Furniture, Fittings and Furnishings	5.00%

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the District 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.

**Illawarra Shoalhaven Local Health District
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j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Ministry of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, Property, Plant and Equipment and AASB140, Investment Property.

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

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

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

The District revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the District as at 01 July 2011 was completed on 30 January 2012 and was based on an independent assessment.

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 Statement of Comprehensive Income for the year, the increment is recognised immediately as revenue in the Statement of Comprehensive Income.

Revaluation decrements are recognised immediately as expenses in the net result for the year, except that, to the extent that a credit balance exists in the asset revaluation 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.

Illawarra Shoalhaven Local Health District
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k) Impairment of Property, Plant and Equipment

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

l) Assets Not Able to be Reliably Measured

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

m) Restoration Costs

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

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

The District 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.

o) Investment Properties

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

p) Intangible Assets

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

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

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

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

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

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

Illawarra Shoalhaven Local Health District
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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 on a straight line basis.

s) Inventories

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

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

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 Statement of Comprehensive Income 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 Illawarra Shoalhaven Local Health District determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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

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

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

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

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

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

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

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

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

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

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

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 net result for the year .

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

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

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 District transfers the financial asset:

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

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

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

x) Payables

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

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

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

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 net 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 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

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

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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 Surplus

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

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

ab) Trust Funds

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

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

ac) Budgeted Amounts

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

ad) Emerging Asset

The District does not have any assets that meets the definition of Emerging Asset.

ae) Service Group Statements Allocation Methodology

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

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

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

Illawarra Shoalhaven Local Health District
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af) New Australian Accounting Standards Issued but not Effective

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

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

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

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

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement.

It is not expected that the changes will have material impact on the District.

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

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2012/13 financial statements will be dependent on the policy of NSW Treasury.

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

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

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

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

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

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

AASB 2011-3, Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and related amendments has application from 1 July 2012 and changes in disclosure will be dependent on the mandate of Treasury.

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

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013.

The exemptions from preparing the consolidation is not expected to apply to the District.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. The changes have application from 1 July 2013 but are assessed as having no material effect.

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

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

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

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT		CONSOLIDATION	
2012	Six months to 30 June 2011	2012	Six months to 30 June 2011
\$000	\$000	\$000	\$000
3. Employee Related			
Employee related expenses comprise the following:			
		289,064	131,002
		18,306	8,498
		29,565	15,435
		6,419	3,803
		28,422	13,445
		19,506	3,775
		39,174	16,490
		12,180	5,384
		311	0
		6,489	2,666
		(107)	36
0	0	449,329	200,534
4. Personnel Services			
Personnel Services comprise the purchase of the following:			
289,064	131,002		
18,306	8,498		
29,565	15,435		
6,419	3,803		
28,422	13,445		
19,506	3,775		
39,174	16,490		
12,180	5,384		
311	0		
6,489	2,666		
(107)	36		
449,329	200,534	0	0
5. Other Operating Expenses			
4,183	2,459	4,183	2,459
7,072	3,294	7,072	3,294
28,038	14,258	28,038	14,258
15,152	7,291	15,152	7,291
4,092	1,935	4,092	1,935
29,277	18,360	29,277	18,360
4,496	2,463	4,496	2,463
5,272	921	5,272	921
619	199	619	199
		Maintenance (See (c) below)	
3,516	1,005	3,516	1,005
3,984	1,410	3,984	1,410
3,949	1,712	3,949	1,712
197	0	197	0
31,531	14,455	31,531	14,455
1,634	615	1,634	615
1,017	494	1,017	494
1,444	578	1,444	578
1,005	469	1,005	469
2,624	1,387	2,624	1,387
34,683	25,897	34,683	25,897
2,263	1,006	2,263	1,006
3,140	1,604	3,140	1,604
1,582	675	1,582	675
190,770	102,487	190,770	102,487

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
(a) Sundry Operating Expenses comprise :				
2,875	1,469	Contract for Patient Services	2,875	1,469
265	135	Isolated Patient Travel and Accommodation Assistance Scheme	265	135
3,140	1,604		3,140	1,604
(b) General Expenses include :-				
206	73	Advertising	206	73
180	158	Auditor's Remuneration - Audit of Financial Statements	180	158
0	0	Auditor's Remuneration - Other Services	0	0
273	113	Books, Magazines and Journals	273	113
		Consultancies		
62	5	- Capital Works	62	5
245	58	- Operating Activities	245	58
2,256	0	Corporate Support Services	2,256	0
427	194	Courier and Freight	427	194
160	60	Data Recording and Storage	160	60
124	104	Legal Services	124	104
184	70	Membership/Professional Fees	184	70
2,392	1,004	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,392	1,004
1,930	554	Other Operating Lease Expense - Minimum Lease Payments	1,930	554
22	0	Payroll Services	22	0
189	46	Quality Assurance/Accreditation	189	46
26	0	Security Services	26	0
17,843	15,236	Services Purchased from Health Reform Transition Organisations	17,843	15,236
85	48	Translator Services	85	48
2,674	637	Other	2,674	637
29,278	18,360		29,278	18,360
(c) Reconciliation of Total Maintenance				
11,647	4,127	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	11,647	4,127
2,387	1,138	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	2,387	1,138
14,034	5,265	Total Maintenance Expenses included in Notes 3, 4 and 5	14,034	5,265

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
13,228	6,324	Depreciation - Buildings	13,228	6,324
4,150	1,748	Depreciation - Plant and Equipment	4,150	1,748
1,331	636	Depreciation - Infrastructure Systems	1,331	636
<u>18,709</u>	<u>8,708</u>		<u>18,709</u>	<u>8,708</u>
7. Grants and Subsidies				
1,671	0	Non-Government Organisations	1,671	0
986	0	Community Aged Care Packages	986	0
940	70	Other Grants	940	70
<u>3,597</u>	<u>70</u>		<u>3,597</u>	<u>70</u>
8. Finance Costs				
31	0	Interest on Bank Overdrafts and Loans	31	0
115	0	Other Interest Charges	115	0
<u>146</u>	<u>0</u>	Total Finance Costs	<u>146</u>	<u>0</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT		CONSOLIDATION	
2012	Six months to 30 June 2011	2012	Six months to 30 June 2011
\$000	\$000	\$000	\$000
9. Sale of Goods and Services			
(a) Sale of Goods comprise the following:-			
2,264	1,074	2,264	1,074
59	20	59	20
442	217	442	217
(b) Rendering of Services comprise the following:-			
Patient Fees [see note 2(d)]			
28,490	11,946	28,490	11,946
453	254	453	254
52	148	52	148
17,048	7,227	17,048	7,227
330	158	330	158
8,433	2,611	8,433	2,611
2,763	2,593	2,763	2,593
16	11	16	11
811	370	811	370
402	154	402	154
121	90	121	90
151	14	151	14
3	0	3	0
91	40	91	40
0	0	0	0
11,543	5,992	11,543	5,992
1	0	1	0
2,800	1,006	2,800	1,006
1,350	0	1,350	0
7	0	7	0
1,230	0	1,230	0
105	268	105	268
1,134	127	1,134	127
80,099	34,320	80,099	34,320
(c) Revenues from Patient Inflows from Interstate are as follows:-			
351	0	351	0
40	0	40	0
427	0	427	0
28	0	28	0
186	0	186	0
273	0	273	0
45	0	45	0
1,350	0	1,350	0
10. Investment Revenue			
Interest			
374	278	374	278
317	48	317	48
0	5	0	5
691	331	691	331

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
11. Grants and Contributions				
276	348	Clinical Drug Trials	276	348
496	689	Commonwealth Government Grants	496	689
985	970	Commonwealth Teaching Hospital Grants	985	970
1,112	491	Industry Contributions/Donations	1,112	491
1,481	525	Cancer Institute Grants	1,481	525
6,369	91	NSW Government Grants	6,369	91
6,419	3,790	Personnel Services - Superannuation Defined Benefit Plans	0	0
8	50	Research Grants	8	50
4	0	University Commission Grants	4	0
20,170	3,720	Other Grants	664	561
37,320	10,674		11,395	3,725
12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
0	0	Superannuation-defined benefit	6,419	3,790
0	0	Long Service Leave	19,506	3,159
0	0		25,925	6,949
13. Other Revenue				
Other Revenue comprises the following:-				
224	30	Commissions	224	30
80	31	Conference and Training Fees	80	31
70	0	Lease and Rental Income	70	0
10	11	Sale of Merchandise, Old Wares and Books	10	11
32	0	Sponsorship Income	32	0
88	3,321	Treasury Managed Fund Hindsight Adjustment	88	3,321
8	0	Unclaimed Deposits	8	0
796	52	Other	796	52
1,308	3,445		1,308	3,445
14. Gain / (Loss) on Disposal				
7,489	2,289	Property, Plant and Equipment	7,489	2,289
7,179	1,582	Less: Accumulated Depreciation	7,179	1,582
310	707	Written Down Value	310	707
54	424	Less: Proceeds from Disposal	54	424
(256)	(283)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(256)	(283)
(256)	(283)	Total Gain/(Loss) on Disposal	(256)	(283)
15. Other Gains / (Losses)				
(507)	(46)	Impairment of Receivables	(507)	(46)
(507)	(46)		(507)	(46)

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current year for which expenditure in the manner specified had not occurred as at balance date	0	5,411	0	5,411
Contributions recognised in amalgamated balance as at 30 June 2011 which were not expended in the current year	0	11,963	0	11,963
Total amount of unexpended contributions as at balance date	0	17,374	0	17,374

Comment on restricted assets appears in Note 24

17. Service Groups of the District

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

- the building of regional partnerships 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

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.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
18. Cash and Cash Equivalents				
23,005	1,387	Cash at Bank and On Hand	23,005	1,387
823	764	Short Term Deposits	823	764
<u>23,828</u>	<u>2,151</u>		<u>23,828</u>	<u>2,151</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:				
23,828	2,151	Cash and Cash Equivalents (per Statement of Financial Position)	23,828	2,151
0	0	Bank Overdraft	0	0
<u>23,828</u>	<u>2,151</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>23,828</u>	<u>2,151</u>

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
19. Receivables				
Current				
6,640	6,177	Sale of Goods and Services	6,640	6,177
4,839	13,174	Intra Health Receivables	4,839	13,174
4,470	5,661	Goods and Services Tax	4,470	5,661
1,268	1,701	Other Debtors	1,268	1,701
<u>17,217</u>	<u>26,713</u>	Sub Total	<u>17,217</u>	<u>26,713</u>
(446)	(75)	Less Allowance for Impairment	(446)	(75)
<u>16,771</u>	<u>26,638</u>	Sub Total	<u>16,771</u>	<u>26,638</u>
1,357	419	Prepayments	1,357	419
<u>18,128</u>	<u>27,057</u>		<u>18,128</u>	<u>27,057</u>
(a) Movement in the Allowance for Impairment				
0	0	Sale of Goods and Services		
(75)	0	Balance at Commencement of Reporting Period	(75)	0
0	(75)	Amounts written off during the year	0	(75)
137	0	Amounts recovered during the year	137	0
		(Increase)/decrease in Allowance Recognised in		
(504)	0	Result for the Year	(504)	0
(442)	(75)	Balance at 30 June	(442)	(75)
(b) Movement in the Allowance for Impairment				
Other Debtors				
		(Increase)/decrease in Allowance Recognised in		
(4)	0	Result for the Year	(4)	0
(4)	0	Balance at 30 June	(4)	0
<u>(446)</u>	<u>(75)</u>		<u>(446)</u>	<u>(75)</u>
(c) Sale of Goods and Services Receivables				
(Current) include:				
188	127	Patient Fees - Compensable	188	127
462	297	Patient Fees - Ineligible	462	297
5,696	3,724	Patient Fees - Other	5,696	3,724
<u>6,346</u>	<u>4,148</u>		<u>6,346</u>	<u>4,148</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
20. Inventories - Current - Held for Distribution				
3,114	2,760	Drugs	3,114	2,760
4,335	4,081	Medical and Surgical Supplies	4,335	4,081
171	171	Other Including Goods in Transit	171	171
<u>7,620</u>	<u>7,012</u>		<u>7,620</u>	<u>7,012</u>
21. Financial Assets at Fair Value				
Current				
12,683	12,118	Treasury Corporation - Hour-Glass Investment Facilities	12,683	12,118
<u>12,683</u>	<u>12,118</u>		<u>12,683</u>	<u>12,118</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
608,296	559,274	Gross Carrying Amount	608,296	559,274
240,284	224,553	Less Accumulated Depreciation and Impairment	240,284	224,553
368,012	334,721	Net Carrying Amount	368,012	334,721
Plant and Equipment - Fair Value				
58,839	49,500	Gross Carrying Amount	58,839	49,500
34,672	30,470	Less Accumulated Depreciation and Impairment	34,672	30,470
24,167	19,030	Net Carrying Amount	24,167	19,030
Infrastructure Systems - Fair Value				
53,233	50,844	Gross Carrying Amount	53,233	50,844
21,935	19,519	Less Accumulated Depreciation and Impairment	21,935	19,519
31,298	31,325	Net Carrying Amount	31,298	31,325
423,477	385,076	Total Property, Plant and Equipment At Net Carrying Amount	423,477	385,076

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

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
2012						
Net Carrying Amount at Start of Year	41,804	280,515	12,402	19,030	31,325	385,076
Additions	0	0	16,308	5,914	0	22,222
Disposals	0	0	0	(310)	0	(310)
Administrative Restructures - Transfers In/(Out)	2,604	266	0	3,683	0	6,553
Net Revaluation Increment Less						
Revaluation Decrements	5,900	21,441	0	0	1,304	28,645
Depreciation Expense	0	(13,228)	0	(4,150)	(1,331)	(18,709)
Reclassifications	0	0	0	0	0	0
Net Carrying Amount at End of Year	50,308	288,994	28,710	24,167	31,298	423,477

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2011						
Net Carrying Amount at Start of Reporting Period	0	0	0	0	0	0
Additions	0	231	9,757	3,941	0	13,929
Disposals	(211)	(40)	0	(455)	0	(706)
Administrative Restructures - Transfers In/(Out)	42,015	282,200	6,848	17,537	31,961	380,561
Net Revaluation Increment Less						
Revaluation Decrements	0	0	0	0	0	0
Depreciation Expense	0	(6,324)	0	(1,748)	(636)	(8,708)
Reclassifications	0	4,448	(4,203)	(245)	0	0
Net Carrying Amount at End of Year	41,804	280,515	12,402	19,030	31,325	385,076

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 2(g)].
- (ii) Land and Buildings were valued by CBRE Valuation Pty Ltd on 1 July 2011. [see note 2(j)]. CBRE Valuations are not a related party of the Illawarra Shoalhaven Local Health District.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		23. Intangible Assets		
774	774	Cost (Gross Carrying Amount)	774	774
-----	-----	Less Accumulated Amortisation and Impairment	-----	-----
<u>774</u>	<u>774</u>	Net Carrying Amount	<u>774</u>	<u>774</u>
<u>774</u>	<u>774</u>	Total Intangible Assets at Net Carrying Amount	<u>774</u>	<u>774</u>

PARENT AND CONSOLIDATION

23. Intangible Reconciliation

	Software \$000	Other \$000	Total \$000
2012			
Net Carrying Amount at Start of Year	0	774	774
Additions from Internal Development or Acquired Separately	0	0	0
Reclassification from Plant & Equipment	0	0	0
Amortisation (Recognised in Depreciation and Amortisation)	0	0	0
Net Carrying Amount at End of Year	0	774	774

	Software \$000	Other \$000	Total \$000
2011			
Net Carrying Amount at Start of Reporting Period	0	0	0
Additions from Internal Development or Acquired Separately	0	774	774
Reclassification From Plant & Equipment	0	0	0
Amortisation (Recognised in Depreciation and Amortisation)	0	0	0
Net Carrying Amount at End of Year	0	774	774

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT		CONSOLIDATION	
2012 \$000	2011 \$000	2012 \$000	2011 \$000
24. Restricted Assets			
<p>The District's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>			
Category			
3,957	4,161	3,957	4,161
5,239	4,364	5,239	4,364
8,178	6,591	8,178	6,591
<u>17,374</u>	<u>15,116</u>	<u>17,374</u>	<u>15,116</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		25. Payables		
		Current		
		Accrued Salaries, Wages and On-Costs	6,069	3,733
		Taxation and Payroll Deductions	3,872	4,621
9,941	8,354	Accrued Liability - Purchase of Personnel Services		
14,663	16,713	Creditors	14,663	16,713
		Other Creditors		
		- Capital Works	162	835
162	835	- Intra Health Liability	7,470	3,677
7,470	3,677	- Other	5,721	8,823
5,721	8,823	- Taxation	851	0
851	0			
38,808	38,402		38,808	38,402

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

		26. Borrowings		
		Current		
		Bank Overdraft	0	0
0	0	Other Loans and Deposits	402	0
402	0			
402	0		402	0
		Non-Current		
		Bank Overdraft	0	0
0	0	Other Loans and Deposits	283	0
283	0			
283	0		283	0

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.
Other loans still to be extinguished represent monies to be repaid to the Health Services Support.

Final Repayment is scheduled for 30 December 2013

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
27. Provisions				
0	0	Annual Leave - Short Term Benefit	34,821	32,315
0	0	Annual Leave - Long Term Benefit	18,953	13,637
0	0	Long Service Leave On-Costs	7,576	3,707
61,350	49,659	Provision for Personnel Services Liability		
61,350	49,659	Total Current Provisions	61,350	49,659
Non-Current Employee Benefits and Related On-Costs				
0	0	Long Service Leave On-Costs	779	195
779	195	Provision for Personnel Services Liability	0	0
779	195	Total Non-Current Provisions	779	195
Aggregate Employee Benefits and Related On-Costs				
61,350	49,659	Provisions - Current	61,350	49,659
779	195	Provisions - Non-Current	779	195
0	0	Accrued Salaries, Wages and On-Costs (Note 25)	6,069	3,733
6,069	3,733	Accrued Liability - Purchase of Personnel Services (Note 25)	0	0
68,198	53,587		68,198	53,587

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
28. Other Liabilities				
		Current		
646	0	Income in Advance	646	0
<u>646</u>	<u>0</u>		<u>646</u>	<u>0</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

	PARENT		CONSOLIDATION	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
29. 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:				
Not later than one year	29,332	6,212	29,332	6,212
Later than one year and not later than five years	1,790	4,057	1,790	4,057
Later than five years	0	0	0	0
	31,122	10,269	31,122	10,269
	31,122	10,269	31,122	10,269
Of the commitments reported at 30 June 2012 it is expected that \$2K will be met from locally generated moneys.				
(b) Operating Lease Commitments				
Commitments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	3,919	1,578	3,919	1,578
Later than one year and not later than five years	2,865	663	2,865	663
Later than five years	24	0	24	0
	6,808	2,241	6,808	2,241
	6,808	2,241	6,808	2,241

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

(c) Contingent Asset Related to Commitments for Expenditure

The total of 'Commitments for Expenditure' above, i.e. \$37.930 million as at 30 June 2012 includes input tax credits of \$3.793m that are expected to be recoverable from the Australian Taxation Office (2011 \$1.251m).

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
27. Provisions				
0	0	Annual Leave - Short Term Benefit	34,821	32,315
0	0	Annual Leave - Long Term Benefit	18,953	13,637
0	0	Long Service Leave On-Costs	7,576	3,707
61,350	49,659	Provision for Personnel Services Liability		
61,350	49,659	Total Current Provisions	61,350	49,659
Non-Current Employee Benefits and Related On-Costs				
0	0	Long Service Leave On-Costs	779	195
779	195	Provision for Personnel Services Liability	0	0
779	195	Total Non-Current Provisions	779	195
Aggregate Employee Benefits and Related On-Costs				
61,350	49,659	Provisions - Current	61,350	49,659
779	195	Provisions - Non-Current	779	195
0	0	Accrued Salaries, Wages and On-Costs (Note 25)	6,069	3,733
6,069	3,733	Accrued Liability - Purchase of Personnel Services (Note 25)	0	0
68,198	53,587		68,198	53,587

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT AND CONSOLIDATED

30. Trust Funds

The District holds trust fund moneys of \$109,000 which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

These monies are excluded from the financial statements as the District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total
	2012	2011	2012	2011	2012	2011	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	0	0	103	92	9	1,568	1,660
Receipts	0	0	7	11	12,035	6,301	12,042
Expenditure	0	0	(1)	0	(12,044)	(7,860)	(7,860)
Cash Balance at the end of the financial year	0	0	109	103	0	9	112

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT AND CONSOLIDATED

31. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

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

As a result, the 2006/07 final and 2008/09 pertaining to the hospitals and community services now forming part of the District will be paid in 2012/13. It is not possible for the District to reliably quantify the benefit to be received.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

	PARENT	Actual	2012	30 June 2011
		Six months ended	\$000	\$000
CONSOLIDATION				
32. Reconciliation of Cash Flows from Operating Activities to Net Result				
Net Cash Flows from Operating Activities	49,963	15,593	49,963	15,593
Depreciation	(18,709)	(8,707)	(18,709)	(8,707)
Allowance for Impairment	(446)	(75)	(446)	(75)
Income in advance (increase)	(646)	0	(646)	0
Decrease in Provisions	(12,275)	(3,076)	(12,275)	(3,076)
Increase / (Decrease) in Prepayments and Other Assets	3,352	(3,016)	3,352	(3,016)
(Increase)/ Decrease in Creditors	(406)	(482)	(406)	(482)
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(256)	(283)	(256)	(283)
	20,577	(46)	20,577	(46)
33. 2011/12 Voluntary Services				
It is considered impracticable to quantify the monetary value of voluntary service provided to the District. Services provided include:				
Chaplaincies and Pastoral Care -				Patient & Family Support
Pink Ladies/Hospital Auxiliaries -				Patient Services, Fund Raising
Patient Support Groups -				Practical Support to Patients and Relative
Community Organisations -				Counselling, Health Education, Transport, Home Help & Patient Activities

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

PARENT AND CONSOLIDATED

34. Unclaimed Moneys

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

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

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

35. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than budget by \$1,793m.

Assets and Liabilities

The actual Assets higher than budget by \$28.342m primarily due to the Ministry of Health not providing a budget adjustment to for the revaluation of Land, Buildings and Infrastructure (\$28.645m). Liabilities were higher by \$8.817m primarily due to transfers associated with the dissolution of the Health Reform Transition Office Southern.

Cash Flows

In Operating activities Cash receipts were higher by \$15.77m which was partially offset by payments being higher by \$9.237m. Investing activity also increased due to the funding being provided for a number of large projects. Movements in investing activities were affected by the transition of the Health Reform Transition Office Southern to this District.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2011 are as follows:

	\$000
Initial Allocation, NCOS as per MoH Letter	534,582
Initial Allocation, Rollover of Net Assets & Contributions	(24,083)
Award Increases	10,571
Special Projects	
Nurse and Midwife Strategy supplementation	926
Health Workforce Aust Simulated Learning Environment	513
Long Stay Older Patient Initiative	461
Drug and Alcohol supplementation	400
V MO Supplementation - Fee for Service and Rural Doctors	283
Telehealth Projects 2011/12	260
Aboriginal Cadetships	253
Extra funding for project and programs under \$250,000 each	3,052
Other	
Transfers from the Health Reform Transition Office Southern	34,209
Liquidity assistance	14,435
Repairs, Maintenance and Replacement >\$10,000 Program Fund Transfer to Capital Fund	(1,780)
Treasury Managed Fund 2011/12 Adjustment	1,450
2011/12 Leap Year Costs	1,009
2011/12 Voluntary Redundancy	257
Balance as per Statement of Comprehensive Income	<u>576,798</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

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

Equity transfers effected in 2011/12 comprised:

A decrease in net assets of \$10.912M relating to the Districts' assumption of responsibilities upon dissolution of Health Reform Transitional Organisation Southern on 31 May 2012.

Assets and Liabilities transferred are as follows:

	2012	2011
	\$000	\$000
Assets		
Cash & Cash Equivalents	294	12,954
Receivables	2,205	3,255
Inventory	224	6,606
Financial Assets at Fair Value	350	0
Prepayments	1,043	3,436
Property Plant & Equipment	6,553	380,561
Liabilities		
Payables	(15,618)	(14,057)
Loans	(1,721)	(0)
Provision	(4,026)	(46,777)
Other Liabilities	(216)	(0)
Increase/(Decrease) in Net Assets From Equity Transfers	<u>(10,912)</u>	<u>345,978</u>

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

37. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Class:	Category	Amount 2012 \$000	Amount 2011 \$000
Financial Assets			
Cash and Cash Equivalents (note 18)	N/A	23,828	2,151
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	12,301	20,977
Financial Assets at Fair Value (note 21) ²	At fair value through profit or loss (designated as such upon initial recognition)	12,683	12,118
Total Financial Assets		48,812	35,246
Financial Liabilities			
Borrowings (note 26)	Financial liabilities	685	0
Payables (note 25) ²	measured at	37,957	33,781
Other Liabilities (note 28)	amortised cost	646	0
Total Financial Liabilities		39,288	33,781

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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Credit risk arises from financial assets of the District, including cash, receivables and authority deposits. No collateral is held by the District. The District has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.42% in 2011/12 compared to 4.67% in the previous year. The TCorp Hour-Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

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

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012:\$4.340m; 2011: \$5.022m) and not more than 3 months past due (2012: \$1.922m; 2011:\$1.080m) are not considered impaired and together these represent 89.72% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the District's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or/and 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 and/or impaired.

\$000			
2012	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	3,434	3,434	0
3 months - 6 months overdue	305	180	125
> 6 months overdue	601	280	321
2011			
<3 months overdue	1,510	1,510	0
3 months - 6 months overdue	466	391	75
> 6 months overdue	0	0	0

Notes

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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Authority Deposits

The District has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 1.92% (2011 - 7.00%), while over the year the weighted average interest rate was 2.09% (2011 - 5.24%) on a weighted average balance during the year of \$13.507m (2011 - \$12.883m). None of these assets are past due or impaired.

(c) Liquidity Risk

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

The District has negotiated no loans outside of arrangements with the NSW Ministry of Health or 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 District's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Ministry of Health has indicated its ongoing financial support for the Illawarra Shoalhaven Local Health District Service (refer Note 2).

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

For small business suppliers, where payment is not made within the specified time period, simple interest (currently 11.66%) must be paid automatically unless an existing contract specifies otherwise.

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

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

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

	Maturity Analysis and interest rate exposure of financial liabilities							
	Weighted Average Effective Int. Rate	Interest Rate Exposure			Maturity Dates			
		%	Nominal Amount ¹ \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non - Interest Bearing \$000	< 1 Yr \$000	1-5 Yr \$000
2012								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		9,941	0	0	0	9,941	9,941	0
Creditors		28,704	0	0	0	28,704	28,704	0
Borrowings:								
Bank Overdraft								
Non Interest Loans								
Other Loans and Deposits ²		0	0	685	685	685	685	0
Finance Leases								
		<u>38,645</u>	<u>0</u>	<u>685</u>	<u>39,330</u>	<u>39,330</u>	<u>39,330</u>	<u>0</u>
2011								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		8,354	0	0	0	8,354	8,354	0
Creditors		30,048	0	0	0	30,048	30,048	0
Borrowings:								
Bank Overdraft								
Non-Interest Loans								
Other Loans and Deposits ²		0	0	0	0	0	0	0
Finance Leases								
		<u>38,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,402</u>	<u>38,402</u>	<u>0</u>

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.
- Of the \$,685m disclosed in the 2012 'other loans and deposits' time band 1-5 yrs, the District has no intention to effect payments in advance of maturity dates on or prior to 30 September 2012.

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
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d) **Market Risk**

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2011. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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

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

	Carrying Amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012					
Financial Assets					
Cash and Cash Equivalents	23,828	-259	-259	259	-259
Receivables	12,301	0	0	0	0
Financial Assets at Fair Value	12,683	-127	127	127	-127
Other Financial Assets	0	0	0	0	0
Financial Liabilities					
Payables	34,936	0	0	0	0
Borrowings	685	-7	7	7	-7
2011					
Financial Assets					
Cash and Cash Equivalents	2,151	-22	22	22	-22
Receivables	20,977	0	0	0	0
Financial Assets at Fair Value	12,118	-121	121	121	-121
Other Financial Assets	0	0	0	0	0
Financial Liabilities					
Payables	33,781	0	0	0	0
Borrowings	0	0	0	0	0

Illawarra Shoalhaven Local Health District
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Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2012 \$'000	2011 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	823	764
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	2,095	1,939
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	3 years to 7 years	5,597	5,243
Long-term growth facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over	4,992	4,936

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

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

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 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).

Illawarra Shoalhaven Local Health District
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2012

	Change in unit price	Impact on profit/loss	
		2012 \$'000	2011 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	8.23	20.55
Hour-Glass Investment - Strategic cash facility	+/- 1%	20.95	98.5
Hour-Glass Investment - Medium-term growth facility	+/- 6%	335.82	385.36
Hour-Glass Investment - Long-term growth facility	+/- 15%	748.80	473.86

e) Fair Value recognised in the Statement of Financial Position

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

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2012 Total \$'000
TCorp Hour-Glass Invt.Facility	0	12,683	0	12,683

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

There were no transfers between level 1 and 2 during the period ended 30 June 2012.

Note 38 Events after the Reporting Period

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

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

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

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

END OF AUDITED FINANCIAL STATEMENTS

