INDEPENDENT AUDITOR'S REPORT

Albury Base Hospital Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Albury Base Hospital Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the 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 should be read in conjunction with the rest of this report.

The Director-General's Responsibility for the Financial Statements

The Director-General of the NSW Ministry of Health 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 Director-General determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, 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 Entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

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

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

SBond

Sally Bond
Director, Financial Audit Services

25 October 2012
SYDNEY

Albury Base Hospital
Special Purpose Service Entity

Certification of Financial Statements

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

1) The financial statements of Albury Base Hospital Special Purpose Entity for the year ended 30 June 2012 have been prepared in accordance with:

   i) Australian Accounting Standards (including Australian Accounting Interpretations);

   ii) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;

2) The financial statements exhibit a true and fair view of the financial position and financial performance of the Albury Base Hospital Special Purpose Service Entity; and

3) There are no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

John Roach
Chief Financial Officer

Dr Mary Foley
Director-General
24 October 2012

Albury Base Hospital Special Purpose Service Entity
Statement of Comprehensive Income
for the Year Ended 30 June 2012

	Notes	2012 $000	2011 $000
Income			
Other Revenue		**812**	**1,237**
Total Income		**812**	**1,237**
Expenses			
Depreciation and Amortisation	2	2,534	2,397
Total Expenses		**2,534**	**2,397**
(Loss) on Disposal	3	**(350)**	**-**
Net Result For The Year		**(2,072)**	**(1,160)**
Total Comprehensive Income for the Year		**(2,072)**	**(1,160)**

The accompanying notes form part of these Financial Statements.

Albury Base Hospital Special Purpose Service Entity
Statement of Financial Position
as at 30 June 2012

	Notes	2012 $000	2011 $000
ASSETS			
Current Assets		-	-
Total Current Assets		-	-
Non-Current Assets			
Property, Plant and Equipment			
- Land and Buildings	4	67,330	69,468
- Plant and Equipment	4	2,522	2,456
Total Non-Current Assets		**69,852**	**71,924**
Total Assets		**69,852**	**71,924**
LIABILITIES			
Current Liabilities		-	-
Total Current Liabilities		-	-
Non-Current Liabilities		-	-
Total Non-Current Liabilities		-	-
Total Liabilities		-	-
Net Assets		**69,852**	**71,924**
EQUITY			
Reserves		397	397
Accumulated funds		69,455	71,527
Total Equity		**69,852**	**71,924**

The accompanying notes form part of these Financial Statements.

Albury Base Hospital Special Purpose Service Entity
Statement of Changes in Equity for the year ended 30 June 2012

	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		$000	**$000**	**$000**
Balance at 1 July 2011		**71,527**	**397**	**71,924**
Net Result		(2,072)	-	(2,072)
Balance at 30 June 2012		**69,455**	**397**	**69,852**
Balance at 1 July 2010		**71,910**	**397**	**72,307**
Net Result		(1,160)	-	(1,160)
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers		777	-	777
Balance at 30 June 2011		**71,527**	397	**71,924**

The accompanying notes form part of these Financial Statements.

Albury Base Hospital Special Purpose Service Entity
Statement of Cash Flows
for the Year Ended 30 June 2012

	2012 $000	2011 $000
Net Cash Flows from Operating Activities	-	-
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	-	-
Closing Cash and Cash Equivalents	-	-

The Albury Base Hospital does not hold any cash or cash equivalent assets and therefore there are nil cash flows.

The accompanying notes form part of these Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The Albury Base Hospital

Albury Base Hospital encompasses the physical assets of Albury Base Hospital and related transactions. The reporting entity was created after the excision of Albury Base Hospital from the former Greater Southern Area Health Service (GSAHS). The physical assets of ABH were transferred to a statutory corporation called 'Albury Base Hospital' on 30 June 2009. On 1 July 2009 the statutory corporation was abolished. Upon the statutory corporation being abolished, the Ministry of Health concluded the assets should be recognised by a special purpose service entity called Albury Base Hospital.

The Albury Base Hospital is a reporting entity that comprises the property, plant and equipment and related transactions of the facility. The provision of services at the hospital is covered by a contract arrangement with Albury Wodonga Health, a Victorian Government entity.

The creation of Albury Base Hospital (the entity) enabled the land, buildings, plant and equipment assets associated with the delivery of acute services in Albury to be transferred from the former GSAHS to the new entity.

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

The financial statements were authorised for issue by the Director General on 24 October 2012.

b) Basis of Preparation

The Entity's financial statements are general purpose financial statements which have been prepared in accordance with the requirements of 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.

Statement of Compliance
The entity's financial statements comply with Australian Accounting Standards which include Australian Accounting Interpretations .

Apart from property, plant & equipment, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See note (h) and (j).

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

Management's judgments, key assumptions and estimates are disclosed in the relevant notes to the financial statements.

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

c) Comparative Information

Comparative figures are, where appropriate, reclassified to give meaningful comparison with the current year.

d) 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 report of the Albury Base Hospital Special Purpose Service Entity.

Accounting Standard/Interpretation

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. These changes are not expected to materially impact Entity.

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

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

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. The Standard is not expected to have any effect on the entity.

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 entity.

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 entity.

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 entity.

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 entity.

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. No expected impact on this entity.

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. No expected impact on this entity.

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

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

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

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

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

AASB 2011-12, 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.

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

e) Income

Income is measured at the fair value of the consideration received or receivable.

f) Payables

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

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 Entity.

g) 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 agency transfers the financial asset:

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

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

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

h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the entity. 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 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. Note 1 refers).

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 Entity. 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	12.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery and Office Equipment	10.0%

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

The Entity revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Entity as at 30 June 2010 was completed on 25 May 2010 and was based on an independent assessment.

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

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

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

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

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

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

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

k) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Entity 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) Equity and Reserves

(i) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the entity's policy on the revaluation of property, plant and equipment as discussed in Note 1(k).

m) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the 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 Entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Entity does not recognise that asset.

		2012 $000	2011 $000
2.	**DEPRECIATION AND AMORTISATION**		
	Depreciation - Buildings	1,996	1,982
	Depreciation - Plant & Equipment	538	415
		2,534	**2,397**
3.	**GAIN / (LOSS) ON DISPOSAL**		
	Land Held for Sale	350	-
	Less: Proceeds from Disposal	-	-
	Total Gain/(Loss) on Disposal	(350)	-
4(a).	**PROPERTY, PLANT AND EQUIPMENT**		
	Land and Buildings - fair value		
	Gross Carrying Amount	97,774	97,916
	Less Accumulated depreciation and impairment	30,444	28,448
	Net Carrying Amount	67,330	69,468
	Plant and Equipment - fair value		
	Gross Carrying Amount	5,684	5,804
	Less Accumulated depreciation and impairment	3,162	3,348
	Net Carrying Amount	2,522	2,456
	Total Property, Plant and Equipment At Net Carrying Amount	**69,852**	**71,924**

Land, Buildings and Infrastructure were independently valued by Opteon Property Group as at 30 June 2010. [see note 1(j)]. The valuation was based on market values where market based evidence was available. Where there was no market based evidence the depreciated replacement cost was adopted.

4(b). PROPERTY, PLANT AND EQUIPMENT Reconciliations

	Land $000	Buildings $000	Plant and Equipment $000	Total $000
2012				
Net Carrying amount at start of year	3,000	66,468	2,456	**71,924**
Additions	-	208	604	**812**
Disposals	(350)	-	-	**(350)**
Depreciation expense	-	(1,996)	(538)	**(2,534)**
Net Carrying amount at end of year	2,650	64,680	2,522	**69,852**

	Land $000	Buildings $000	Plant and Equipment $000	Total $000
2011				
Net Carrying amount at start of year	3,000	68,450	1,845	**73,295**
Additions	-	-	1,026	**1,026**
Depreciation expense	-	(1,982)	(415)	**(2,397)**
Net Carrying amount at end of year	3,000	66,468	2,456	**71,924**

5. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2012 $000	2011 $000
Net Cash Used on Operating Activities	-	-
Depreciation	(2,534)	(2,397)
Contributed Assets	812	1,237
Loss on sale of asset	(350)	-
Net Result	**(2,072)**	**(1,160)**

6. FINANCIAL INSTRUMENTS

Financial Instruments arise directly from the Entity's operations or are required to finance its operations. The Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Director General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. The Entity carries minimal risks within its operation as it carries no payable or receivable balances.

Risk management policies are established by the Ministry of Health to identify and analyse the risk faced by the Entity, to set risk limits and controls and monitor risks.Compliance with policies is reviewed by the Audit and Risk Committee/Internal auditors of the Ministry of Health on a continuous basis.

6. FINANCIAL INSTRUMENTS (continued)

a) Financial Instruments Categories

	Total carrying amounts as per the Statement of Financial Position	
	2012	2011
	$000	$000
Total Financial Assets	-	-
Total Financial Liabilities	-	-

b) Credit Risk

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. 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 Entity i.e receivables. The Entity does not hold any financial assets and as a result has no exposure to credit risk.
No collateral is held by the Entity nor has it granted any financial guarantees.

c) Liquidity Risk

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due.
No such risk exists with the Entity not having any cash flows.

d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Entity's exposures to market risk are considered to be minimal and the Entity has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through interest bearing liabilities.

However the Entity has no such liabilities and the interest rate is assessed as Nil. Similarly it is considered that the Entity is not exposed to other price risks.

e) Fair Value

Financial instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates fair value because of the short term nature of the financial instruments.

7. RELATED PARTIES

The Ministry of Health is deemed to control the Albury Base Hospital in accordance with Australian Accounting Standards. The controlling entity is established under the Public Sector Employment and Management Act 2002. Transactions and balances in these financial statements relate only to the Entity's function as holder of the land, buildings, plant and equipment assets associated with the delivery of acute services at the Albury Base Hospital.

The entity's cash receipts and payments are effected by the Ministry of Health on the entity's behalf.

8. EVENTS AFTER THE REPORTING PERIOD

No events have occurred after the reporting period which warrant inclusion in this report.

END OF AUDITED FINANCIAL STATEMENTS