



INDEPENDENT AUDITOR'S REPORT

Western New South Wales Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Western New South Wales 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 statements 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 entity 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.

The 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 District'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 District'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.

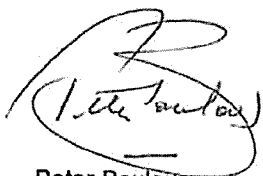
My opinion does *not* provide assurance:

- 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 assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

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

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



Peter Boulous
Director, Financial Audit Services

16 November 2012
SYDNEY




**Western NSW Local Health District
Certification of the Parent / Consolidated Financial Statements
For the year ended 30 June 2012**

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

1. The financial statements have been prepared in accordance with:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
 - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions
 - c) the Financial Reporting Code for NSW Government Sector Entities;
2. The financial Statements exhibit a true and fair view of the financial position and the financial performance of the Western NSW Local Health District; and
3. There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.

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


Dr Pim Allen
Chief Executive
14 November 2012


Geoffrey Hanson
Director, Finance
14 November 2012

Western NSW Local Health District
Statement of Comprehensive Income for the Year Ended 30 June 2012

PARENT							CONSOLIDATION		
Actual	Budget	Actual				Notes	Actual	Budget	Actual
2012	Unaudited	Six Months to					2012	2012	Six Months to
\$000	\$000	30 June 2011					\$000	\$000	30 June 2011
							\$000	\$000	\$000
			Expenses excluding losses						
			Operating Expenses						
0	0	0							
			0	Employee Related	3	415,261	433,536	174,087	
415,261	433,536	174,087		Personnel Services	4	0	0	0	
51,260	42,571	21,417		Visiting Medical Officers		51,260	42,571	21,417	
226,259	210,889	126,105		Other Operating Expenses	5	226,259	210,889	126,105	
29,874	28,831	13,058		Depreciation and Amortisation	2(i), 6	29,874	28,831	13,058	
3,642	4,861	2,488		Grants and Subsidies	7	3,642	4,861	2,488	
9,987	15,082			Finance Costs	8	9,987	15,082	7	
12,320	12,184			Payments to Affiliated Health Organisations	9	12,320	12,184	62	
748,603	747,954	337,224		Total Expenses excluding losses		748,603	747,954	337,224	
			Revenue						
581,004	581,004	273,589		NSW Ministry of Health Recurrent Allocations	2(d)	581,004	581,004	273,589	
27,607	27,852	25,940		NSW Ministry of Health Capital Allocations	2(d)	27,607	27,852	25,940	
(930)	0	0		Asset Sales Proceeds Transferred to the Ministry of Health		(930)	0	0	
0	0	0		Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	22,718	22,007	8,543	
81,378	82,253	33,786		Sale of Goods and Services	10	81,378	82,253	33,786	
705	669	292		Investment Revenue	11	705	669	292	
32,655	30,252	11,052		Grants and Contributions	12	9,937	8,245	2,509	
5,477	4,026	3,453		Other Revenue	14	5,477	4,026	3,453	
727,896	726,056	348,112		Total Revenue		727,896	726,056	348,112	
(8,030)	(5,447)	(447)		Gain / (Loss) on Disposal	15	(8,030)	(5,447)	(447)	
(3,101)	(61,906)	(720)		Other Gains / (Losses)	16	(3,101)	(61,906)	(720)	
(31,838)	(89,251)	9,721		Net Result	32	(31,838)	(89,251)	9,721	
			Other Comprehensive Income						
			Net Increase/(Decrease) in						
			Property, Plant & Equipment						
112,690	0	0		Asset Revaluation Surplus		112,690	0	0	
112,690	0	0		Total Other Comprehensive Income for the year		112,690	0	0	
80,852	(89,251)	9,721		TOTAL COMPREHENSIVE INCOME		80,852	(89,251)	9,721	

The accompanying notes form part of these financial statements.

**Western NSW 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							
12,044	13,975	8,568	Cash and Cash Equivalents	19	12,044	13,975	8,568
15,712	59,486	40,047	Receivables	20	15,712	59,486	40,047
2,356	1,894	2,093	Inventories	21	2,356	1,894	2,093
30,112	75,355	50,708			30,112	75,355	50,708
10,886	13,589	19,036	Non-Current Assets Held for Sale	23	10,886	13,589	19,036
40,998	88,944	69,744	Total Current Assets		40,998	88,944	69,744
Non-Current Assets							
76	0	0	Receivables	20	76	0	0
Property, Plant and Equipment							
664,020	550,915	601,844	- Land and Buildings	22	664,020	550,915	601,844
49,364	55,423	50,969	- Plant and Equipment	22	49,364	55,423	50,969
67,615	7,968	8,599	- Infrastructure Systems	22	67,615	7,968	8,599
780,999	614,306	661,412	Total Property, Plant and Equipment		780,999	614,306	661,412
781,075	614,306	661,412	Total Non-Current Assets		781,075	614,306	661,412
822,073	703,250	731,156	Total Assets		822,073	703,250	731,156
LIABILITIES							
Current Liabilities							
46,172	91,921	48,622	Payables	25	46,172	91,921	48,622
80	631	153	Borrowings	26	80	631	153
56,328	55,198	42,267	Provisions	27	56,328	55,198	42,267
851	567	547	Other	28	851	567	547
103,431	148,317	91,589	Total Current Liabilities		103,431	148,317	91,589
Non-Current Liabilities							
162,115	162,670	162,195	Borrowings	26	162,115	162,670	162,195
358	2,393	167	Provisions	27	358	2,393	167
162,473	165,063	162,362	Total Non-Current Liabilities		162,473	165,063	162,362
265,904	313,380	253,951	Total Liabilities		265,904	313,380	253,951
556,169	389,870	477,205	Net Assets		556,169	389,870	477,205
EQUITY							
112,690	0	0	Reserves		112,690	0	0
443,479	389,870	477,205	Accumulated Funds		443,479	389,870	477,205
556,169	389,870	477,205	Total Equity		556,169	389,870	477,205

The accompanying notes form part of these financial statements.

Western NSW 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		477,205	0	0	477,205
Net Result for the year		(31,838)			(31,838)
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment		0	112,690	0	112,690
Total Other Comprehensive Income		0	112,690	0	112,690
Total Comprehensive Income for the year		(31,838)	112,690	0	80,852
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	37	(1,888)	0	0	(1,888)
Balance at 30 June 2012		<u>443,479</u>	<u>112,690</u>	<u>0</u>	<u>556,169</u>
Balance at 1 January 2011		0	0	0	0
Net Result for the Six Months ended 30 June 2011		9,721			9,721
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment		0	0	0	0
Total Other Comprehensive Income		0	0	0	0
Total Comprehensive Income for the Six Months ended 30 June 2011		<u>9,721</u>	<u>0</u>	<u>0</u>	<u>9,721</u>
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	37	467,484	0	0	467,484
Balance at 30 June 2011		<u>477,205</u>	<u>0</u>	<u>0</u>	<u>477,205</u>

The accompanying notes form part of these financial statements.

Western NSW Local Health District
Statement of Cash Flows for the year ended 30 June 2012

PARENT			CONSOLIDATION		
Actual	Budget	Actual	Actual	Budget	Actual
2012	Unaudited	Six Months to	Notes	Unaudited	Six Months to
\$000	2012	30 June 2011		2012	30 June 2011
	\$000	\$000		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
0	0				
(18,283)	(18,453)	(2,737)		(410,149)	(427,731)
(9,975)	(15,082)	(7)		(18,283)	(18,453)
(770,716)	(759,575)	(291,079)		(9,975)	(15,082)
<u>(798,974)</u>	<u>(793,120)</u>	<u>(293,823)</u>		<u>(360,667)</u>	<u>(331,844)</u>
Receipts					
581,004	581,004	273,589		581,004	581,004
27,607	27,852	25,940		27,607	27,852
(930)	0	0		(930)	0
0	0	1,988		22,718	22,007
117,668	115,853	12,571		117,668	115,853
705	669	292		705	669
36,949	30,454	0		14,231	8,447
47,214	49,164	10,530		47,214	49,164
<u>810,417</u>	<u>804,996</u>	<u>324,910</u>		<u>810,417</u>	<u>804,996</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES					
<u>11,443</u>	<u>11,876</u>	<u>31,087</u>	32	<u>11,443</u>	<u>31,087</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
1,274	0	8		1,274	0
(13,118)	(13,081)	(190,252)		(13,118)	(13,081)
<u>(11,844)</u>	<u>(13,081)</u>	<u>(190,244)</u>		<u>(11,844)</u>	<u>(13,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
0	0	161,392		0	161,392
(365)	(475)	(623)		(365)	(475)
<u>(365)</u>	<u>(475)</u>	<u>160,769</u>		<u>(365)</u>	<u>160,769</u>
NET INCREASE / (DECREASE) IN CASH					
(766)	(1,680)	1,612		(766)	(1,680)
8,568	15,655	0		8,568	15,655
4,242	0	6,956	37	4,242	0
<u>12,044</u>	<u>13,975</u>	<u>8,568</u>	19	<u>12,044</u>	<u>13,975</u>
CLOSING CASH AND CASH EQUIVALENTS					

The accompanying notes form part of these financial statements.

Western NSW Local Health District
Service Group Statements
for the Year Ended 30 June 2012

DISTRICT EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 5.1 * Teaching And Research		Not Attributable		Total			
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000		
Expenses excluding losses	54,198	23,054	7,642	2,509	37,251	13,778	29,479	14,437	168,700	66,939	67,339	25,828	52,312	24,292	7,290	973	1,665	2,237	0	0	425,686	174,067		
Operating Expenses:																								
Employee Related	3,459	1,314	89	41	4,506	1,777	3,468	1,727	25,101	12,196	7,636	3,216	6,729	1,144	352	1	0	0	0	0	51,340	21,417		
Visiting Medical Officers	19,577	11,988	2,179	2,691	29,353	17,647	16,877	9,770	99,267	56,043	20,154	14,424	19,876	12,363	2,820	703	595	476	0	0	210,699	126,105		
Other Operating Expenses	3,003	1,336	191	96	3,356	1,583	2,362	903	13,668	5,230	3,196	2,036	3,697	1,824	339	28	92	22	0	0	29,674	13,066		
Depreciation and Amortisation	2,751	96	7	73	66	21	62	17	283	89	449	1,979	586	210	38	1	2	2	0	0	4,244	2,469		
Grants and Subsidies	1,716	1	194	0	1,570	1	1,093	1	6,449	2	1,989	0	1,706	1	207	0	48	0	0	0	14,982	7		
Finance Costs	0	0	0	0	0	0	0	0	0	0	0	0	12,332	62	0	0	0	0	0	0	12,332	62		
Payments to Affiliated Health Organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total Expenses excluding losses	84,703	37,829	10,302	5,410	76,103	34,802	53,341	26,955	313,459	140,499	100,743	47,484	97,238	39,896	11,045	1,706	2,422	2,738	0	0	749,367	337,224		
Revenue																								
NSW Ministry of Health Recurrent Allocations ***																								
NSW Ministry of Health Capital Allocations ***																								
Asset Sale Proceeds Transferred to the NSW Ministry of Health	(93)	0	(6)	0	(104)	0	(74)	0	(426)	0	(69)	0	(115)	0	(11)	0	(3)	0	0	0	561,004	273,589		
Acceptance by the Crown Entity																					27,507	25,940		
of Employee Benefits and Other Liabilities	2,891	1,133	408	123	1,687	676	1,572	708	8,959	3,285	3,592	1,267	2,790	1,192	369	46	90	110	0	0	22,718	6,514		
Sale of Goods and Services	17,726	244	4,280	0	1,185	55	329	133	18,552	13,545	0	1,292	37,725	16,517	1,297	0	80	0	0	0	81,153	33,786		
Investment Revenue	206	2	46	0	79	328	17	2	201	102	10	1	140	47	12	1	43	0	0	0	753	483		
Grants and Contributions	1,701	61	249	6	584	49	39	29	399	157	25	2,038	6,915	164	828	2	0	3	0	0	10,740	2,509		
Other Revenue	116	801	1	38	1,279	553	303	91	3,427	601	112	237	349	713	10	216	18	11	0	0	5,615	3,262		
Total Revenue	22,547	2,241	4,977	168	5,009	1,661	2,186	963	31,131	17,600	3,641	4,835	47,805	20,533	2,525	267	228	124	124	606,611	298,529	728,660	348,112	
Gain / (Loss) on Disposal	(807)	(46)	(51)	(6)	(902)	(42)	(635)	(32)	(6,874)	(165)	(851)	(61)	(904)	(70)	(91)	(2)	(25)	(3)	(3)	(3)	(6,050)	(447)		
Other Gains / (Losses)	(312)	(20)	(20)	(1)	(348)	(16)	(745)	(5)	(1,419)	(259)	(329)	(64)	(384)	(349)	(35)	(4)	(10)	(10)	(10)	(10)	0	(3,101)	(720)	
Net Result	(63,276)	(35,654)	(5,395)	(5,249)	(72,344)	(33,206)	(52,035)	(25,929)	(287,431)	(123,253)	(98,282)	(42,774)	(50,811)	(18,682)	(6,646)	(1,445)	(2,228)	(2,617)	(2,617)	(2,617)	608,611	298,529	(31,838)	9,721
Other Comprehensive Income																								
Increase/(Decrease) in Asset Revaluation Reserve	11,326	0	720	0	12,661	0	8,911	0	51,560	0	11,942	0	13,945	0	1,277	0	347	0	0	0	0	112,600	0	
Total Other Comprehensive Income	11,326	0	720	0	12,661	0	8,911	0	51,560	0	11,942	0	13,945	0	1,277	0	347	0	0	0	0	112,600	0	
Total Comprehensive Income	(51,950)	(35,654)	(4,675)	(5,249)	(59,683)	(33,206)	(43,124)	(23,929)	(235,871)	(123,253)	(86,340)	(42,774)	(35,866)	(19,632)	(7,369)	(1,445)	(1,881)	(2,617)	(2,617)	(2,617)	608,611	298,529	(40,852)	9,721

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.

Western NSW Local Health District
Service Group Statements (Continued)
for the Year Ended 30 June 2012

DISTRICT ASSETS AND LIABILITIES	Service Group												Total									
	1.1 - Primary And Community Based Services		1.2 - Aboriginal Health Services		1.3 - Outpatient Services		2.1 - Emergency Services		2.2 - Inpatient Hospital Services		3.1 - Mental Health Services		4.1 - Rehabilitation And Extended Care Services		5.1 - Population Health Services		6.1 - Teaching And Research		Not Attributable		Total	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	
ASSETS																						
Current Assets																						
Cash and Cash Equivalents	1,361	1,055	166	154	1,223	973	857	765	5,038	3,635	1,619	1,255	1,593	599	178	43	39	78	0	0	12,044	8,568
Receivables	2,951	4,938	651	721	656	4,548	286	3,573	4,074	16,968	478	5,911	6,257	2,802	330	200	30	366	0	0	15,712	40,047
Inventories	219	258	24	38	328	238	189	187	1,111	898	225	309	222	146	32	10	7	19	0	0	2,356	2,083
Non-Current Assets Held for Sale	1,230	2,347	150	343	1,105	2,162	775	1,700	4,554	8,073	1,463	2,810	1,413	1,332	160	55	55	174	0	0	18,882	19,036
Total Current Assets	5,761	8,595	991	1,256	3,313	7,921	2,107	5,227	14,772	29,592	3,784	10,295	9,455	4,879	700	348	110	637	0	0	40,988	69,744
Non-Current Assets																						
Receivables	14	0	3	0	3	0	1	0	20	0	2	0	30	0	2	0	0	0	0	0	76	0
Property, Plant and Equipment	66,736	74,205	4,244	10,839	74,604	68,351	52,509	53,734	303,813	255,256	70,368	86,838	82,171	42,111	7,527	3,011	2,044	5,500	0	0	864,020	671,844
- Land and Buildings	4,961	6,284	316	918	5,546	5,789	3,904	4,651	22,586	21,617	5,231	7,524	6,109	3,566	560	255	152	465	0	0	45,354	50,969
- Plant and Equipment	6,796	1,060	432	155	7,597	977	5,347	768	30,936	3,646	7,165	1,269	8,357	602	765	43	208	79	0	0	67,635	8,598
- Infrastructure Systems	78,510	81,549	4,895	11,912	87,751	75,117	61,761	59,052	357,355	280,510	82,767	97,631	86,678	46,279	8,855	3,309	2,404	6,045	0	0	791,075	691,432
Total Non-Current Assets	84,271	90,148	5,987	13,168	91,063	83,038	63,868	65,279	372,132	310,101	86,551	107,926	106,132	51,156	9,554	3,657	2,515	6,692	0	0	822,073	791,156
TOTAL ASSETS																						
LIABILITIES																						
Current Liabilities																						
Payables	4,290	5,955	477	876	6,432	5,522	3,658	4,341	21,753	20,622	4,477	7,177	4,355	3,402	618	243	130	444	0	0	45,172	45,622
Borrowings	9	19	1	3	6	17	6	14	33	64	11	23	10	11	1	1	0	1	0	0	89	153
Provisions	7,168	5,212	1,011	761	4,927	4,800	3,899	3,773	22,312	17,927	8,906	6,299	6,919	2,957	984	211	223	386	0	0	56,329	42,267
Other	96	67	12	10	86	52	61	49	356	232	114	81	110	38	13	3	3	5	0	0	851	547
Total Current Liabilities	11,563	11,253	1,501	1,650	11,454	10,401	7,653	8,177	44,454	38,845	13,448	13,520	11,395	6,408	1,596	498	386	836	0	0	103,431	91,595
Non-Current Liabilities																						
Borrowings	18,324	19,998	2,225	2,821	16,464	18,420	11,540	14,481	67,815	68,790	21,794	23,942	21,036	11,349	2,389	812	524	1,482	0	0	182,115	162,185
Provisions	46	21	6	3	31	19	25	15	142	71	67	25	44	12	6	1	1	2	0	0	368	367
Total Non-Current Liabilities	18,370	20,019	2,231	2,824	16,495	18,439	11,565	14,496	67,957	68,861	21,861	23,967	21,080	11,361	2,396	813	525	1,484	0	0	182,483	162,552
TOTAL LIABILITIES	29,933	31,311	3,736	4,474	27,949	28,840	19,218	22,673	112,411	107,705	35,299	37,487	32,475	17,769	3,991	1,271	882	2,320	0	0	265,904	253,951
NET ASSETS	54,338	58,837	2,250	8,594	63,115	54,197	44,840	42,606	289,721	282,395	51,252	70,439	73,657	33,389	5,563	2,386	1,653	4,362	0	0	555,189	477,205

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

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

1. The Reporting Entity

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

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

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

The District controls the Western NSW Local Health District Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 in accordance with the *Public Sector Employment and Management Act 2002* and the *Health Services Act 1997*. These Divisions provide personnel services to enable a District to exercise its functions.

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

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

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive on 14 November 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and its regulations, and the Treasurers' Direction. Apart from the basis for the District's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(aa).

Notwithstanding the consolidated entity has a working capital deficiency of \$62.433 million and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the District have been prepared on a going concern basis.

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

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

Other mitigating circumstances why the going concern is appropriate include:

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

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

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

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

Comparative Information

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

Where necessary comparative figures have been adjusted to conform with the changes in the presentation of the current year.

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

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

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

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

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

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

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

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

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

iii) Other Provisions

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

b) Insurance

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

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.

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

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.

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.

Department of Veterans' Affairs

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

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, Financial Instruments: Recognition and Measurement.

Rental revenue is recognised in accordance with AASB117 Leases on a straight line basis over the lease term.
Dividend revenue is recognised in accordance with AASB118 Revenue when the District's right to receive payment is established.

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

Debt Forgiveness

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

Use of Hospital Facilities

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

* a monthly charge raised by the Ministry based on a percentage of receipts generated

* the residue of the Private Practice Trust Fund at the end of each financial year, such sum being credited for District use in the advancement of the District or individuals within it.

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

Use of Outside Facilities

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

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

Grants and Contributions

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

NSW Ministry of Health Allocations

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

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

General operating expenses/revenues of Lourdes Hospital 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 District 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 District as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; 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

Districts recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The revenue values reported within the financial statements have been based on 2010/11 activity data using standard cost weighted separation values to reflect estimated costs in 2011/12 for acute weighted inpatient separations.

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

g) Acquisition of Assets

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(x)).

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

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

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

h) Capitalisation Thresholds

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

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

i) Depreciation of Property, Plant and Equipment

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

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

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

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

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

j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the 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.

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

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

The District revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the District as at 1 January 2011 was completed on 29 October 2012 and was based on an independent assessment.

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

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

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

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the 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.

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

k) Impairment of Property, Plant and Equipment

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

This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

l) 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.

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

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

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

n) 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 District does not have any property that meets the definition of Investment Property

o) 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.

p) 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.

q) 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.

r) 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.

s) 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 District determines the classification of its financial assets after initial recognition and, when a lowered and appropriate, re-evaluates this at each financial year end.

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

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

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

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

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

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

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

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

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

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

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

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

t) 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.

u) De-recognition of financial assets and financial liabilities

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

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

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

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

v) Payables

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

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

w) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest rate method. Gains or losses are recognised in the net result for the year on derecognition.

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

x) 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.

y) Equity and Reserves

(i) Asset Revaluation Surplus

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

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

z) Trust Funds

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

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

aa) Budgeted Amounts

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

ab) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the six 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 the District take action to identify those components that can be specifically identified and reported by service groups.

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

ac) New Australian Accounting Standards Issued but not Effective

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

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

AASB 10, *Consolidated Financial Statements* has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127.

Changes to the reporting of consolidated entities is not expected as a result of this amendment.

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

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

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have material impact on the District.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119 has application from 1 July 2013 and makes consequential amendments to 7 standards and 1 interpretation to the changes made by AASB 119, Employee Entitlements. Any change to the 2013/14 financial statements 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.

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

PARENT		CONSOLIDATION	
2012	Six months to 30 June 2011	2012	Six months to 30 June 2011
\$000	\$000	\$000	\$000
3. Employee Related			
Employee related expenses comprise the following:			
0	0		
0	0	269,703	110,051
0	0	16,889	6,165
0	0	28,340	14,540
0	0	5,885	3,246
0	0	27,839	11,874
0	0	16,034	5,297
0	0	31,366	14,994
0	0	13,536	5,565
0	0	582	123
0	0	5,051	2,206
0	0	36	26
<u>0</u>	<u>0</u>	<u>415,261</u>	<u>174,087</u>
The following additional information is provided:			
0	0	0	0
0	0	0	0
4. Personnel Services			
Personnel Services comprise the purchase of the following:			
269,703	110,051	0	0
16,889	6,165	0	0
28,340	14,540	0	0
5,885	3,246	0	0
27,839	11,874	0	0
16,034	5,297	0	0
31,366	14,994	0	0
13,536	5,565	0	0
582	123	0	0
5,051	2,206	0	0
36	26	0	0
<u>415,261</u>	<u>174,087</u>	<u>0</u>	<u>0</u>
The following additional information is provided:			
0	0	0	0
0	0	0	0
5. Other Operating Expenses			
2,675	1,942	2,675	1,942
6,508	3,010	6,508	3,010
17,600	8,654	17,600	8,654
7,804	3,560	7,804	3,560
7,943	3,595	7,943	3,595
56,937	65,476	56,937	65,476
18,549	8,460	18,549	8,460
7,157	1,859	7,157	1,859
1,358	634	1,358	634
Maintenance (See (c) below)			
2,667	303	2,667	303
18,347	1,309	18,347	1,309
1,985	772	1,985	772
585	6	585	6
22,708	10,265	22,708	10,265
1,968	560	1,968	560
2,371	201	2,371	201
1,329	584	1,329	584
1,255	413	1,255	413
2,933	974	2,933	974
31,107	8,931	31,107	8,931
5,325	2,064	5,325	2,064
3,122	865	3,122	865
4,026	1,668	4,026	1,668
<u>226,259</u>	<u>126,105</u>	<u>226,259</u>	<u>126,105</u>

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

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
22,236	10,300	Depreciation - Buildings	22,236	10,300
166	0	Amortisation - Leased Buildings	166	0
6,796	2,441	Depreciation - Plant and Equipment	6,796	2,441
676	317	Depreciation - Infrastructure Systems	676	317
<u>29,874</u>	<u>13,058</u>		<u>29,874</u>	<u>13,058</u>
7. Grants and Subsidies				
1,495	292	Non-Government Organisations	1,495	292
1,343	757	Community Aged Care Packages	1,343	757
804	1,439	Other Grants	804	1,439
<u>3,642</u>	<u>2,488</u>		<u>3,642</u>	<u>2,488</u>
8. Finance Costs				
12	7	Interest on Bank Overdrafts and Loans	12	7
9,975	0	Other Interest Charges	9,975	0
<u>9,987</u>	<u>7</u>	Total Finance Costs	<u>9,987</u>	<u>7</u>
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
9,185	53	Lourdes Hospital and Community Services	9,185	53
3,135	9	St Vincent's Outreach Service	3,135	9
<u>12,320</u>	<u>62</u>		<u>12,320</u>	<u>62</u>

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

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
12. Grants and Contributions				
3,031	1,485	Commonwealth Government Grants	3,031	1,485
1,035	330	Industry Contributions/Donations	1,035	330
3,639	21	Cancer Institute Grants	3,639	21
806	305	NSW Government Grants	806	305
6,237	3,246	Personnel Services - Superannuation Defined Benefit Plans	0	0
20	0	Research Grants	20	0
17,887	5,665	Other Grants	1,406	368
<u>32,655</u>	<u>11,052</u>		<u>9,937</u>	<u>2,509</u>
13. Acceptance by the Crown Entity of Employee Benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
0	0	Superannuation-defined benefit	6,237	3,246
0	0	Long Service Leave	16,481	5,297
<u>0</u>	<u>0</u>		<u>22,718</u>	<u>8,543</u>
14. Other Revenue				
Other Revenue comprises the following:-				
27	0	Bad Debts Recovered	27	0
75	28	Commissions	75	28
41	19	Conference and Training Fees	41	19
4	0	Discounts	4	0
61	0	Insurance Refunds	61	0
395	191	Lease and Rental Income	395	191
15	2	Sale of Merchandise, Old Wares and Books	15	2
(5)	5	Sponsorship Income	(5)	5
2,920	2,596	Treasury Managed Fund Hindsight Adjustment	2,920	2,596
1,944	612	Other	1,944	612
<u>5,477</u>	<u>3,453</u>		<u>5,477</u>	<u>3,453</u>

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

PARENT			CONSOLIDATION	
2012	Six months to 30 June 2011		2012	Six months to 30 June 2011
\$000	\$000		\$000	\$000
15. Gain / (Loss) on Disposal				
9,557	9,981	Property, Plant and Equipment	9,557	9,981
<u>7,028</u>	<u>9,550</u>	Less: Accumulated Depreciation	<u>7,028</u>	<u>9,550</u>
2,529	431	Written Down Value	2,529	431
18	8	Less: Proceeds from Disposal	18	8
<u>(2,511)</u>	<u>(423)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(2,511)</u>	<u>(423)</u>
6,775	0	Assets Held for Sale	6,775	0
<u>1,256</u>	<u>(24)</u>	Less: Proceeds from Disposal	<u>1,256</u>	<u>(24)</u>
(5,519)	(24)	Gain/(Loss) on Disposal of Assets Held for Sale	<u>(5,519)</u>	<u>(24)</u>
<u>(8,030)</u>	<u>(447)</u>	Total Gain/(Loss) on Disposal	<u>(8,030)</u>	<u>(447)</u>
16. Other Gains / (Losses)				
(1,891)	0	Assets Held for Sale	(1,891)	0
<u>(1,210)</u>	<u>(720)</u>	Revaluation Increment/Decrement	<u>(1,210)</u>	<u>(720)</u>
(3,101)	(720)	Impairment of Receivables	<u>(3,101)</u>	<u>(720)</u>

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

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	3	0	1,278	1,281
Contributions recognised in amalgamated balance as at 30 June 2011 which were not expended in the current year	358	48	5,997	6,403
Total amount of unexpended contributions as at balance date	361	48	7,275	7,684

Comment on restricted assets appears in Note 24

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

18. Service Groups of the District

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

Service Group 1.3 - Outpatient Services

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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

PARENT

2012 \$000	2011 \$000
2,468	2,707
9,576	5,861
<u>12,044</u>	<u>8,568</u>

19. Cash and Cash Equivalents

Cash at Bank and On Hand
Short Term Deposits

CONSOLIDATION

2012 \$000	2011 \$000
2,468	2,707
9,576	5,861
<u>12,044</u>	<u>8,568</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:

12,044	8,568
<u>12,044</u>	<u>8,568</u>

Cash and Cash Equivalents (per Statement of Financial Position)

Closing Cash and Cash Equivalents (per Statement of Cash Flows)

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
20. Receivables				
Current				
6,383	6,907	Sale of Goods and Services	6,383	6,907
2,217	21,544	Intra Health Receivables	2,217	21,544
2,190	7,463	Goods and Services Tax	2,190	7,463
<u>5,323</u>	<u>4,922</u>	Other Debtors	<u>5,323</u>	<u>4,922</u>
16,113	40,836	Sub Total	16,113	40,836
<u>(538)</u>	<u>(999)</u>	Less Allowance for Impairment	<u>(538)</u>	<u>(999)</u>
15,575	39,837	Sub Total	15,575	39,837
137	210	Prepayments	137	210
<u>15,712</u>	<u>40,047</u>		<u>15,712</u>	<u>40,047</u>
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(989)	(592)	Balance at Commencement of Reporting Period	(989)	(592)
546	313	Amounts written off during the year	546	313
<u>(61)</u>	<u>(710)</u>	(Increase)/decrease in Allowance Recognised in		
(504)	(989)	Result for the Year	<u>(61)</u>	<u>(710)</u>
		Balance at 30 June	<u>(504)</u>	<u>(989)</u>
(b) Movement in the Allowance for Impairment				
Other Debtors				
(10)	0	Balance at Commencement of Reporting Period	(10)	0
636	(1)	Amounts written off during the year	636	(1)
<u>(659)</u>	<u>(10)</u>	(Increase)/decrease in Allowance Recognised in		
(34)	(10)	Result for the Year	<u>(659)</u>	<u>(10)</u>
		Balance at 30 June	<u>(34)</u>	<u>(10)</u>
<u>(538)</u>	<u>(999)</u>		<u>(538)</u>	<u>(999)</u>
Non-Current				
692	0	Sale of Goods and Services	692	0
<u>25</u>	<u>0</u>	Leave Mobility	<u>25</u>	<u>0</u>
717	0	Sub Total	717	0
<u>(636)</u>	<u>0</u>	Less Allowance for Impairment	<u>(636)</u>	<u>0</u>
81	0	Sub Total	81	0
<u>(5)</u>	<u>0</u>	Prepayments	<u>(5)</u>	<u>0</u>
<u>76</u>	<u>0</u>		<u>76</u>	<u>0</u>

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

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
0	0	Balance at Commencement of Reporting Period	0	0
0	0	Amounts written off during the year	0	0
0	0	Amounts recovered during the year	0	0
(490)	0	Increase/(decrease) in Allowance Recognised in		
(490)	0	Result for the Year	(490)	0
		Balance at 30 June	(490)	0
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
0	0	Balance at Commencement of Reporting Period	0	0
0	0	Amounts written off during the year	0	0
0	0	Amounts recovered during the year	0	0
(146)	0	Increase/(decrease) in Allowance Recognised in		
(146)	0	Result for the Year	(146)	0
		Balance at 30 June	(146)	0
(636)	0		(636)	0
		(c) Sale of Goods and Services Receivables		
		(Current and Non-Current) include:		
360	390	Patient Fees - Compensable	360	390
48	133	Patient Fees - Ineligible	48	133
5,045	4,586	Patient Fees - Other	5,045	4,586
5,453	5,109		5,453	5,109

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

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

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
21. Inventories - Current - Held for Distribution				
1,190	1,389	Drugs	1,190	1,389
<u>1,166</u>	<u>704</u>	Medical and Surgical Supplies	<u>1,166</u>	<u>704</u>
<u>2,356</u>	<u>2,093</u>		<u>2,356</u>	<u>2,093</u>

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

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
1,079,672	1,026,485	Gross Carrying Amount	1,079,672	1,026,485
<u>415,652</u>	<u>424,641</u>	Less Accumulated Depreciation and Impairment	<u>415,652</u>	<u>424,641</u>
<u>664,020</u>	<u>601,844</u>	Net Carrying Amount	<u>664,020</u>	<u>601,844</u>
Plant and Equipment - Fair Value				
86,875	82,858	Gross Carrying Amount	86,875	82,858
<u>37,511</u>	<u>31,889</u>	Less Accumulated Depreciation and Impairment	<u>37,511</u>	<u>31,889</u>
<u>49,364</u>	<u>50,969</u>	Net Carrying Amount	<u>49,364</u>	<u>50,969</u>
Infrastructure Systems - Fair Value				
93,123	22,565	Gross Carrying Amount	93,123	22,565
<u>25,508</u>	<u>13,966</u>	Less Accumulated Depreciation and Impairment	<u>25,508</u>	<u>13,966</u>
<u>67,615</u>	<u>8,599</u>	Net Carrying Amount	<u>67,615</u>	<u>8,599</u>
<u>780,999</u>	<u>661,412</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>780,999</u>	<u>661,412</u>

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

PARENT AND CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012							
Net Carrying Amount at Start of Year	8,980	576,175	32,199	0	35,459	8,599	661,412
Additions	0	11	9,310	0	3,812	0	13,133
Reclassifications to Intangibles							0
Recognition of Assets Held for Sale	40	(553)	0	0	0	(2)	(515)
Disposals	0	(159)	0	0	(2,369)	0	(2,528)
Administrative Restructures - Transfers In/(Out)	(13)	(3,193)	25,618	0	4,288	(13)	26,687
Net Revaluation Increment Less Revaluation Decrements	4,157	50,028	0	0	0	58,504	112,689
Impairment Losses (Recognised in "Other Gains/Losses)	0	0	0	0	0	0	0
Depreciation Expense	0	(22,236)	0	(166)	(6,801)	(678)	(29,879)
Reclassifications	0	53,522	(57,592)	2,868	0	1,202	0
Net Carrying Amount at End of Year	13,164	653,595	9,535	2,702	34,389	67,614	780,999

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2011							
Net Carrying Amount at Start of Reporting Period	11,652	350,385	68,373	0	22,173	8,949	461,532
Additions	0	162,154	26,954	0	1,050	0	190,158
Reclassifications to Intangibles							0
Recognition of Assets Held for Sale	(2,653)	(9,195)	0	0	0	(33)	(11,881)
Disposals	(19)	0	0	0	(412)	0	(431)
Administrative Restructures - Transfers In/(Out)	0	34,346	0	0	659	0	35,005
Net Revaluation Increment Less Revaluation Decrements	0	0	0	0	0	0	0
Impairment Losses (Recognised in "Other Gains/Losses)							0
Depreciation Expense	0	(10,300)	0	0	(2,441)	(317)	(13,058)
Reclassifications	0	48,785	(63,128)	0	14,430	0	87
Net Carrying Amount at End of Year	8,980	576,175	32,199	0	35,459	8,599	661,412

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 2(g)].
- (ii) Land and Buildings were valued by Corporeal Pty Ltd on 29 October 2012 (see note 2(j)). Corporeal Pty Ltd are not employees of the District.

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

	PARENT		CONSOLIDATION
	2012	2011	2012
	\$000	\$000	\$000
23. Non-Current Assets (or Disposal Groups) Held for Sale			
Assets Held for Sale			
Land and Buildings	10,853	18,925	18,925
Infrastructure Systems	33	111	111
	10,886	19,036	19,036

Non-current assets held for sale comprise land, buildings and infrastructure primarily associated with properties surrounding the former Orange Base Hospital site. Prior to the commissioning of the new Orange Health Service these properties were used to provide services such as paediatric clinics, breast screening, physiotherapy, mental health and administration.

These assets are now surplus to requirements and will be actively marketed for sale in the next twelve months, with an expectation that disposals will be effected by 30 June 2013.

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

PARENT	2012	2011	2011
	\$000	\$000	\$000
24. Restricted Assets			
	5,904	5,531	5,531
	1,780	1,299	1,299
	7,684	7,684	6,830

The District's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.

Category	5,904	5,531	5,531
Brief Details of Externally Imposed Conditions including Asset Category affected	1,780	1,299	1,299
Specific Purposes		5,531	5,531
Private Practice Funds	1,780		1,299
	7,684	7,684	6,830

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

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		25. Payables		
		Current		
0	0	Accrued Salaries, Wages and On-Costs	9,110	5,712
0	0	Taxation and Payroll Deductions	2,433	2,488
11,543	8,200	Accrued Liability - Purchase of Personnel Services	0	0
17,818	11,048	Creditors	17,818	11,048
		Other Creditors		
1,929	0	- Capital Works	1,929	0
3,865	28,579	- Intra Health Liability	3,865	28,579
10,512	497	- Other	10,512	497
505	298	- Taxation	505	298
<u>46,172</u>	<u>48,622</u>		<u>46,172</u>	<u>48,622</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

		26. Borrowings		
		Current		
<u>80</u>	<u>153</u>	Other Loans and Deposits	<u>80</u>	<u>153</u>
<u>80</u>	<u>153</u>		<u>80</u>	<u>153</u>
		Non-Current		
24	104	Other Loans and Deposits	24	104
<u>162,091</u>	<u>162,091</u>	Public Private Partnership	<u>162,091</u>	<u>162,091</u>
<u>162,115</u>	<u>162,195</u>		<u>162,115</u>	<u>162,195</u>

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

Borrowings still to be extinguished represent monies to be repaid to the Pinnacle Healthcare, Health Support Services and the NSW Ministry of Health.

Final Repayment is scheduled for September 2035.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
27. Provisions				
0	0	Annual Leave - Short Term Benefit	30,133	20,754
0	0	Annual Leave - Long Term Benefit	19,386	18,345
0	0	Sick Leave	8	0
0	0	Long Service Leave On-Costs	6,801	3,168
56,328	42,267	Provision for Personnel Services Liability	0	0
<u>56,328</u>	<u>42,267</u>	Total Current Provisions	<u>56,328</u>	<u>42,267</u>
Non-Current Employee Benefits and Related On-Costs				
0	0	Long Service Leave On-Costs	358	167
358	167	Provision for Personnel Services Liability	0	0
<u>358</u>	<u>167</u>	Total Non-Current Provisions	<u>358</u>	<u>167</u>
Aggregate Employee Benefits and Related On-Costs				
56,328	42,267	Provisions - Current	56,328	42,267
358	167	Provisions - Non-Current	358	167
0	0	Accrued Salaries, Wages and On-Costs (Note 25)	11,543	8,200
11,543	8,200	Accrued Liability - Purchase of Personnel Services (Note 25)	0	0
<u>68,229</u>	<u>50,634</u>		<u>68,229</u>	<u>50,634</u>

Western NSW Local Health District
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for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
28. Other Liabilities				
		Current		
851	547	Income in Advance	851	547
<u>851</u>	<u>547</u>		<u>851</u>	<u>547</u>

In June 2012 a deposit of \$0.546 M, relating to the Commonwealth Rural Primary Health Services grant (July-September 2012) was received. Also included are 2012/13 grants for Ageing, Disability & Home Care (\$0.079M); Cancer Institute (\$0.042M); and prepaid Nursing Home Type Patient fees (\$0.183M).

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

	PARENT	2012	2011	2012	2011
	\$000	\$000	\$000	\$000	\$000
29. Commitments for Expenditure					
(a) Capital Commitments					
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:					
Not later than one year	25,678	20,006	25,678	20,006	20,006
Later than one year and not later than five years	74,179	68,593	74,179	68,593	68,593
Later than five years	425,058	440,580	425,058	440,580	440,580
Total Capital Expenditure Commitments (Including GST)	524,915	529,179	524,915	529,179	529,179

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

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

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

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

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

Of the commitments reported at 30 June 2012 it is expected that \$514.491 million will be met from locally generated moneys.

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATION

30. Trust Funds

The District holds trust fund moneys of \$3.606 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	68	86	226	229	151	215	446	530
Receipts	393	6	4,911	9	1,822	805	7,126	820
Expenditure	(95)	(24)	(2,233)	(12)	(1,638)	(869)	(3,966)	(905)
Cash Balance at the end of the financial year	366	68	2,904	226	335	151	3,606	446

Western NSW Local Health District
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PARENT AND CONSOLIDATED

31. Contingent Liabilities and Assets

a) Workers Compensation Hindsight Adjustment

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

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

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 District'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) Contractual Dispute with Royal Flying Doctor Service (RFDS) [South Eastern Section]

RFDS, through its legal representative, issued a letter of demand in May 2011 for unpaid tax invoices in the sum of \$0.630 M (GST inclusive). These invoices refer to staff provided to Dubbo Base Hospital and billed to the Greater Western Area Health Service for the period July 2006 to June 2009. There was no clear contractual arrangement for this period. The value of the tax invoice for the 2008/09 year was \$0.384 M (GST inclusive). Based on legal advice to pay quantum meruit and 2008/09 roster evidence, the District estimated its total indebtedness to be \$0.244 M (GST inclusive) and paid this to RFDS on 30 June 2011 as full and final satisfaction of all invoices. This dispute is not yet subject to court action but may result in subsequent litigation.

d) Contractual Dispute with PRP Diagnostic Imaging Pty Ltd [PRP]

In December 2009 Greater Western Area Health Service contracted PRP to provide radiology services for 3 years commencing 1 April 2009. The agreement set a fixed fee for the first year and for price reviews for the following years based on changes to actual activity in excess of 15%. PRP has made a claim for back payment for the period April 2010 to April 2011 for radiology services in the sum of \$0.504 M. Combined with a tax invoice for the same amount, relating to the period 1 May 2011 to 30 April 2012, the total claim is \$1.008 M. The District disputes the basis of the PRP "rise and fall in activity" calculation, and has provided \$0.126 M as its calculated liability to PRP.

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

PARENT	Actual Six Months to 30 June 2011 \$000	Actual Six Months to 30 June 2011 \$000
	2012	2012
	\$000	\$000
CONSOLIDATION		
32. Reconciliation of Cash Flows from Operating Activities to Net Result		
Net Cash Flows from Operating Activities	11,443	31,087
Depreciation	(29,874)	(13,058)
Allowance for Impairment	(1,210)	(720)
Income in advance	(305)	0
Decrease in Provisions	(4,899)	(2,912)
Increase / (Decrease) in Prepayments and Other Assets	(47,626)	28,827
(Increase)/ Decrease in Creditors	50,554	(33,056)
Revaluation of Property, Plant & Equipment recognised in "Other gains/(losses)"	(1,891)	0
Net Gain/(Loss) on Sale of Property, Plant and Equipment	(8,030)	(447)
	<u>(31,838)</u>	<u>9,721</u>
33. Non-Cash Financing and Investing Activities		
Assets Received by Donation	398	138
	<u>398</u>	<u>138</u>
34. 2011/12 Voluntary Services		
It is considered impracticable to quantify the monetary value of voluntary services provided to the District. Services provided include:		
· Chaplaincies and Pastoral Care -		Patient & Family Support
· Pink Ladies/Hospital Auxiliaries -		Patient Services, Fund Raising
· Patient Support Groups -		Practical Support to Patients and Relative
· Community Organisations -		Counselling, Health Education, Transport, Home Help & Patient Activities

Western NSW Local Health District
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for the Year Ended 30 June 2012

PARENT AND CONSOLIDATED

35. 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 the District by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of the District.

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

36. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than budget by \$57.4130 million, primarily due to a budget allocation of \$61.661 million to cover anticipated losses in relation to the land and building revaluation; these write-downs did not eventuate.

Other factors include overruns in VMOs, depreciation and losses on disposal of Property, Plant and Equipment. These have been offset by favourabilities in Grants and Contributions and Other Revenue.

This result is also reflective of the requirement (per Australian Accounting Standards) to report capital allocations in the Statement of Comprehensive Income whereas the expenditure of such money is predominantly recognised in the Statement of Financial Position.

Assets and Liabilities

Current Assets and Current Liabilities were lower than budget, principally due to a significant reduction in Intrahealth Receivables, which was applied against Payables.

Non-Current Assets were significantly higher than budget, principally due to a revaluation increment of \$112.690 million. Non-Current Liabilities were largely in line with budget.

Cash Flows

Net cash inflows from operating activities were lower than budget, due to higher VMO costs and favourable revenue performance. Net cash inflows from investing activities was favourable to budget as a result of proceeds from the sale of Property, Plant and Equipment.

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATED

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

	\$000
Initial Allocation, 1 July 2011	578,699
Award Increases	5,380
Special Projects:	
Aboriginal Health	290
Mental Health and Drug & Alcohol	1,280
Other:	
Asset Disposals	576
Cardiac Cathererisation Service Enhancement	134
Caring Together	471
Clinical Redesign	380
Connecting Care Program Supplementary Funding	316
Dubbo Public Ophthalmology Clinic Equipment	281
Health Support Services - Linen Charges	(367)
HealthOne NSW One Off Funding	208
Healthy Children Initiative Supplementation	336
Implementation Plan for ACAP	205
Interstate Patient Flows	(16,913)
IPTAAS Supplementation	802
Leap Year Funding	880
Line Item Transfers to Far West LHD	(11,346)
Long Stay Older Patients	324
Medical Specialist Training	200
Miscellaneous	460
Multidisciplinary Bariatric Clinic Establishment	200
National Emergency Access Target strategies in ED	160
Nurse Ten-Hour Night Shift	195
Obstetric & Anaesthetic Incentive Grants	474
On-Call Roster - Doctors for Examination of Victims of Sexual Assault	159
Orange Hospital ICT Charges	854
Pathology	6,701
Public Private partnership	16,254
Recurrent Cash Allocation	(2,015)
RMR>\$10000 Program Budget Allocation	(4,112)
Rural Allied Health Recruitment and Retention Initiative	200
Telehealth Projects	445
Transfer of Lake Cargelligo to Murrumbidgee LHD	(2,584)
Transitional Aged Care Program	(427)
Treasury Managed Fund Adjustment	573
VMO Supplementation - Fee For Service & Rural Doctors	535
Voluntary Redundancy Program	796
Balance as per Statement of Comprehensive Income	581,004

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

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

Net assets of \$431.139 million transferred from the former Greater Western Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the District on that date in accordance with the provisions of the *Health Services Act 1989*.

Consistent with Treasury approval, Long Service Leave liability of \$76.512 million transferred from the Health Service with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Other equity transfers effected in the 2010/11 year were:

	2011 \$000
Transfer of plant and equipment from Far West Local Health District (FWLHD)	44
Transfer of plant and equipment to FWLHD	(142)
Transfer of plant and equipment from Health Reform Transition Office - Western (HRTOW)	919
Transfer of plant and equipment to HRTOW	(181)
Transfer of buildings from HRTOW	34,385
Loan adjustment for Long Service Leave component	1,320
	<u>36,345</u>

Equity transfers effected in the 2011/12 year were:

	2012 \$000
Increase in net assets relating to the District's assumption of responsibilities upon dissolution of the Health Reform Transitional Organisation - Western.	3,117
Decrease in net assets relating to other restructuring of services with Far West Local Health District.	(1,104)
Decrease in net assets relating to the transfer of Lake Cargelligo to Murrumbidgee LHD	(3,901)
	<u>(1,888)</u>

Western NSW Local Health District
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Assets and Liabilities transferred are as follows:

	2012 \$000
Assets	
Cash and Cash Equivalents	4,242
Debtors	24,900
Prepayments	(58)
Inventory	0
Land and Buildings	(3,206)
Infrastructure	(13)
Plant and Equipment	4,288
Work in Progress	25,618
	<u>55,771</u>
Liabilities	
Payables	48,032
Provisions	9,427
Loans	200
	<u>57,659</u>
Increase/(Decrease) in Net Assets From Equity Transfers	<u><u>(1,888)</u></u>

Western NSW Local Health District
Notes to and forming part of the Financial Statements
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38. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2012 \$000	2011 \$000
Cash and Cash Equivalents (note 19)	N/A	12,044	8,568
Receivables (note 20) ¹	Loans and receivables (at amortised cost)	13,466	32,374
Total Financial Assets		25,510	40,942
Financial Liabilities			
Borrowings (note 26)	Financial liabilities measured	162,195	162,348
Payables (note 25) ²	at amortised cost	45,667	48,325
Total Financial Liabilities		207,862	210,673

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)

Western NSW Local Health District
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(b) Credit Risk

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

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

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

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 5% in 2011/12 compared to 6% 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 District will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012: \$5.558 million; 2011: \$4.443 million) and not more than 3 months past due (2012: \$1.033 million; 2011: \$2.745 million) are not considered impaired and together these represent 75% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the District's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

Financial assets that are past due or 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.

Western NSW Local Health District
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	\$000		
2012	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	1033	1033	0
3 months - 6 months overdue	622	495	127
> 6 months overdue	1533	486	1047
2011			
<3 months overdue	2745	2745	0
3 months - 6 months overdue	399	262	137
> 6 months overdue	863	0	863

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.

(c) Liquidity Risk

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

The District has negotiated no loan outside of arrangements with the NSW Ministry of Health or Treasury.

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

For other suppliers, where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints, terms of payment are negotiated with creditors.

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

Western NSW Local Health District
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for the Year Ended 30 June 2012

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount 1	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
%		\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		11,543	0	0	11,543	11,543	0	0
Creditors		34,124	0	0	34,124	34,124	0	0
Borrowings:								
PPP Liability	10	162,091	0	162,091	0	0	0	162,091
Other Loans and Deposits	5	104	0	104	0	80	24	0
		<u>207,862</u>	<u>0</u>	<u>162,195</u>	<u>45,667</u>	<u>45,747</u>	<u>24</u>	<u>162,091</u>
2011								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		8,200	0	0	8,200	8,200	0	0
Creditors		40,125	0	0	40,125	40,125	0	0
Borrowings:								
PPP Liability	10	162,091	0	162,091	0	0	0	162,091
Other Loans and Deposits	7	257	0	257	0	153	104	0
		<u>210,673</u>	<u>0</u>	<u>162,348</u>	<u>48,325</u>	<u>48,478</u>	<u>104</u>	<u>162,091</u>

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.
- Of the \$0.024 million disclosed in the 2012 'other loans and deposits' time band 1-5 yrs, the District has no intention to effect payments in advance of maturity dates on or prior to 30 September 2012.

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

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

Interest rate risk

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

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

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
2012					
Financial Assets					
Cash and Cash Equivalents	12,044	(120)	(120)	120	120
Financial Liabilities					
Borrowings	162,195	(1,622)	(1,622)	1,622	1,622
2011					
Financial Assets					
Cash and Cash Equivalents	8,568	(86)	(86)	86	86
Financial Liabilities					
Borrowings	162,348	(1,623)	(1,623)	1,623	1,623

Western NSW Local Health District
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39. Events after the Reporting Period

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

As the efficient price of delivering services increases, the Commonwealth Government will meet 45, then 50% of that increase. As more services are delivered, the Commonwealth Government will meet 45, then 50% of the efficient price of every additional service, for as many additional services as are delivered. The National efficient price of public hospital services will be determined by the Independent Hospital Pricing Authority.

ABF will provide incentives to hospitals to treat more patients more efficiently and will provide incentives for hospitals and governments to ensure patients are treated in the most appropriate setting.

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