



INDEPENDENT AUDITOR'S REPORT

Hunter New England Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Hunter New England 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.

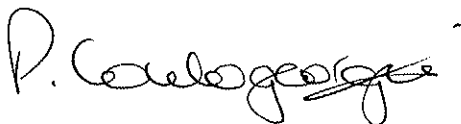
My opinion does *not* provide assurance:

- 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

3 October 2012
SYDNEY

Hunter New England Local Health District
Certification of the Financial Statements as at 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 Hunter New England Local Health District.
- 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.



Michael Di Rienzo
Chief Executive Officer
3 October 2012

Hunter New England 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						
-	-	-	3	1,012,527	1,044,473	473,658
1,012,527	1,044,473	473,658	4	-	-	-
81,309	72,421	38,437		81,309	72,421	38,437
479,108	477,016	251,170	5	479,108	477,016	251,170
59,998	60,424	26,693	2(i), 6	59,998	60,424	26,693
4,823	4,405	1,557	7	4,823	4,405	1,557
14,205	14,790	9,862	8	14,205	14,790	9,862
107,717	107,500	49,909	9	107,717	107,500	49,909
1,759,687	1,781,029	851,286		1,759,687	1,781,029	851,286
Revenue						
1,405,146	1,405,146	696,951	2(d)	1,405,146	1,405,146	696,951
55,903	48,863	36,562	2(d)	55,903	48,863	36,562
(5,974)	-	-		(5,974)	-	-
-	-	-	2(a)(ii), 13	44,232	45,752	25,794
204,636	222,149	89,655	10	204,636	222,149	89,655
5,226	3,583	2,211	11	5,226	3,583	2,211
84,558	80,445	37,936	12	40,326	34,693	12,142
6,255	6,255	5,798	14	6,255	6,255	5,798
1,755,750	1,766,441	869,113		1,755,750	1,766,441	869,113
(1,078)	(759)	(972)	15	(1,078)	(759)	(972)
(2,232)	(856)	(231)	16	(2,232)	(856)	(231)
(7,247)	(16,203)	16,624	32	(7,247)	(16,203)	16,624
Net Result						
-	-	-		-	-	-
(7,247)	(16,203)	16,624		(7,247)	(16,203)	16,624
TOTAL COMPREHENSIVE INCOME						

The accompanying notes form part of these financial statements.

**Hunter New England Local Health District
Statement of Financial Position as at 30 June 2012**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual	
2012	2012	2011	Notes	2012	2012	2011	
\$000	\$000	\$000		\$000	\$000	\$000	
ASSETS							
Current Assets							
98,204	106,327	85,061	Cash and Cash Equivalents	19	98,204	106,327	85,061
75,525	104,734	69,937	Receivables	20	75,525	104,734	69,937
2,705	2,607	2,606	Inventories	21	2,705	2,607	2,606
2,700	6,900	6,900	Non-Current Assets Held for Sale	23	2,700	6,900	6,900
179,134	220,568	164,504	Total Current Assets		179,134	220,568	164,504
Non-Current Assets							
264	-	-	Receivables	20	264	-	-
Property, Plant and Equipment							
1,004,638	1,005,347	985,833	- Land and Buildings	22	1,004,638	1,005,347	985,833
91,622	72,819	56,114	- Infrastructure Systems	22	91,622	72,819	56,114
70,441	72,184	73,674	- Infrastructure Systems	22	70,441	72,184	73,674
1,166,701	1,150,350	1,115,621	Total Property, Plant and Equipment		1,166,701	1,150,350	1,115,621
1,166,965	1,150,350	1,115,621	Total Non-Current Assets		1,166,965	1,150,350	1,115,621
1,346,099	1,370,918	1,280,125	Total Assets		1,346,099	1,370,918	1,280,125
LIABILITIES							
Current Liabilities							
121,248	176,152	130,299	Payables	25	121,248	176,152	130,299
9,901	1,574	9,074	Borrowings	26	9,901	1,574	9,074
156,982	143,123	128,343	Provisions	27	156,982	143,123	128,343
6,306	4,024	3,257	Other	28	6,306	4,024	3,257
294,437	324,873	270,973	Total Current Liabilities		294,437	324,873	270,973
Non-Current Liabilities							
134,296	144,197	144,201	Borrowings	26	134,296	144,197	144,201
576	5,142	519	Provisions	27	576	5,142	519
345	-	360	Other	28	345	-	360
135,217	149,339	145,080	Total Non-Current Liabilities		135,217	149,339	145,080
429,654	474,212	416,053	Total Liabilities		429,654	474,212	416,053
916,445	896,706	864,072	Net Assets		916,445	896,706	864,072
EQUITY							
916,445	896,706	864,072	Accumulated Funds		916,445	896,706	864,072
916,445	896,706	864,072	Total Equity		916,445	896,706	864,072

The accompanying notes form part of these financial statements.

Hunter New England 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		864,072	-	-	864,072
Net Result for the year		(7,247)	-	-	(7,247)
Total Comprehensive Income for the year		(7,247)	-	-	(7,247)
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	36	59,620	-	-	59,620
Balance at 30 June 2012		916,445	-	-	916,445
Balance at 1 January 2011					
Balance at 1 January 2011		-	-	-	-
Net Result for the six months ended 30 June 2011		16,624	-	-	16,624
Total Comprehensive Income for the six months ended 30 June 2011		16,624	-	-	16,624
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers		847,448	-	-	847,448
Balance at 30 June 2011		864,072	-	-	864,072

The accompanying notes form part of these financial statements.

**Hunter New England 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 \$000	2012 \$000	30 June 2011 \$000	Notes	2012 \$000	2012 \$000	30 June 2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
				(991,570)	(1,032,261)	(437,296)
(126,456)	(125,360)	(56,115)	- Employee Related	(126,456)	(125,360)	(56,115)
(13,841)	(13,841)	(7,294)	- Grants and Subsidies	(13,841)	(13,841)	(7,294)
(1,636,499)	(1,635,143)	(691,018)	- Finance Costs	(644,929)	(602,882)	(253,722)
			- Other			
<u>(1,776,796)</u>	<u>(1,774,344)</u>	<u>(754,427)</u>	Total Payments	<u>(1,776,796)</u>	<u>(1,774,344)</u>	<u>(754,427)</u>
Receipts						
1,405,146	1,405,146	696,951	NSW Ministry of Health Recurrent Allocations	1,405,146	1,405,146	696,951
55,903	48,863	36,562	NSW Ministry of Health Capital Allocations	55,903	48,863	36,562
(5,974)	-	-	- Asset Sale Proceeds Transferred to the NSW Ministry of Health	(5,974)	-	-
-	-	-	- Cash Reimbursements from the Crown Entity	44,232	45,752	-
208,671	214,509	69,547	Sale of Goods and Services	208,671	214,509	69,547
5,226	3,577	2,223	Interest Received	5,226	3,577	2,223
89,983	85,156	-	- Grants and Contributions	45,751	39,404	-
73,229	71,420	32,782	Other	73,229	71,420	32,782
<u>1,832,184</u>	<u>1,828,671</u>	<u>838,065</u>	Total Receipts	<u>1,832,184</u>	<u>1,828,671</u>	<u>838,065</u>
<u>55,388</u>	<u>54,327</u>	<u>83,638</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>55,388</u>	<u>54,327</u>	<u>83,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
7,570	906	599	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	7,570	906	599
-	-	-	- Proceeds from Sale of Investments	-	-	-
(61,636)	(46,779)	(44,029)	Purchases of Land and Buildings, Plant and Equipment Infrastructure Systems and Intangibles	(61,636)	(46,779)	(44,029)
-	-	-	- Purchases of Investments	-	-	-
<u>(54,066)</u>	<u>(45,873)</u>	<u>(43,430)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(54,066)</u>	<u>(45,873)</u>	<u>(43,430)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
-	0	-	- Proceeds from Borrowings and Advances	-	0	-
(9,439)	(8,449)	(2,967)	Repayment of Borrowings and Advances	(9,439)	(8,449)	(2,967)
<u>(9,439)</u>	<u>(8,449)</u>	<u>(2,967)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(9,439)</u>	<u>(8,449)</u>	<u>(2,967)</u>
<u>(8,117)</u>	<u>5</u>	<u>37,241</u>	NET INCREASE / (DECREASE) IN CASH	<u>(8,117)</u>	<u>5</u>	<u>37,241</u>
85,061	85,061	-	- Opening Cash and Cash Equivalents	85,061	85,061	-
21,260	21,260	47,820	Cash Transferred In/(Out) as a Result of Administrative Restructuring	21,260	21,260	47,820
<u>98,204</u>	<u>106,326</u>	<u>85,061</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>98,204</u>	<u>106,326</u>	<u>85,061</u>

The accompanying notes form part of these financial statements.

Hunter New England Local Health District
Service Group Statements

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	\$000
Expenses excluding losses																							
Operating Expenses																							
Employee Related	103,847	45,450	9,639	2,772	90,047	44,651	93,025	41,120	445,006	202,136	127,287	60,864	112,640	55,078	17,067	13,969	20,261	-	-	-	-	-	-
Visiting Medical Officers	840	373	94	48	5,002	3,137	13,942	6,852	54,128	25,034	2,628	1,353	3,346	1,623	529	800	502	-	-	-	-	-	-
Other Operating Expenses	34,351	16,706	2,602	2,748	55,527	28,322	45,780	23,509	255,128	127,350	30,812	14,483	43,109	22,445	5,039	6,760	4,281	-	-	-	-	-	-
Depreciation and Amortisation	3,989	1,475	405	124	5,900	2,998	7,469	3,067	29,471	14,442	4,874	1,959	7,499	2,661	493	98	27	-	-	-	-	-	-
Grants and Subsidies	1,133	1,216	232	11	47	(2)	53	(7)	308	(56)	2,067	775	336	58	408	239	59	-	-	-	-	-	-
Finance Costs	1,238	843	115	79	1,356	1,029	1,387	964	6,849	4,667	1,476	1,039	1,454	1,025	185	135	91	-	-	-	-	-	-
Payments to Affiliated Health Organisations	1,461	909	-	-	29,550	15,593	11,633	4,159	56,075	25,014	1,476	1,039	7,418	3,613	29	15	606	-	-	-	-	-	-
Total Expenses excluding losses	146,839	68,972	13,087	5,783	187,429	95,728	173,289	79,164	846,965	398,587	166,944	80,483	175,802	86,423	23,760	23,552	25,827	-	-	-	-	-	-
Revenue																							
NSW Ministry of Health Recurrent Allocations ***																							
NSW Ministry of Health Capital Allocations ***																							
Asset Sale Proceeds Transferred to the NSW Minister Acceptance by the Crown Entity																							
Sale of Employee Benefits and Other Liabilities	4,537	2,475	421	151	3,934	2,432	4,064	2,239	19,440	11,008	5,559	3,315	4,921	2,999	746	610	1,103	-	-	-	-	-	-
Sale of Goods and Services	9,541	4,180	688	301	22,597	9,900	18,665	8,178	100,193	43,897	9,788	4,283	29,344	12,856	648	13,162	5,766	-	-	-	-	-	-
Investment Revenue	920	511	16	9	331	184	120	67	759	423	53	29	945	526	1,179	903	502	-	-	-	-	-	-
Grants and Contributions	7,723	2,325	194	58	2,972	895	1,095	330	6,759	2,035	509	153	7,313	2,202	8,697	5,064	1,525	-	-	-	-	-	-
Other Revenue	1,316	1,074	44	35	539	440	201	164	1,216	991	98	80	1,137	928	1,275	1,040	429	-	-	-	-	-	-
Total Revenue	24,037	10,565	1,363	555	30,373	13,951	24,145	10,978	128,367	58,354	16,017	7,870	43,660	19,511	12,545	4,670	20,168	9,246	1,455,075	733,513	1,759,750	859,113	
Gain / (Loss) on Disposal	-	-	-	-	-	-	-	-	(1,076)	(872)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Gains / (Losses)	(122,822)	(58,407)	(11,724)	(5,228)	(157,056)	(61,877)	(149,144)	(68,186)	(721,906)	(341,436)	(152,927)	(72,513)	(132,142)	(66,912)	(11,215)	(5,649)	(3,384)	(16,581)	1,455,075	733,513	(1,076)	(972)	
Net Result	(122,822)	(58,407)	(11,724)	(5,228)	(157,056)	(61,877)	(149,144)	(68,186)	(721,906)	(341,436)	(152,927)	(72,513)	(132,142)	(66,912)	(11,215)	(5,649)	(3,384)	(16,581)	1,455,075	733,513	(2,332)	(231)	
Total Comprehensive Income	(122,822)	(58,407)	(11,724)	(5,228)	(157,056)	(61,877)	(149,144)	(68,186)	(721,906)	(341,436)	(152,927)	(72,513)	(132,142)	(66,912)	(11,215)	(5,649)	(3,384)	(16,581)	1,455,075	733,513	(7,247)	(16,624)	

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

* The purpose of each service group is summarised in Note 18.

** 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 30 June 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 July 2011 and 30 June 2012 which would materially impact this allocation.

Hunter New England Local Health District
Service Group Statements (Continued)
for the Year Ended 30 June 2012

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	2011	2012	2011	2012		
	\$000	\$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	8,196	6,892	730	578	10,460	9,556	7,910	39,826	9,428	8,042	9,811	8,635	9,811	1,326	1,031	1,314	2,581	-	-	98,204	85,051		
Receivables	1,034	651	59	33	1,307	919	1,039	3,810	689	367	1,878	1,329	1,878	540	370	868	665	-	-	75,925	69,937		
Inventories	194	194	15	29	314	294	244	1,440	1,321	174	243	233	150	28	97	38	44	-	-	2,705	2,806		
Non-Current Assets Held for Sale	180	381	18	32	265	775	793	1,326	3,733	506	337	668	210	506	22	4	7	-	-	2,700	9,500		
Total Current Assets	9,604	8,118	822	672	12,345	11,554	9,650	48,690	10,562	9,065	12,259	10,865	12,259	1,915	1,503	2,224	3,287	62,591	59,024	179,134	164,904		
Non-Current Assets																							
Receivables	4	-	0	-	5	-	4	19	-	-	7	-	7	2	-	3	-	-	219	-	262	-	
Property, Plant and Equipment																							
- Land and Buildings	66,793	54,476	6,781	4,580	98,792	110,724	113,272	493,482	533,371	72,314	125,666	95,360	125,666	8,255	739	1,641	997	-	-	1,004,638	985,833		
- Plant and Equipment	6,091	3,101	618	261	9,010	6,302	6,448	45,005	30,359	4,116	11,452	5,428	11,452	753	42	150	57	-	-	91,522	56,114		
- Infrastructure Systems	4,683	4,071	475	342	6,827	8,275	8,769	34,601	39,860	5,404	8,904	7,127	8,904	579	55	115	75	-	-	70,441	73,674		
Total Non-Current Assets	77,572	61,648	7,876	5,163	114,733	125,301	128,185	573,106	603,590	81,834	145,828	107,915	145,828	9,588	836	1,910	1,128	219	219	1,166,963	1,115,621		
TOTAL ASSETS	87,176	69,766	8,698	5,835	127,078	136,855	137,835	628,581	652,280	90,899	158,098	118,780	158,098	11,503	2,339	4,133	4,416	82,810	59,024	1,346,097	1,280,125		
LIABILITIES																							
Current Liabilities																							
Payables	8,693	9,704	658	1,426	14,052	14,693	11,586	64,565	66,066	7,798	10,908	11,644	10,908	1,275	4,837	1,711	2,221	-	-	121,248	130,299		
Borrowings	826	735	74	62	1,055	1,020	975	4,766	4,249	858	988	921	988	134	110	133	275	-	-	9,501	9,074		
Provisions	16,100	12,315	1,494	751	13,961	12,100	14,423	68,994	54,771	19,735	17,464	14,924	17,464	2,646	359	2,166	5,490	-	-	156,982	128,343		
Other	528	264	47	22	672	365	621	3,035	1,525	605	631	331	631	85	39	84	99	-	-	6,306	3,257		
Total Current Liabilities	26,145	23,018	2,273	2,261	29,740	28,179	27,605	141,359	126,611	29,089	29,891	27,820	29,891	4,140	5,345	4,093	8,085	-	-	234,437	270,973		
Non-Current Liabilities																							
Borrowings	11,208	11,683	999	980	14,304	16,216	13,410	64,639	67,518	12,693	13,418	14,639	13,418	1,813	1,748	1,797	4,375	-	-	134,296	144,201		
Provisions	59	50	5	3	51	49	53	253	222	72	65	60	65	10	1	8	22	-	-	576	519		
Other	29	29	3	2	37	40	34	166	170	33	33	37	33	5	4	5	11	-	-	345	360		
Total Non-Current Liabilities	11,296	11,762	1,007	985	14,392	16,305	13,812	65,058	67,910	13,733	13,516	14,736	13,516	1,828	1,753	1,810	4,408	-	-	135,217	145,080		
TOTAL LIABILITIES	37,441	34,780	3,281	3,246	44,132	44,484	41,417	206,417	194,521	42,822	43,407	42,556	43,407	5,968	7,098	5,903	12,493	-	-	429,654	476,053		
NET ASSETS	49,734	34,986	5,417	2,609	82,946	92,371	115,628	422,244	457,759	59,301	114,591	76,224	114,591	5,535	(4,759)	(1,770)	(8,077)	62,810	59,024	916,444	864,072		

* The name and purpose of each service group is summarised in Note 18

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

1. The Reporting Entity

The Hunter New England Local Health District (the LHD) was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The LHD as a reporting entity, comprises all the entities under its control.

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 LHD.

The LHD controls the Hunter New England 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*. This Division provides personnel services to enable the LHD 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 LHD 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 3 October 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The LHD'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 LHD'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 (\$115.3m) and in recognition that a significant portion of current annual leave entitlements aren't expected to be settled in the next 12 months, the financial statements of the LHD have been prepared on a going concern basis.

As has been the case in prior years, the NSW Ministry of Health issued a letter of financial support on 27 September 2012, confirming that the LHD receives each year funding from monies appropriated to the Minister from the Consolidated Fund in accordance with Section 127 of the Health Services Act 1997.

These appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.

Other mitigating circumstances why the going concern is appropriate include:

- * The LHD 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 LHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the LHD 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, and includes Administrative Transfers and Transition of Services during the year ending 30 June 2012. Therefore comparative reviews between periods will not provide an accurate reflection of transactions of expenses and revenues.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

Statement of Compliance

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

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

a) Employee Benefits and Other Provisions

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

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

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

On-costs of 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%).

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

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

ii) Long Service Leave and Superannuation

The LHD's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity. The LHD 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 LHD 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. These approximate present value.

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

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

c) Finance Costs

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

d) **Income Recognition**

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Ministry of Health. Revenue is recognised based upon bed-days as service is provided.

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 Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents. Revenue is recognised based upon bed-days as service is provided.

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. Revenue is recognised based upon bed-days as service is provided.

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 LHD'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.

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 LHD use in the advancement of the LHD or individuals within it.

Use of Outside Facilities

The LHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

Grants and Contributions

Grants and Contributions are generally recognised as revenues when the LHD 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 LHD 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.

General operating expenses/revenues of Calvary Mater Newcastle (Affiliated Health Organisation) have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The LHD is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

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

f) Interstate Patient Flows

LHDs 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 10.

g) Acquisition of Assets

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

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 LHD are deemed to be controlled by the LHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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 LHD. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

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

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

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

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

ii) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW 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 LHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the LHD as at 31 December 2011 was completed on 1 July 2010 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 net result for the year, the increment is recognised immediately as revenue in the Net Result.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

k) Impairment of Property, Plant and Equipment

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

This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

l) Assets Not Able to be Reliably Measured

The LHD may at times hold certain assets that are not recognised in the Statement of Financial Position because the LHD is unable to measure reliably the value of the assets. An example of an asset that may not be reliably measured is land under roads.

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 LHD 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

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116 Property, Plant and Equipment.

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

p) Intangible Assets

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

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

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

q) Maintenance

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

r) Leased Assets

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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 Net Result when impaired, derecognised or through the amortisation process.

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

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 Hunter New England 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.

* Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Hunter New England 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.

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 LHD 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.

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 LHD transfers the financial asset:

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

Where the LHD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the LHD'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 LHD and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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.

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 LHD'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 LHD receives monies in a trustee capacity for various trusts as set out in Note 30.

As the LHD performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the LHD'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 Ministry of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

ad) Mater Public Private Partnership (PPP) Asset

The LHD's interest in the Mater Public Private Partnership has been valued in accordance with the Ministry of Health's policy for Accounting for Privately Financed Projects. This policy required the LHD to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 5.63% at commencement of the concession period. After the 25 year period the asset will be transferred from the LHD to Calvary Mater Newcastle, the legal owner of the site.

ae) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 30 June 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 LHD 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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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 LHD.

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 LHD 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 are 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 LHD.

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 LHD.

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 LHD.

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 LHD.

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 LHD.

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 LHD.

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

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

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

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

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

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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

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

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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:

		Salaries and Wages	661,335	307,368
		Overtime	31,284	13,320
		Penalties	63,736	32,486
		Superannuation - Defined Benefit Plans	15,557	9,644
		Superannuation - Defined Contribution Plans	67,193	30,587
		Long Service Leave	36,243	17,024
		Annual Leave	83,465	42,624
		Sick Leave and Other Leave	39,315	13,735
		Redundancies	102	-
		Workers' Compensation Insurance	14,102	6,751
		Fringe Benefits Tax	195	119
			1,012,527	473,658

The following additional information is provided:

Employee Related Expenses Capitalised - Land and Buildings	-	62
Employee Related Expenses Capitalised - Plant and Equipment	-	-

4. Personnel Services

Personnel Services comprise the purchase of the following:

661,335	307,368	Salaries and Wages		
31,284	13,320	Overtime		
63,736	32,486	Penalties		
15,557	9,644	Superannuation - Defined Benefit Plans		
67,193	30,587	Superannuation - Defined Contribution Plans		
36,243	17,024	Long Service Leave		
83,465	42,624	Annual Leave		
39,315	13,735	Sick Leave and Other Leave		
102	-	Redundancies		
14,102	6,751	Workers' Compensation Insurance		
195	119	Fringe Benefits Tax		
1,012,527	473,658			

The following additional information is provided:

Personnel Services Expenses Capitalised - Land and Buildings	-	62
Personnel Services Expenses Capitalised - Plant and Equipment	-	-

5. Other Operating Expenses

10,188	3,957	Blood and Blood Products	10,188	3,957
18,099	8,474	Domestic Supplies and Services	18,099	8,474
47,788	23,028	Drug Supplies	47,788	23,028
82,372	40,084	Food Supplies	82,372	40,084
13,153	6,195	Fuel, Light and Power	13,153	6,195
50,240	44,974	General Expenses (See (b) below)	50,240	44,974
18,142	8,113	Hospital Ambulance Transport Costs	18,142	8,113
8,397	2,155	Information Management Expenses	8,397	2,155
2,953	922	Insurance	2,953	922
		Maintenance (See (c) below)		
9,457	2,093	Maintenance Contracts	9,457	2,093
15,165	7,492	New/Replacement Equipment under \$10,000	15,165	7,492
14,259	6,734	Repairs Maintenance/Non Contract	14,259	6,734
71,727	33,441	Medical and Surgical Supplies	71,727	33,441
4,713	2,024	Motor Vehicle Expenses	4,713	2,024
5,151	2,481	Postal and Telephone Costs	5,151	2,481
4,534	2,021	Printing and Stationery	4,534	2,021
2,395	750	Rates and Charges	2,395	750
7,019	3,530	Rental	7,019	3,530
71,982	42,535	Special Service Departments	71,982	42,535
9,036	4,562	Staff Related Costs	9,036	4,562
2,882	1,220	Sundry Operating Expenses (See (a) below)	2,882	1,220
9,456	4,385	Travel Related Costs	9,456	4,385
479,108	251,170		479,108	251,170

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

	PARENT		CONSOLIDATION	
	2012	Six months to 30 June 2011 \$000	2012	Six months to 30 June 2011 \$000
	2,882	1,220	2,882	1,220
	<u>2,882</u>	<u>1,220</u>	<u>2,882</u>	<u>1,220</u>
(a) Sundry Operating Expenses comprise :				
Isolated Patient Travel and Accommodation Assistance Scheme				
(b) General Expenses include :-				
Advertising	1,007	273	1,007	273
Auditor's Remuneration - Audit of Financial Statements	198	186	198	186
Books, Magazines and Journals	490	370	490	370
Consultancies				
- Capital Works	241	75	241	75
- Operating Activities	1,158	397	1,158	397
Corporate Support Services	7,347	1,383	7,347	1,383
Courier and Freight	1,098	472	1,098	472
Data Recording and Storage	77	124	77	124
Legal Services	220	41	220	41
Membership/Professional Fees	837	263	837	263
Motor Vehicle Operating Lease Expense - Minimum Lease Payments	4,558	2,455	4,558	2,455
Public Private Partnership	5,124	2,571	5,124	2,571
Other Operating Lease Expense - Minimum Lease Payments	1,254	422	1,254	422
Quality Assurance/Accreditation	333	159	333	159
Security Services	645	369	645	369
Services Purchased from Health Reform Transition Organisations	20,690	32,785	20,690	32,785
Translator Services	46	17	46	17
Other Management Services	2,299	620	2,299	620
Patient Support Services	734	235	734	235
Other	1,884	1,757	1,884	1,757
	<u>50,240</u>	<u>44,974</u>	<u>50,240</u>	<u>44,974</u>
(c) Reconciliation of Total Maintenance				
Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	38,881	16,319	38,881	16,319
Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	6,867	3,324	6,867	3,324
Total Maintenance Expenses included in Notes 3, 4 and 5	<u>45,748</u>	<u>19,643</u>	<u>45,748</u>	<u>19,643</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
39,406	19,489	Depreciation - Buildings	39,406	19,489
249	117	Amortisation - Leased Buildings	249	117
17,110	5,470	Depreciation - Plant and Equipment	17,110	5,470
3,233	1,617	Depreciation - Infrastructure Systems	3,233	1,617
<u>59,998</u>	<u>26,693</u>		<u>59,998</u>	<u>26,693</u>
7. Grants and Subsidies				
4,193	1,397	Non-Government Organisations	4,193	1,397
40	16	Nursing Homes	40	16
28	72	Grants to Research Orgs	28	72
181	-	Promotion of Research	181	-
381	72	Other Grants	381	72
<u>4,823</u>	<u>1,557</u>		<u>4,823</u>	<u>1,557</u>
8. Finance Costs				
13,841	7,294	Calvary PPP Interest Charges	13,841	7,294
364	2,568	Interest on Loans	364	2,568
<u>14,205</u>	<u>9,862</u>	Total Finance Costs	<u>14,205</u>	<u>9,862</u>
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
106,739	49,395	Calvary Mater Newcastle	106,739	49,395
<u>106,739</u>	<u>49,395</u>		<u>106,739</u>	<u>49,395</u>
(b) Capital Sourced				
978	514	Calvary Mater Newcastle	978	514
<u>978</u>	<u>514</u>		<u>978</u>	<u>514</u>
<u>107,717</u>	<u>49,909</u>	Total Payments to Affiliated Health Organisations	<u>107,717</u>	<u>49,909</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
6,114	2,018	Sale of Prosthesis	6,114	2,018
448	230	Other	448	230
1,300	289	Pharmacy Sales	1,300	289
(b) Rendering of Services comprise the following:-				
Patient Fees [see note 2(d)]				
74,407	32,798	- Inpatient Fees	74,407	32,798
2,089	977	- Nursing Home Fees	2,089	977
4,242	2,232	- Non Inpatient Fees	4,242	2,232
28,769	15,344	Department of Veterans' Affairs	28,769	15,344
307	151	Staff-Meals and Accommodation	307	151
18,693	5,815	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	18,693	5,815
5,148	3,922	- Annual Charge	5,148	3,922
5,249	2,276	Car Parking	5,249	2,276
832	364	Child Care Fees	832	364
3,547	211	Clinical Services (excluding Clinical Drug Trials)	3,547	211
3,141	256	Commercial Activities	3,141	256
274	112	Fees for Medical Records	274	112
15,911	8,277	High Cost Drugs	15,911	8,277
121	69	Meals on Wheels	121	69
12,302	5,187	Motor Accident Authority Third Party	12,302	5,187
3,910	-	Patient Inflows from Interstate [see note (c) below]	3,910	-
274	-	Salary Packaging Fee	274	-
4,660	2,122	Services Provided to Non NSW Health Organisations	4,660	2,122
3,574	1,584	Multi Purpose Service Centre Fees	3,574	1,584
9,324	5,421	Other	9,324	5,421
204,636	89,655		204,636	89,655
(c) Revenues from Patient Inflows from Interstate are as follows:-				
2,613	-	Qld	2,613	-
686	-	Vic	686	-
611	-	Other	611	-
11. Investment Revenue				
Interest				
5,226	2,223	- Other	5,226	2,223
-	(12)	Royalties	-	(12)
5,226	2,211		5,226	2,211

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
12. Grants and Contributions				
674	333	Clinical Drug Trials	674	333
10,287	3,915	Commonwealth Government Grants	10,287	3,915
166	52	Commonwealth Teaching Hospital Grants	166	52
4,811	2,229	Industry Contributions/Donations	4,811	2,229
7,563	1,137	Cancer Institute Grants	7,563	1,137
14,578	3,801	NSW Government Grants	14,578	3,801
15,558	9,644	Personnel Services - Superannuation Defined Benefit Plans	-	-
1,057	(182)	Research Grants	1,057	(182)
29,864	17,007	Other Grants	1,190	857
<u>84,558</u>	<u>37,936</u>		<u>40,326</u>	<u>12,142</u>
13. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
-	-	Superannuation-defined benefit	15,558	9,644
-	-	Long Service Leave	28,674	16,150
<u>-</u>	<u>-</u>		<u>44,232</u>	<u>25,794</u>
14. Other Revenue				
Other Revenue comprises the following:-				
244	36	Commissions	244	36
805	408	Conference and Training Fees	805	408
274	290	Discounts	274	290
164	8	Insurance Refunds	164	8
1,639	695	Lease and Rental Income	1,639	695
78	42	Sale of Merchandise, Old Wares and Books	78	42
270	32	Sponsorship Income	270	32
908	3,270	Treasury Managed Fund Hindsight Adjustment	908	3,270
1,873	1,017	Other	1,873	1,017
<u>6,255</u>	<u>5,798</u>		<u>6,255</u>	<u>5,798</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
15. Gain / (Loss) on Disposal				
11,884	6,078	Property, Plant and Equipment	11,884	6,078
9,686	4,507	Less: Accumulated Depreciation	9,686	4,507
2,198	1,571	Written Down Value	2,198	1,571
1,294	599	Less: Proceeds from Disposal	1,294	599
(904)	(972)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(904)	(972)
6,450	-	Assets Held for Sale	6,450	-
6,276	-	Less: Proceeds from Disposal	6,276	-
(174)	-	Gain/(Loss) on Disposal of Assets Held for Sale	(174)	-
(1,078)	(972)	Total Gain/(Loss) on Disposal	(1,078)	(972)
16. Other Gains / (Losses)				
(2,232)	(231)	Impairment of Receivables	(2,232)	(231)
(2,232)	(231)		(2,232)	(231)

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT AND CONSOLIDATION

17. 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	2,722	11,019	4,711	18,452
Contributions recognised in amalgamated balance as at 30 June 2011 which were not expended in the current year	6,988	26,328	7,133	40,449
Total amount of unexpended contributions as at balance date	9,710	37,347	11,844	58,901

Comment on restricted assets appears in Note 24

18. Service Groups of the LHD

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:

- improved access to early intervention, assessment, therapy and treatment services in a home or community setting; and
- reduced rate of potentially preventable hospitalisation.

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; and
- raising the health status of Aboriginal people; and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to public hospitals.

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

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

	PARENT		CONSOLIDATION
	2012	2011	2012
	\$000	\$000	\$000
19. Cash and Cash Equivalents			
Cash at Bank and On Hand	35,704	25,061	35,704
Short Term Deposits	62,500	60,000	62,500
	<u>98,204</u>	<u>85,061</u>	<u>98,204</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:			
Cash and Cash Equivalents (per Statement of Financial Position)	98,204	85,061	98,204
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>98,204</u>	<u>85,061</u>	<u>98,204</u>

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
20. Receivables				
Current				
19,645	17,006	Sale of Goods and Services	19,645	17,006
29,278	16,840	Intra Health Receivables	29,278	16,840
13,413	17,774	Goods and Services Tax	13,413	17,774
<u>15,621</u>	<u>17,844</u>	Other Debtors	<u>15,621</u>	<u>17,844</u>
77,957	69,464	Sub Total	77,957	69,464
<u>(2,982)</u>	<u>(234)</u>	Less Allowance for Impairment	<u>(2,982)</u>	<u>(234)</u>
74,975	69,230	Sub Total	74,975	69,230
550	707	Prepayments	550	707
<u>75,525</u>	<u>69,937</u>		<u>75,525</u>	<u>69,937</u>
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(224)	-	Balance at Commencement of Reporting Period	(224)	-
390	-	Amounts written off during the year	390	-
-	(3)	Amounts recovered during the year	-	(3)
(908)	-	Administrative Restructures - Transfers (In)/out	(908)	-
<u>(289)</u>	<u>(221)</u>	(Increase)/decrease in Allowance Recognised in	<u>(289)</u>	<u>(221)</u>
(1,031)	(224)	Result for the Year	(1,031)	(224)
Balance at 30 June				
(b) Movement in the Allowance for Impairment				
Other Debtors				
(10)	-	Balance at Commencement of Reporting Period	(10)	-
25	-	Amounts written off during the year	25	-
-	-	Amounts recovered during the year	-	-
(23)	-	Administrative Restructures - Transfers (In)/out	(23)	-
<u>(1,943)</u>	<u>(10)</u>	(Increase)/decrease in Allowance Recognised in	<u>(1,943)</u>	<u>(10)</u>
(1,951)	(10)	Result for the Year	(1,951)	(10)
Balance at 30 June				
<u>(2,982)</u>	<u>(234)</u>		<u>(2,982)</u>	<u>(234)</u>
Non-Current				
264	-	Sale of Goods and Services	264	-
264	-	Sub Total	264	-
-	-	Less Allowance for Impairment	-	-
264	-	Sub Total	264	-
-	-	Prepayments	-	-
<u>264</u>	<u>-</u>		<u>264</u>	<u>-</u>
(c) Sale of Goods and Services Receivables				
(Current and Non-Current) include:				
1,334	676	Patient Fees - Compensable	1,334	676
388	264	Patient Fees - Ineligible	388	264
<u>11,585</u>	<u>10,198</u>	Patient Fees - Other	<u>11,585</u>	<u>10,198</u>
<u>13,307</u>	<u>11,138</u>		<u>13,307</u>	<u>11,138</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.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
21. Inventories - Current - Held for Distribution				
2,576	2,520	Drugs	2,576	2,520
<u>129</u>	<u>86</u>	Medical and Surgical Supplies	<u>129</u>	<u>86</u>
<u>2,705</u>	<u>2,606</u>		<u>2,705</u>	<u>2,606</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,847,881	1,773,016	Gross Carrying Amount	1,847,881	1,773,016
843,243	787,183	Less Accumulated Depreciation and Impairment	843,243	787,183
<u>1,004,638</u>	<u>985,833</u>	Net Carrying Amount	<u>1,004,638</u>	<u>985,833</u>
Plant and Equipment - Fair Value				
214,399	124,489	Gross Carrying Amount	214,399	124,489
122,777	68,375	Less Accumulated Depreciation and Impairment	122,777	68,375
<u>91,622</u>	<u>56,114</u>	Net Carrying Amount	<u>91,622</u>	<u>56,114</u>
Infrastructure Systems - Fair Value				
129,339	129,339	Gross Carrying Amount	129,339	129,339
58,898	55,665	Less Accumulated Depreciation and Impairment	58,898	55,665
<u>70,441</u>	<u>73,674</u>	Net Carrying Amount	<u>70,441</u>	<u>73,674</u>
<u>1,166,701</u>	<u>1,115,621</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,166,701</u>	<u>1,115,621</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT AND CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012								
Net Carrying Amount at Start of Year	110,677	785,788	85,643	3,725	56,114	73,674	-	1,115,621
Additions	-	232	48,978	-	12,426	-	-	61,636
Reclassifications to Intangibles	-	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	(2,250)	-	-	-	-	-	-	(2,250)
Disposals	(97)	(19)	-	-	(2,082)	-	-	(2,198)
Administrative Restructures - Transfers In/(Out)	1,050	20,632	1,342	222	30,644	-	-	53,890
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	-	-	-	-	-	-	-	-
Impairment Losses (Recognised in "Other Gains/Losses")	-	-	-	-	-	-	-	-
Depreciation Expense	-	(39,406)	-	(249)	(17,110)	(3,233)	-	(59,998)
Reclassifications	-	96,238	(107,868)	-	11,630	-	-	-
Net Carrying Amount at End of Year	109,380	863,465	28,095	3,698	91,622	70,441	-	1,166,701

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2011								
Net Carrying Amount at Start of Year	-	-	-	-	-	-	-	-
Additions	-	-	38,772	-	5,257	-	-	44,029
Reclassifications to Intangibles	-	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	(150)	(6,200)	-	-	-	-	-	(6,350)
Disposals	-	-	-	-	(1,571)	-	-	(1,571)
Administrative Restructures - Transfers In/(Out)	110,827	811,373	53,537	3,842	51,337	75,290	-	1,106,206
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	-	-	-	-	-	-	-	-
Impairment Losses (Recognised in "Other Gains/Losses")	-	-	-	-	-	-	-	-
Depreciation Expense	-	(19,489)	-	(117)	(5,470)	(1,617)	-	(26,693)
Reclassifications	-	104	(6,666)	-	6,561	1	-	-
Net Carrying Amount at End of Year	110,677	785,788	85,643	3,725	56,114	73,674	-	1,115,621

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the LHD [see note 2(g)].
- (ii) Land and Buildings were valued by Corporeal Pty Ltd, Property Valuers and Consultants (Certified Practising Valuer, Registered Valuer No. 2673) on 1 July 2010 [see note 2(j)]. Corporeal Pty Ltd is not an employee of the LHD.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

	PARENT	2012	2011	CONSOLIDATION
	2,700	\$000	6,900	2012
		\$000	\$000	\$000
23. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
Land	2,700		6,900	2,700
	2,700		6,900	2,700
				6,900

Land held for sale includes:

- Land, Lot 1 Kangara Drive Taree
- Land John Hunter Campus

The non-current assets held for resale constitute assets that are surplus to requirements and will be actively marketed for sale in the next twelve months, with an expectation that the sale will be effected by 30th June 2013.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT	2012	2011	CONSOLIDATION		
	\$000	\$000	2012	2011	\$000
24. Restricted Assets					
<p>The LHD'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			Brief Details of Externally Imposed Conditions including Asset Category affected		
9,710	9,391	16	9,710	9,391	16
17	16	17	17	16	17
19,957	17,524	19,957	19,957	17,524	19,957
17,373	11,223	17,373	17,373	11,223	17,373
11,844	9,867	11,844	11,844	9,867	11,844
58,901	48,021	58,901	58,901	48,021	48,021

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
-	-	Accrued Salaries, Wages and On-Costs	23,817	16,729
-	-	Taxation and Payroll Deductions	5,390	5,467
29,207	22,196	Accrued Liability - Purchase of Personnel Services	-	-
31,270	22,834	Creditors	31,270	22,834
		Other Creditors		
444	3,645	- Capital Works	444	3,645
15,083	36,226	- Intra Health Liability	15,083	36,226
41,214	41,630	- Other	41,214	41,630
4,030	3,768	- Taxation	4,030	3,768
<u>121,248</u>	<u>130,299</u>		<u>121,248</u>	<u>130,299</u>

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		
2,489	2,445	Other Loans and Deposits	2,489	2,445
7,412	6,629	Novacare - Calvary Mater Newcastle PPP	7,412	6,629
<u>9,901</u>	<u>9,074</u>		<u>9,901</u>	<u>9,074</u>
		Non-Current		
1,500	3,991	Other Loans and Deposits	1,500	3,991
132,796	140,210	Novacare - Calvary Mater Newcastle PPP	132,796	140,210
<u>134,296</u>	<u>144,201</u>		<u>134,296</u>	<u>144,201</u>

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 **June 2014**.

Liability to NovaCare, \$140m. Final repayment to NovaCare for Calvary Mater Newcastle Hospital PPP Liability is scheduled for 2033/34

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
27. Provisions				
-	-	Annual Leave - Short Term Benefit	88,345	84,682
-	-	Annual Leave - Long Term Benefit	50,122	33,791
-	-	Long Service Leave On-Costs	18,515	9,870
156,982	128,343	Provision for Personnel Services Liability	-	-
<u>156,982</u>	<u>128,343</u>	Total Current Provisions	<u>156,982</u>	<u>128,343</u>
Non-Current Employee Benefits and Related On-Costs				
-	-	Long Service Leave On-Costs	576	519
576	519	Provision for Personnel Services Liability	-	-
<u>576</u>	<u>519</u>	Total Non-Current Provisions	<u>576</u>	<u>519</u>
Aggregate Employee Benefits and Related On-Costs				
156,982	128,343	Provisions - Current	156,982	128,343
576	519	Provisions - Non-Current	576	519
-	-	Accrued Salaries, Wages and On-Costs (Note 25)	29,207	22,196
29,207	22,196	Accrued Liability - Purchase of Personnel Services (Note 25)	-	-
<u>186,765</u>	<u>151,058</u>		<u>186,765</u>	<u>151,058</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
28. Other Liabilities				
Current				
<u>6,306</u>	<u>3,257</u>	Income in Advance	<u>6,306</u>	<u>3,257</u>
<u>6,306</u>	<u>3,257</u>		<u>6,306</u>	<u>3,257</u>
Non-Current				
<u>345</u>	<u>360</u>	Income in Advance	<u>345</u>	<u>360</u>
<u>345</u>	<u>360</u>		<u>345</u>	<u>360</u>

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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:		
24,980	Not later than one year	24,980	20,695
-	Later than one year and not later than five years	-	1,899
-	Later than five years	-	-
24,980	Total Capital Expenditure Commitments (Including GST)	24,980	22,594
	Of the commitments reported at 30 June 2012 it is expected that \$351k (2011 \$774k) will be met from locally generated moneys.		
	(b) Operating Lease Commitments		
	Commitments in relation to non-cancellable operating leases are payable as follows:		
7,205	Not later than one year	7,205	7,475
13,491	Later than one year and not later than five years	13,491	11,461
19,287	Later than five years	19,287	29,912
39,983	Total Operating Lease Commitments (Including GST)	39,983	48,848
	(c) Contingent Asset Related to Commitments for Expenditure		
	The total of 'Commitments for Expenditure' above, i.e. \$65.0 million as at 30 June 2012 includes input tax credits of \$5.9m that are expected to be recoverable from the Australian Taxation Office (2011 \$6.5m).		

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		29. Commitments for Expenditure		
		(d) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)		
		In 2005-06, the Health Administration Corporation entered into a contract with a private sector provider, NovaCare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment has been completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.		
		When Stage 1 construction was completed in January 2008, the former Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33M. The recognition is based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either the former HNEAHS or the Ministry of Health. Upon completion of the Project, the former HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.		
		The former HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by the former HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by the former HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.		
		In addition, the former Hunter New England Area Health Service recognised the liability to NovaCare, payable over the period to 2033, for the construction of both hospitals. The liability transferred from the former HNEAHS to the HNELHD on 1 January 2011.		
		An estimate of the commitments is as follows:		
		(i) Commitments – Repayment of PPP Liability (Borrowings)		
8,153	7,292	Not later than one year	8,153	7,292
44,366	39,264	Later than one year and not later than five years	44,366	39,264
101,710	114,965	Later than five years	101,710	114,965
<u>154,229</u>	<u>161,521</u>	Total PPP Liability Commitments (including GST)	<u>154,229</u>	<u>161,521</u>
		(ii) Future Interest Charges – New Mental Health Building and Refurbished Buildings (PPP Interest)		
15,119	15,804	Not later than one year	15,119	15,804
50,569	54,922	Later than one year and not later than five years	50,569	54,922
85,385	96,151	Later than five years	85,385	96,151
<u>151,073</u>	<u>166,877</u>	Total PPP Future Interest Commitments (including GST)	<u>151,073</u>	<u>166,877</u>
		(iii) Other Expenditure Commitments – Provision of facilities management and other non-clinical services to both hospitals.		
16,904	15,895	Not later than one year	16,904	15,895
82,066	75,290	Later than one year and not later than five years	82,066	75,290
443,668	467,348	Later than five years	443,668	467,348
<u>542,639</u>	<u>558,533</u>	Total Other Expenditure Commitments (including GST)	<u>542,639</u>	<u>558,533</u>
<u>847,940</u>	<u>886,931</u>	Total	<u>847,940</u>	<u>886,931</u>

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$77m are expected to be recoverable from the Australian Taxation Office.

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 LHD will be paid in 2012/13. It is not possible for the LHD to reliably quantify the benefit to be received.

b) Affiliated Health Organisations

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

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

c) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)

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

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

PARENT		CONSOLIDATION	
2012	2011	2012	2011
\$000	\$000	\$000	\$000
32. Reconciliation of Cash Flows from Operating Activities to Net Result			
55,388	83,638	55,388	83,638
(59,998)	(26,693)	(59,998)	(26,693)
2,232	(231)	2,232	(231)
(2,575)	(3,617)	(2,575)	(3,617)
(17,184)	(8,259)	(17,184)	(8,259)
(7,266)	40,037	(7,266)	40,037
23,234	(67,279)	23,234	(67,279)
(1,078)	(972)	(1,078)	(972)
(7,247)	16,624	(7,247)	16,624
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 -
			Pink Ladies/Hospital Auxiliaries -
			Patient Support Groups -
			Community Organisations -
			Patient & Family Support
			Patient Services, Fund Raising
			Practical Support to Patients and Relative
			Counselling, Health Education, Transport,
			Home Help & Patient Activities

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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 LHD 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 LHD.

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 \$9.0m, primarily due to:

A - \$(10.6)m unfavourability in revenue, due primarily to Sale of Goods & Services.

B - \$21.3m favourability in expenses due primarily in salaries and wages following implementation of savings strategies.

C - \$(1.7)m unfavourability in expense allocation other losses due primarily to impairment of receivables.

Assets and Liabilities

Current assets were lower than budget by \$(41.4)m due primarily to a reduction in current receivables of \$(29.2)m and \$(8.1)m of Cash and Cash Equivalents less than budget. Non-current assets were higher than budget by \$16.6m primarily due to higher than budgeted non-current plant & equipment acquisitions of \$18.8m. Total liabilities are favourable to budget by \$44.5m due primarily to lower than expected current payables of \$54.9m being offset by increases in current provisions of \$(13.6)m.

Cash Flows

Actual cash flows are unfavourable \$(8.1)m to budget. Operating activities were favourable \$1.1m, offset by unfavourability in Financing Activities of \$(1.0)m & Investing activities of \$(8.2)m. Cash flow from investing activities was unfavourable due to cash flow from assets purchased net of proceeds.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on Hunter New England Local Health District are as follows:

	\$000	
Initial Allocation,	1,281,248	
Award Increases	29,080	
<u>Special Projects</u>		
DBMAS	1,875	
Chronic Disease Management	978	
Nat Partnership Homeless D&A	939	
General Mental Health	800	
TFH - Transport for Health	787	
Drug Summit 4 / National Drug Diversion Prg 3	484	
Caring Together	460	
Mental Health Enhancement	333	
Ill Drugs Needles & Syringes	333	
C&W Geriatric Assessment	331	
Taking Pressure off Hospitals	288	
Aboriginal Health Enhancement	230	
C&W A.I.D.S	211	
Various Special Projects	<u>1,672</u>	9,719
<u>Other</u>		
2011/12 Budget - PPP	22,254	
Additional Acute & Sub Acute Beds	20,488	
RMR> \$10K	7,892	
General Growth	7,117	
Additional Nurses	6,336	
Additional Acute Planned Surgery	5,115	
Treasury Managed Fund Adjustment	4,426	
More Beds	3,120	
Leap Year Costs	2,247	
Implementation of the Nursing Hours Provisions 2011 - Calvary Mater	1,244	
MRI Operating Costs	1,000	
VMO's	923	
Health Advancement Funding	907	
Maternity Services	805	
Cut Elective Surgery Waiting Times	750	
Radiotherapy	638	
New Initiatives	606	
High Cost Patient Pool	578	
Ministerial Taskforce on Emergency Care	561	
2011/12 Compacts Funding	532	
Paediatric Cochlear Implantation	500	
Revenue Increase	(1,281)	
Transfer of HACC funding from Confund to Revenue	(7,599)	
Other Misc	<u>5,939</u>	<u>85,098</u>
Balance as per Statement of Comprehensive Income	<u>1,405,146</u>	

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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

Equity transfers effected in 2011/12 comprised:

An increase in net assets of \$59.62m relating to the LHDs' assumption of responsibilities upon dissolution of Health Reform Transitional Organisation Northern on 31 October 2011 and final close of Health Reform Transition Organisation Northern on 31 May 2012.

Assets and Liabilities transferred are as follows:

	2012 \$000
Assets	
Current	
Cash & Cash Equivalents	21,260
Inventory	-
Receivables	10,470
Prepayments	250
Non Current	
Property, Plant & Equipment	53,890
Non current receivables	264
	86,134
Liabilities	
Current	
Current Liabilities	568
Payables	14,435
Provisions	11,511
	26,514
Increase/(Decrease) in Net Assets From Equity Transfers	59,620

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

37. Financial Instruments

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

The LHD's main risks arising from financial instruments are outlined below, together with the LHD'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 LHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Committee/internal auditors on a continuous basis.

(a) Financial Instrument Categories

PARENT

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2012 \$000	2011 \$000
Cash and Cash Equivalents (note 19)	N/A	98,204	85,061
Receivables (note 20) ¹	Loans and receivables (at amortised cost)	61,826	51,456
Total Financial Assets		160,030	136,517
Financial Liabilities			
Borrowings (note 26)	Financial liabilities	144,197	153,275
Payables (note 25) ²	measured at amortised cost	117,218	126,531
Total Financial Liabilities		261,415	279,806

Notes

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

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

(b) Credit Risk

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

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

Credit risk associated with the LHD's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Hunter New England Local Health District
Notes to and forming part of the Financial Statements

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 5.70% in 2011/12 compared to 5.22% in the previous year.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW 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 LHD 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 LHD 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:\$58.677; 2011: \$42.767m) and not more than 3 months past due (2012: \$3.149; 2011:\$7.469m) are not considered impaired and together these represent 94.91% 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 LHD Debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

\$000			
2012	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	4,859	3,149	1,710
3 months - 6 months overdue	668	528	140
> 6 months overdue	1,774	642	1,132
2011			
<3 months overdue	7,469	7,469	-
3 months - 6 months overdue	547	537	10
> 6 months overdue	907	683	224

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.

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(c) Liquidity Risk

Liquidity risk is the risk that the LHD will be unable to meet its payment obligations when they fall due. The LHD 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 LHD has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. The LHD'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 Hunter New England Local Health District Service (refer Note 2)."

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

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

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2012	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		18,427			18,427	18,427		
Creditors		88,011			88,011			
Borrowings:								
Other Loans and Deposits	6.64%	4,234			4,234		1,542	
Novacare - Calvary Mater Newcastle PPP	8.36%	268,791		268,791		20,832	84,983	162,976
		379,463	-	268,791	110,672	129,962	86,525	162,976
2011								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		23,756			23,756	23,756		
Creditors		104,335			104,335			
Borrowings:								
Other Loans and Deposits	6.64%	7,044			7,044		4,235	
Novacare - Calvary Mater Newcastle PPP	8.36%	289,566		289,566		20,775	84,313	184,478
		424,701	-	289,566	135,135	151,675	88,548	184,478

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the LHD 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 \$1.54m disclosed in the 2012 'other loans and deposits' time band 1-5 yrs, the LHD has no intention to effect payments in advance of maturity dates on or prior to 30 September 2012.

Hunter New England Local Health District
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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 LHD's exposures to market risk are primarily through interest rate risk on the LHD's borrowings.

The LHD 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 LHD 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 LHD's interest bearing liabilities.

However, LHD 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 LHD 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 LHD's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
2012					
Financial Assets					
Cash and Cash Equivalents	98,204	(982)	(982)	982	982
Receivables	61,826	-	-	-	-
Financial Liabilities					
Payables	121,248	-	-	-	-
Borrowings	144,197	(1,442)	(1,442)	1,442	1,442
2011					
Financial Assets					
Cash and Cash Equivalents	85,061	(851)	(851)	851	851
Receivables	51,456	-	-	-	-
Financial Liabilities					
Payables	130,299	-	-	-	-
Borrowings	153,275	(1,533)	(1,533)	1,533	1,533

Hunter New England Local Health District
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Note 38 Events after the Reporting Period

Activity Based Funding

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

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

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

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

END OF AUDITED FINANCIAL STATEMENTS

