



STAWELL
REGIONAL HEALTH

2005/2006

Financial Statements
Financial Performance Report



AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

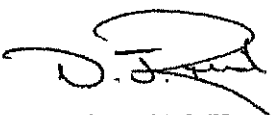
Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Stawell Regional Health and the economic entity as at 30 June 2006 and their financial performance and cash flows for the year then ended.

MELBOURNE
22 September 2006


Edward M. Hay
Acting Auditor-General

STAWELL REGIONAL HEALTH
Operating Statement
For the Year Ended 30 June 2006

	Note	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Revenue from Operating Activities	2	14,658	14,012	14,658	14,012
Revenue from Non-operating Activities	2	194	187	274	258
Employee Benefits	2b	(9,730)	(9,097)	(9,730)	(9,097)
Non Salary Labour Costs	2b	(930)	(987)	(930)	(987)
Supplies & Consumables	2b	(1,928)	(1,773)	(1,928)	(1,773)
Other Expenses From Continuing Operations	2b	(2,539)	(2,242)	(2,540)	(2,249)
Net Result From Continuing Operations Before Capital & Specific Items		(275)	100	(196)	164
Capital Purpose Income	2	287	1,484	315	1,683
Depreciation and Amortisation	3	(692)	(681)	(692)	(681)
NET RESULT FROM CONTINUING OPERATIONS		(680)	903	(573)	1,166
NET RESULT FOR THE YEAR		(680)	903	(573)	1,166

This Statement should be read in conjunction with the accompanying notes.

STAWELL REGIONAL HEALTH
Balance Sheet
As at 30 June 2006

	Note	Parent Entity	Parent Entity	Consolidated	Consolidated
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current Assets					
Cash and Cash Equivalents	4	1,302	2,316	2,040	3,100
Receivables	5	286	255	311	275
Other Financial Assets	6	-	-	634	486
Inventories	7	168	165	168	165
Prepayments	8	45	43	45	43
Total Current Assets		1,801	2,779	3,198	4,069
Non-Current Assets					
Receivables	5	177	331	177	331
Other Financial Assets	6	1	1	1	1
Property, Plant & Equipment	9	18,496	17,753	18,496	17,753
Intangible Assets	10	39	37	39	37
Total Non-Current Assets		18,713	18,122	18,713	18,122
TOTAL ASSETS		20,514	20,901	21,911	22,191
LIABILITIES					
Current Liabilities					
Payables	11	1,329	1,142	1,329	1,142
Provisions	12	1,730	1,659	1,730	1,659
Other Liabilities	13	83	115	83	115
Total Current Liabilities		3,142	2,916	3,142	2,916
Non-Current Liabilities					
Provisions	12	326	259	326	259
Total Non-Current Liabilities		326	259	326	259
TOTAL LIABILITIES		3,468	3,175	3,468	3,175
NET ASSETS		17,046	17,726	18,443	19,016
EQUITY					
Asset Revaluation Reserve	14a	2,417	2,417	2,417	2,417
Restricted Specific Purpose Reserve	14a	309	123	309	123
Contributed Capital	14b	9,107	9,107	9,107	9,107
Accumulated Surpluses/(Deficits)	14c	5,213	6,079	6,610	7,369
TOTAL EQUITY	14d	17,046	17,726	18,443	19,016

This Statement should be read in conjunction with the accompanying notes.

STAWELL REGIONAL HEALTH**Statement of Recognised Income and Expense
For the Year Ended 30 June 2006**

	Note	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Gain/(loss) on Asset Revaluation	14a	-	1,019	-	1,019
NET INCOME RECOGNISED DIRECTLY IN EQUITY		-	1,019	-	1,019
Net result for the year		(680)	903	(573)	1,166
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		(680)	1,922	(573)	2,185

This Statement should be read in conjunction with the accompanying notes.

STAWELL REGIONAL HEALTH
Cash Flow Statement
For the Year Ended 30 June 2006

	Note	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Grants from Government		13,624	11,601	13,624	11,601
Patient and Resident Fees Received		1,251	2,365	1,251	2,365
Private Practice Fees Received		19	-	19	-
Donations and Bequests Received		69	310	69	496
GST Received from/(paid to) ATO		(577)	(526)	(577)	(526)
Interest Received		119	108	192	178
Other Receipts		751	1,047	751	1,061
Employee Benefits Paid		(9,600)	(8,979)	(9,600)	(8,979)
Fee for Service Medical Officers		(1,016)	(1,015)	(1,016)	(1,015)
Payments for Supplies & Consumables		(2,570)	(2,065)	(2,570)	(2,065)
Other Payments		(1,905)	(2,261)	(1,905)	(2,269)
Cash Generated from Operations		165	585	238	847
Capital Grants from Government		247	1,163	247	1,163
Capital Donations and Bequests Received		-	-	28	-
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	412	1,748	513	2,010
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property, Plant & Equipment		(1,477)	(2,462)	(1,477)	(2,462)
Proceeds from Sale of Property, Plant & Equipment		82	633	82	633
Proceeds from Sale of Investments		-	1,830	(147)	2,333
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(1,395)	1	(1,542)	504
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Borrowings		(21)	(52)	(21)	(52)
NET CASH INFLOW/OUTFLOW FROM FINANCING ACTIVITIES		(21)	(52)	(21)	(52)
NET INCREASE/(DECREASE) IN CASH HELD		(1,004)	1,697	(1,050)	2,462
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,275	578	3,059	597
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	1,271	2,275	2,009	3,059

This Statement should be read in conjunction with the accompanying notes

Note 1: Statement of Significant Accounting Policies

This general-purpose financial report has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, Accounting Standards issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations. Accounting standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

The financial statements were authorised for issue by the Acting Chief Executive Officer Claire Letts on 18/09/2006.

Basis of preparation

The financial report is prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and financial instruments, as noted. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements are disclosed throughout the notes in the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Health Service changed its accounting policies on 1 July 2004 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Health Service's financial position, financial performance and cash flows is discussed in note 25.

The Health Service has elected to apply Accounting Standard AASB 2005-04 *Amendments to Accounting Standards (June 2005)*, even though the Standard is not required to be adopted until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004, the

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Notes To And Forming Part Of The Financial Statements For The Year Ended 30 June 2006

Health Service's date of transition, except for the accounting policies in respect of financial instruments. The Health Service has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of the changes in these accounting policies is discussed further in note 1(ae).

(a) Reporting Entity

The financial statements include all the controlled activities of the Health Service. The Health Service is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" entities under the Australian equivalents to IFRS.

(b) Rounding Off

All amounts shown in the financial statements are expressed to the nearest \$1,000.

(c) Principles of Consolidation

The assets, liabilities, revenues and expenses of the controlled entity of the Health Service have been included at the values shown in their audited Annual Financial Reports. Any inter-entity transactions have been eliminated on consolidation. The consolidated financial statements include the audited financial statements of the controlled entity listed in note 24.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

(e) Receivables

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where doubt as to collection exists.

(f) Inventories

Inventories include goods and other property held either for sale or for distribution at no or nominal cost in the ordinary course of business operations.

Inventories held for distribution are measured at the lower of cost and current replacement cost.

Cost for all other inventory is measured on the basis of weighted average cost

(g) Other Financial Assets

Other financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Other financial assets are classified between current and non current assets

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Notes To And Forming Part Of The Financial Statements For The Year Ended 30 June 2006

based on the Health Service Board of Management's intention at balance date with respect to the timing of disposal of each asset.

The Health Service classifies its other investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Investments held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Where the Health Service has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

Other investments held by the Health Service are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time to the extent appropriate, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(h) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, goodwill, computer software and development costs (where applicable).

Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Health Service.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the Health Service tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount:

- annually, and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

(i) Non Current Physical Assets

Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Plant, equipment and vehicles are measured at cost.

(j) Revaluations of Non-Current Assets

Assets other than those that are carried at cost are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every three to four years for assets with useful lives of less than 30 years or six to eight years for assets with useful lives of 30 or greater years. Revaluation increments or decrements arise from differences between an asset's depreciated cost or deemed cost and fair value.

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 at an expense in net result, the increment is recognised 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.

Revaluation increases and revaluation decreases relating to individual assets within a class of property are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

(k) Depreciation

Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost—or valuation—over their estimated useful lives using the straight-line method. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Human Services.

The following table indicates the expected useful lives of non current assets on which the depreciation charges are based.

	2006	2005
Buildings	40 Years	40 Years
Plant & Equipment	5 to 15 Years	5 to 15 Years
Computers & Communications	3 to 5 Years	3 to 5 Years
Furniture & Fittings	5 to 10 Years	5 to 10 Years
Motor Vehicles	Up to 5 Years	Up to 5 Years
Intangible Assets	Up to 3 Years	Up to 3 Years

(l) Impairment of Assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indications of impairment, except for:

- inventories;
- assets arising from construction contracts;
- assets arising from employee benefits; and
- financial instrument assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

(m) Payables

These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The normal credit terms are usually Nett 30 days.

(n) Provisions

Provisions are recognised when the Health Service has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(o) Resources Provided and Received Free of Charge or for Nominal Consideration

Resources provided or received free of charge or for nominal consideration are recognised at their fair value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(p) Interest Bearing Liabilities

Interest bearing liabilities in the Balance Sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, all financial liabilities are recognised at amortised cost using the effective interest method

(q) Functional and Presentation Currency

The presentation currency of the Health Service is the Australian dollar, which has also been identified as the functional currency of the Health Service.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST, except for receivables and payables which are stated with the amount of GST included and except, where the amount of GST incurred is not recoverable, in which case GST is recognised as part of the cost of acquisition of an asset or part of an item of expense or revenue. GST receivable from and payable to the Australian Taxation Office (ATO) is included in the Balance Sheet. The GST component of a receipt or payment is recognised on a gross basis in the Cash Flow Statement in accordance with AASB 107 *Cash flow statements*.

(s) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Measurement of short-term and long term benefits

Short-term employee benefits are those benefits that are expected to be settled within 12 months, and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. They include wages and salaries, annual leave, long service leave and accrued days off that are expected to be settled within 12 months.

Long-term employee benefits are those benefits that are not expected to be settled within 12 months, and are measured at the present value of the estimated future cash outflows to be made by the Health Service in respect of services provided by employees up to reporting date. They include long service leave and annual leave not expected to be settled within 12 months.

The present value of long-term employee benefits is calculated in accordance with AASB 119 Employee Benefits. Long – term employee benefits are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Classification of employee benefits as current and non-current liabilities

Employee benefits provisions are reported as current liabilities where the Health Service does not have an unconditional right to defer settlement for at least 12 months.

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Notes To And Forming Part Of The Financial Statements For The Year Ended 30 June 2006

Consequently, the current portion of the employee benefit provision can include both short – term benefits, that are measured at nominal values, and long – term benefits, that are measured at present values.

Employee benefit provisions that are reported as non-current liabilities also include long – term benefits such as non vested long service (ie where the employee does not have a present entitlement to the benefit) that do not qualify for recognition as a current liability, and are measured at present values.

Superannuation

Defined contribution plans

Contributions to defined contribution superannuation plans are expenses when incurred.

Defined benefit plans

The amount charged to the Operating Statement in respect of defined benefit plan superannuation represents the contributions made by the Health Service to the superannuation plan in respect to the current services of current Health Service staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Health Service does not recognise any defined benefit liability in respect of the superannuation plan because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

Termination Benefits

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

On-Costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(t) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance charges in respect of finance leases recognised in accordance with AASB 117 *Leases*;

(u) Residential Aged Care Service

The Macpherson Smith Residential Aged Care Service operations are an integral part of the Health Service and share its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation.

(v) Intersegment Transactions

Transactions between segments within the Health Service have been eliminated to reflect the extent of the Health Service's operations as a group.

(w) Leased Property and Equipment

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 leased non-current assets, and operating leases under which the lessor effectively retains all such risks and benefits. Assets held under a finance lease are recognised as non current assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The minimum lease payments are discounted at the interest rate implicit in the lease.

A corresponding liability is established and each lease payment is allocated between the principal component and the interest expense.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are expensed in the periods in which they are incurred.

(x) Revenue Recognition

Revenue is recognised in accordance with AASB 118 *Revenue*. Income is recognised as revenue to the extent it is earned. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Government Grants

Grants are recognised as revenue when the Health Service gains control of the underlying assets. Where grants are reciprocal, revenue is recognised as performance occurs under the grant. Non-reciprocal grants are recognised as revenue when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Indirect Contributions

- Insurance is recognised as revenue following advice from the Department of Human Services.
- Long Service Leave (LSL) - Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Acute Health Division Hospital Circular 16/2004.

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Notes To And Forming Part Of The Financial Statements For The Year Ended 30 June 2006

Patient Fees

Patient fees are recognised as revenue at when services are performed.

Private Practice Fees

Private practice fees are recognised as revenue when services are performed.

Donations and Other Bequests

Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a reserve, such as restricted specific purpose reserve.

(y) Fund Accounting

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Health Service's Capital and Specific Purpose Funds include unspent capital donations and receipts from fund-raising activities conducted solely in respect of these funds.

(z) Services Supported By Health Services Agreement and Services Supported By Hospital And Community Initiatives

Activities classified as *Services Supported by Health Services Agreement (HSA)* are substantially funded by the Department of Human Services and includes RACS, while *Services Supported by Hospital and Community Initiatives (Non HSA)* are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

(aa) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of certain land and buildings.

(ab) Restricted Specific Purpose Reserve

A restricted specific purpose reserve is established where the Health Service has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(ac) Contributed Capital

Consistent with *UIG Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities* and *FRD 2 Contributed Capital*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions, have also been designated as contributed capital.

(ad) Net result From Continuing Operations Before Capital & Specific Items

A-IFRS allows the inclusion of additional subtotals on the face of the operating statement when such presentation is relevant to an understanding of an entity's financial performance. The financial report includes an additional subtotal entitled "Net result From Continuing Operations before Capital & Specific Items".

Capital and specific items, which are excluded from this sub-total, comprise:

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Notes To And Forming Part Of The Financial Statements For The Year Ended 30 June 2006

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment. It also includes donations of plant and equipment (refer note 1 (p)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Specific income/expense, comprises the following items, where material:
 - Non-current asset revaluation increments/decrements
- Impairment of non current assets, includes all impairment losses (and reversal of previous impairment losses), related to non current assets only which have been recognised in accordance with note 1 (l)
- Depreciation and amortisation, as described in note 1 (k)
- Assets provided free of charge, as described in note 1 (o)
- Expenditure using capital purpose income, which comprises expenditure using capital purpose income which falls below the asset capitalisation threshold and therefore does not result in the recognition of an asset in the balance sheet. The asset capitalisation threshold is set at \$1000 (2005: \$1000).

(ae) Financial Instruments - Adoption of AASB 132 and AASB 139

The Health Service has elected not to restate comparative information for financial instruments within the scope of AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement*, as permitted on the first-time adoption of A-IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(d), 1(g) and 1(m). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

Cash and cash equivalents

Cash and cash equivalents comprised of cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Other Financial Instruments

Other financial instruments were measured at cost and were classified between current and non current assets based on the Health Service Board of Management's intention at balance date with respect to the timing of disposal of each asset. Interest revenue from other financial assets was brought to account when it was earned.

The effect of adopting AASB 132 and AASB 139 on the balance sheet as at 1 July 2005 is shown below:

STAWELL REGIONAL HEALTH

	Parent Entity	Parent Entity	Consolidated	Consolidated
	01-Jul-05 \$'000	30-Jun-05 \$'000	01-Jul-05 \$'000	30-Jun-05 \$'000
ASSETS				
Current Assets				
Cash and Cash Equivalents	2,316	2,316	3,100	3,100
Receivables	255	255	275	275
Other Financial Assets	-	-	486	486
Inventories	165	165	165	165
Prepayments	43	43	43	43
Total Current Assets	2,779	2,779	4,069	4,069
Non-Current Assets				
Receivables	331	331	331	331
Other Financial Assets	1	1	1	1
Property, Plant & Equipment	17,753	17,790	17,753	17,790
Intangible Assets	37	-	37	-
Total Non-Current Assets	18,122	18,122	18,122	18,122
TOTAL ASSETS	20,901	20,901	22,191	22,191
LIABILITIES				
Current Liabilities				
Payables	1,142	1,142	1,142	1,142
Provisions	1,659	942	1,659	942
Other Liabilities	115	115	115	115
Total Current Liabilities	2,916	2,199	2,916	2,199
Non-Current Liabilities				
Provisions	259	976	259	976
Total Non-Current Liabilities	259	976	259	976
TOTAL LIABILITIES	3,175	3,175	3,175	3,175
NET ASSETS	17,726	17,726	19,016	19,016
EQUITY				
Asset Revaluation Reserve	2,417	2,417	2,417	2,417
Restricted Specific Purpose Reserve	123	123	123	123
Contributed Capital	9,107	9,107	9,107	9,107
Accumulated Surpluses/(Deficits)	6,079	6,079	7,369	7,369
TOTAL EQUITY	17,726	17,726	19,016	19,016

Financial assets:

Cash at Bank	
Short Term Money Market	
Trade debtors	
Other receivables	
Deposits	

	Fair value on 01/07/05	Carrying amount at 30/06/05
	213	213
	2,887	2,887
	176	176
	99	99
	486	486
	3,861	3,861
Financial liabilities:		
Trade creditors & accruals	1,142	1,142
Borrowings	29	29
Monies held in Trust	41	41
	1,212	1,212

STAWELL REGIONAL HEALTH
Note 2: Revenue

	HSA 2006 \$'000	HSA 2005 \$'000	Non HSA 2006 \$'000	Non HSA 2005 \$'000	Parent Entitv 2006 \$'000	Parent Entitv 2005 \$'000	Consol'd 2006 \$'000	Consol'd 2005 \$'000
Revenue from Operating Activities								
Government Grants								
- Department of Human Services	10,625	10,035	-	-	10,625	10,035	10,625	10,035
- Commonwealth Government								
- Residential Aged Care Subsidy	1,343	1,316	-	-	1,343	1,316	1,343	1,316
- Other	489	467	-	-	489	467	489	467
Indirect Contributions by Department of Human Services	288	360	-	-	288	360	288	360
Patient and Resident Fees (refer note 2c)	1,078	1,053	-	-	1,078	1,053	1,078	1,053
Private Practice Fees	19	-	-	-	19	-	19	-
Donations & Bequests	-	-	69	-	69	-	69	-
Other Revenue from Operating Activities	185	186	562	595	747	781	747	781
Sub-Total Revenue from Operating Activities	14,027	13,417	631	595	14,658	14,012	14,658	14,012
Revenue from Non-Operating Activities								
Interest	-	-	113	108	113	108	193	179
Property Income	-	-	81	79	81	79	81	79
Sub-Total Revenue from Non-Operating Activities	-	-	194	187	194	187	274	258
Revenue from Capital Purpose Income								
State Government Capital Grants								
- Targeted Capital Works and Equipment	247	1,045	-	-	247	1,045	247	1,045
Commonwealth Government Capital Grants	-	34	-	-	-	34	-	34
Residential Accommodation Payments (refer note 2c)	-	9	-	-	-	9	-	9
Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2d)	-	-	40	86	40	86	40	86
Donations and Bequests	-	-	-	310	-	310	28	509
Sub-Total Revenue from Capital Purpose Income	247	1,088	40	396	287	1,484	315	1,683
Total Revenue from Continuing Operations (refer to note 2a)	14,274	14,505	865	1,178	15,139	15,683	15,247	15,953

Indirect contributions by Department of Human Services
Department of Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

STAWELL REGIONAL HEALTH
Note 2a: Analysis of Revenue by Source

	Acute Health	Mental Health	RAC	RAC Mental Health	Aged Care	Primary Health	Other	Parent Entity	Parent Entity	Consol'd	Consol'd
	2006	2006	2006	2006	2006	2006	2006	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Services Supported by Health Services Agreement											
Government Grants											
- Department of Human Services	8,407	-	677	179	400	962	-	10,625	9,971	10,625	9,971
- Commonwealth Government											
- Residential Aged Care Subsidy	-	-	1,113	230	-	-	-	1,343	1,316	1,343	1,316
- Other	222	-	-	-	-	267	-	489	467	489	467
Indirect contributions by Department of Human Services*											
- Insurance	257	-	-	-	-	-	-	257	219	257	219
- Long Service Leave	31	-	-	-	-	-	-	31	141	31	141
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	-	-	-	-
Patient and Resident Fees (refer note 2c)	379	-	358	90	101	73	-	1,001	982	1,001	982
Residential Accommodation Payments (refer note 2c)	-	-	77	-	-	-	-	77	72	77	72
Other	136	-	2	1	-	45	-	184	186	184	186
Sub-Total Revenue from Services Supported by Health Services Agreement	9,432	-	2,227	500	501	1,347	-	14,007	13,354	14,007	13,354
Revenue from Services Supported by Hospital and Community Initiatives											
Internal and Restricted Specific Purpose Fund											
- Private Practice and Other Patient Activities	-	-	-	-	-	-	19	19	-	19	-
- Diagnostic Imaging	-	-	-	-	-	-	363	363	377	363	377
- Catering	-	-	-	-	-	-	144	144	131	144	131
- Property Income	-	-	-	-	-	-	81	81	79	81	79
- Other (include any activity not stated above)	-	-	-	-	-	-	169	169	195	249	266
Other Activities											
Capital Purpose Income (refer note 2)	247	-	-	-	-	-	-	247	1,151	247	1,151
Net Gain/(Loss) from Disposal of Non Current Assets (refer note 2d)	40	-	-	-	-	-	-	40	86	40	86
Assets Received Free of Charge (refer note 3e)	-	-	-	-	-	-	-	-	-	-	-
Donations & Bequests	-	-	-	-	-	-	69	69	310	97	509
Specific Income (refer note 3g)	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	287	-	-	-	-	-	845	1,132	2,329	1,240	2,599
Total Revenue from Operations	9,719	-	2,227	500	501	1,347	845	15,139	15,683	15,247	15,953

*Indirect contributions by Department of Human Services:
Department of Human Services makes certain payments for long service leave and insurance on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

STAWELL REGIONAL HEALTH

Note 2b: Analysis of Expenses by Source

	Acute Health	Mental Health	RAC	RAC Mental Health	Aged Care	Primary Health	Other	Parent Entity	Parent Entity	Consol'd	Consol'd
	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Services Supported by Health Services Agreement											
Employee Benefits											
Salaries & Wages	5,436	-	1,360	144	382	746	-	8,068	7,516	8,068	7,516
WorkCover	70	-	21	2	6	9	-	108	112	108	112
Departure Packages	-	-	20	-	-	-	-	20	-	20	-
Long Service Leave	140	-	32	5	13	14	-	204	252	204	252
Superannuation (refer note 19)	594	-	129	14	39	52	-	828	767	828	767
Non Salary Labour Costs											
Fees for Visiting Medical Officers	924	-	-	-	-	-	-	924	923	924	923
Agency Costs - Nursing	6	-	-	-	-	-	-	6	8	6	8
Agency Costs - Other	-	-	-	-	-	-	-	-	56	-	56
Supplies & Consumables											
Drug Supplies	401	-	1	-	-	-	-	402	348	402	348
S100 Drugs	101	-	-	-	-	-	-	101	130	101	130
Medical, Surgical Supplies and Prosthesis	843	-	50	-	11	92	-	996	844	996	844
Pathology Supplies	74	-	-	-	-	-	-	74	79	74	79
Food Supplies	(379)	-	462	92	27	-	-	202	199	202	199
Other Expenses											
Domestic Services & Supplies	(5)	-	113	15	22	64	-	209	231	209	231
Fuel, Light, Power and Water	129	-	24	5	8	12	-	178	163	178	163
Insurance costs funded by DHS	257	-	8	-	-	-	-	265	229	265	229
Motor Vehicle Expenses	61	-	-	-	22	18	-	101	76	101	76
Repairs & Maintenance	(29)	-	119	20	32	89	-	231	186	231	186
Maintenance Contracts	78	-	3	-	5	-	-	86	97	86	97
Patient Transport	109	-	-	-	-	-	-	109	75	109	75
Bad & Doubtful Debts	5	-	-	-	-	1	-	6	2	6	2
Lease Expenses	50	-	-	-	-	-	-	50	40	50	40
Other Administrative Expenses	(86)	-	363	38	98	295	-	708	553	708	553
Other	320	-	1	-	(40)	(3)	-	278	298	278	298
Sub-Total Expenses from Services Supported by Health Services Agreement	9,099	-	2,706	335	625	1,389	-	14,154	13,184	14,154	13,184
Services Supported by Hospital and Community Initiatives											
Employee Benefits											
Salaries & Wages	-	-	-	-	-	-	450	450	395	450	395
Workcover	-	-	-	-	-	-	6	6	7	6	7
Departure Packages	-	-	-	-	-	-	-	-	-	-	-
Long Service Leave	-	-	-	-	-	-	8	8	11	8	11
Superannuation (refer note 19)	-	-	-	-	-	-	38	38	37	38	37
Supplies & Consumables											
Medical, Surgical Supplies and Prosthesis	-	-	-	-	-	-	82	82	98	82	98
Food Supplies	-	-	-	-	-	-	71	71	75	71	75

STAWELL REGIONAL HEALTH

Note 2b: Analysis of Expenses by Source (Continued)

	Acute Health	Mental Health	RAC	RAC Mental Health	Aged Care	Primary Health	Other	Parent Entity	Parent Entity	Consol'd	Consol'd
	2006	2006	2006	2006	2006	2006	2006	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other Expenses	-	-	-	-	-	-	-	-	-	-	-
Domestic Services & Supplies	-	-	-	-	-	-	45	45	9	45	9
Fuel, Light, Power and Water	-	-	-	-	-	-	16	16	21	16	21
Motor Vehicle Expenses	-	-	-	-	-	-	4	4	4	4	4
Repairs & Maintenance	-	-	-	-	-	-	21	21	24	21	24
Maintenance Contracts	-	-	-	-	-	-	50	50	92	50	92
Bad & Doubtful Debts	-	-	-	-	-	-	3	3	2	3	2
Other Administrative Expenses	-	-	-	-	-	-	151	151	102	152	109
Other	-	-	-	-	-	-	-	-	1	-	1
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	-	-	-	-	-	-	945	945	878	946	885
Depreciation and Amortisation (refer note 3)	467	-	117	-	19	21	68	692	681	692	681
Auditor-General's (refer note 22)	-	-	-	-	-	-	10	10	10	10	10
Other	-	-	-	-	-	-	18	18	27	18	27
Total Expenses from Continuing Operations	9,566	-	2,823	335	644	1,410	1,041	15,819	14,780	15,820	14,787

STAWELL REGIONAL HEALTH
Note 2c: Patient and Resident Fees

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Patient and Resident Fees Raised				
Recurrent:				
Acute				
- Inpatients	375	390	375	390
- Outpatients	4	4	4	4
- Other	1		1	-
Residential Aged Care				
- Generic	359	348	359	348
- Mental Health	74	72	74	72
- Residential Accommodation Payments(*)	92	72	92	72
Other	173	167	173	167
Total Recurrent	1,078	1,053	1,078	1,053
Capital Purpose:				
Residential Accommodation Payments(*)	-	9	-	9
Total Capital	-	9	-	9

(*) This includes accommodation charges, interest earned on accommodation bonds and retention amount.

Note 2d: Net Gain/(Loss) on Disposal of Non-Current Assets

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Proceeds from Disposals of Non-Current Assets				
Vehicles	80	297	80	297
Computers	-			
Plant & Equipment	2	23	2	23
Land	-	98	-	98
Buildings	-	215	-	215
Total Proceeds from Disposal of Non-Current Assets	82	633	82	633
Less: Written Down Value of Non-Current Assets Sold				
Vehicles	41	269	41	269
Computers	1	-	1	-
Plant & Equipment	-	26	-	26
Land	-	98	-	98
Buildings	-	154	-	154
Total Written Down Value of Non-Current Assets Sold	42	547	42	547
Net gains/(losses) on Disposal of Non-Current Assets	40	86	40	86

STAWELL REGIONAL HEALTH

Note 2e: Analysis of Expenses by Internal and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Private Practice and Other Patient Activities				
Laboratory Medicine			-	-
Diagnostic Imaging	572	506	572	506
Pharmacy Services			-	-
Catering	162	158	162	158
Other	127	133	128	133
Other Activities				
Fundraising and Community Support	84	81	84	88
TOTAL	945	878	946	885

STAWELL REGIONAL HEALTH
Note 3: Depreciation and Amortisation

	Parent Entity	Parent Entity	Consolidated	Consolidated
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Buildings	357	321	357	321
Plant & Equipment	196	226	196	226
Computers and Communication	37	29	37	29
Furniture and Equipment	16	16	16	16
Motor Vehicles	73	74	73	74
Total Depreciation	679	666	679	666
Amortisation				
Intangible Assets	13	15	13	15
Total Amortisation	13	15	13	15
Total Depreciation & Amortisation	692	681	692	681

STAWELL REGIONAL HEALTH

Note 4: Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Cash on Hand	3	2	3	2
Cash at Bank	179	210	180	211
Short Term Money Market	1,120	2,104	1,857	2,887
TOTAL	1,302	2,316	2,040	3,100
Represented by:				
Cash for Health Service Operations (as per Cash Flow Statement)	1,271	2,275	2,009	3,059
Cash for Monies Held in Trust				
- Cash at Bank	31	41	31	41
	31	41	31	41
TOTAL	1,302	2,316	2,040	3,100

STAWELL REGIONAL HEALTH
Note 5: Receivables

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Inter Hospital Debtors	10	39	10	39
Trade Debtors	78	139	78	139
Patient Fees	98	57	98	57
Accrued Investment Income	4	6	29	26
Accrued Revenue - Other	104	16	104	16
TOTAL	294	257	319	277
LESS Provision for Doubtful Debts				
Trade Debtors	6	2	6	2
Patient Fees	2	-	2	-
TOTAL CURRENT RECEIVABLES	286	255	311	275
NON CURRENT				
DHS - Long Service Leave	177	331	177	331
TOTAL	177	331	177	331
TOTAL NON-CURRENT RECEIVABLES	177	331	177	331
TOTAL RECEIVABLES	463	586	488	606
BAD AND DOUBTFUL DEBTS				
Trade Debtors	8	2	8	2
Patient Fees	1	0	1	0

STAWELL REGIONAL HEALTH
Note 6: Other Financial Assets

	Operating Fund \$'000	Specific Purpose Fund \$'000	Capital Fund \$'000	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT							
Aust. Dollar Term Deposits	-	-	-	-	-	634	486
NON CURRENT							
Investments - Government Instrumentalitie	-	1	-	1	1	1	1
TOTAL	-	1	-	1	1	635	487
Represented by:							
Health Service Investments	-	-	-	1	1	1	1
Foundation Investments	-	-	-	-	-	634	486
TOTAL	-	-	-	1	1	635	487

STAWELL REGIONAL HEALTH

Note 7: Inventories

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Pharmaceuticals - at cost	24	25	24	25
Catering Supplies - at cost	5	6	5	6
Housekeeping Supplies - at cost	8	7	8	7
Medical and Surgical Lines - at cost	130	118	130	118
Engineering Stores - at cost	-	-	-	-
Administration Stores - at cost	1	9	1	9
TOTAL CURRENT INVENTORIES	168	165	168	165
TOTAL INVENTORIES	168	165	168	165

STAWELL REGIONAL HEALTH

Note 8: Other Assets

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Prepayments	45	43	45	43
TOTAL	45	43	45	43

STAWELL REGIONAL HEALTH
Note 9: Property, Plant & Equipment

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Land				
- Land at Valuation Less Impairment	1,227	1,227	1,227	1,227
Total Land	1,227	1,227	1,227	1,227
Buildings				
- Buildings Under Construction	94	40	94	40
- Buildings at Cost Less Accumulated Depreciation and Impairment	2,978 (47)	2,068	2,978 (47)	2,068
- Buildings at Valuation Less Accumulated Depreciation and Impairment	12,933 (310)	12,933	12,933 (310)	12,933
Total Buildings	15,648	15,041	15,648	15,041
Plant and Equipment at Cost				
- Plant and Equipment Less Accumulated Depreciation and Impairment	3,712 (2,617)	3,474	3,712 (2,617)	3,474
Total Plant and Equipment	1,095	1,049	1,095	1,049
Computers and Communication at Cost				
- Computers and Communication Less Accumulated Depreciation and Impairment	469 (396)	448	469 (396)	448
Total Computers and Communications	73	87	73	87
Furniture and Fittings at Cost				
- Furniture and Fittings Less Accumulated Depreciation and Impairment	327 (222)	300	327 (222)	300
Total Furniture and Fittings	105	93	105	93
Motor Vehicles at Cost				
- Motor Vehicles Less Accumulated Depreciation and Impairment	464 (116)	423	464 (116)	423
Total Motor Vehicles	348	256	348	256
TOTAL	18,496	17,753	18,496	17,753

Note 9: Property, Plant & Equipment (Continued)

Reconciliations of the carrying amounts of each class of asset at the beginning and end of the previous and current financial year is set out below.

	Buildings WIP \$'000	Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Furniture & Fittings \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 July 2004	451	1,197	12,458	954	93	274	15,427
Additions	1,484	58	175	463	17	324	2,521
Disposals	-	(98)	(154)	(26)	-	(269)	(547)
Transfer to Buildings	(1,895)	-	1,895	-	-	-	-
Revaluation increments/(decrements)	-	70	348	-	-	-	1,018
Depreciation and Amortisation (note 3)	-	-	(321)	(255)	(16)	(74)	(666)
Balance at 1 July 2005	40	1,227	15,001	1,136	94	255	17,753
Additions	954	-	10	266	27	207	1,464
Disposals	-	-	-	(1)	-	(41)	(42)
Transfer to Buildings	(900)	-	900	-	-	-	-
Depreciation and Amortisation (note 3)	-	-	(357)	(233)	(16)	(73)	(679)
Balance at 30 June 2006	94	1,227	15,554	1,168	105	348	18,496

Land and buildings carried at valuation

An independent valuation of the Health Service's land and buildings was performed by Valueit to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30/06/2005.

STAWELL REGIONAL HEALTH
Note 10: Intangible Assets

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Computer Software	194	178	194	178
Less Accumulated Amortisation and Impairment	(155)	(141)	(155)	(141)
	39	37	39	37
Total Written Down Value	39	37	39	37

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the previous and current financial year:

	Patents \$'000	Trade Marks \$'000	Development Costs \$'000	Other \$'000	Total \$'000
Balance at 1 July 2004				52	52
Amortisation (note 3)				(15)	(15)
Balance at 1 July 2005	0	0	0	37	37
Additions				15	15
Amortisation (note 3)				(13)	(13)
Balance at 30 June 2006	0	0	0	39	39

STAWELL REGIONAL HEALTH
Note 11: Payables

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Trade Creditors	699	490	699	490
Accrued Expenses	374	250	374	250
GST Payable	155	171	155	171
DHS	101	231	101	231
TOTAL	1,329	1,142	1,329	1,142

STAWELL REGIONAL HEALTH
Note 12: Provisions

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Employee Benefits (refer Note 12a)	1,730	1,659	1,730	1,659
TOTAL	1,730	1,659	1,730	1,659
NON-CURRENT				
Employee Benefits (Note 12a)	326	259	326	259
TOTAL	326	259	326	259

STAWELL REGIONAL HEALTH
Note 12a: Employee Benefits

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Long Service Leave				
- short-term benefits at nominal value	440	320	440	320
- long-term benefits at present value	403	553	403	553
Annual Leave				
short term benefits at nominal value	738	675	738	675
Accrued Waqes and Salaries	115	84	115	84
Accrued Days Off	34	27	34	27
TOTAL	1,730	1,659	1,730	1,659
NON-CURRENT				
Long Service Leave	326	259	326	259
TOTAL	326	259	326	259
Movement in Long Service Leave:				
Balance at start of year	1,132	991	1,132	991
Provision made during the year	212	260	212	260
Settlement made during the year	(175)	(119)	(175)	(119)
Balance at end of year	1,169	1,132	1,169	1,132

STAWELL REGIONAL HEALTH
Note 13: Other Liabilities

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
CURRENT				
Monies Held in Trust*				
- Patient Monies Held in Trust	15	27	15	27
- Medical Providers Monies held in Trust	2	-	2	-
- Staff Monies Held in Trust	14	14	14	14
Revenue in Advance	44	45	44	45
Interest free Loan	8	29	8	29
Total Current	83	115	83	115
Total Other Liabilities	83	115	83	115
* Total Monies Held in Trust	31	41	31	41
Represented by the following assets:				
Cash Assets (refer to Note 4)	31	41	31	41
TOTAL	31	41	31	41

STAWELL REGIONAL HEALTH
Note 14: Equity & Reserves

	Parent Entity	Parent Entity	Consolidated	Consolidated
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
(a) Reserves				
Asset Revaluation Reserve				
Balance at the beginning of the reporting period	2,417	1,398	2,417	1,398
Revaluation Increment/(Decrements)				
- Land	-	70	-	70
- Buildings	-	949	-	949
* Balance at the end of the reporting period	2,417	2,417	2,417	2,417
* Represented by:				
- Land	588	588	588	588
- Buildings	1,829	1,829	1,829	1,829
Restricted Specific Purpose Reserve				
Balance at the beginning of the reporting period	123	123	123	123
Transfer to and from Restricted Specific Purpose Reserve	186	-	186	-
Balance at the end of the reporting period	309	123	309	123
Total Reserves	2,726	2,540	2,726	2,540

	Parent Entity	Parent Entity	Consolidated	Consolidated
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
(b) Contributed Capital				
Balance at the beginning of the reporting period	9,107	9,107	9,107	9,107
Balance at the end of the reporting period	9,107	9,107	9,107	9,107
(c) Accumulated Surpluses/(Deficits)				
Balance at the beginning of the reporting period	6,079	5,176	7,369	6,203
Net Result for the Year	(680)	903	(573)	1,166
Transfers to restricted purposes Reserve	(186)	-	(186)	-
Balance at the end of the reporting period	5,213	6,079	6,610	7,369
(d) Equity				
Total Equity at the beginning of the reporting period	17,726	15,804	19,016	16,831
Total Changes in Equity Recognised in the Operating Statement	(680)	1,922	(573)	2,185
Total Equity at the reporting date	17,046	17,726	18,443	19,016

STAWELL REGIONAL HEALTH

Note 15: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Net Result for the Year	(680)	903	(573)	1,166
Depreciation & Amortisation	692	681	692	681
Provision for Doubtful Debts	6	-	6	-
Net (Gain)/Loss from Sale of Plant and Equipment	(40)	(86)	(40)	(86)
Increase/(Decrease) in Payables	186	(47)	186	(48)
Increase/(Decrease) in Employee Benefits	139	182	139	182
(Increase)/Decrease in Inventories	(3)	(12)	(3)	(12)
(Increase)/Decrease in Prepayments	(3)	3	(3)	3
(Increase)/Decrease in Other Current Assets	10	-	10	-
(Increase)/Decrease in Receivables	118	95	112	95
(Increase)/Decrease in other Current Liabilities	(13)	29	(13)	29
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	412	1,748	513	2,010

STAWELL REGIONAL HEALTH

Note 16: Financial Instruments

(a) Risk Management Policies

The Health Service's risk management framework is based on the Australian Standards and has an overarching policy which relates to areas such as clinical governance, workforce management, finance and cash management, information technology and asset management. The aim is that risk management is seen as a core component of service delivery and that high or extreme risks are managed at an appropriate level of seniority. A consistent risk assessment and management tool is used across all risk areas. The risk register is reviewed and updated by the risk management committee and is independently reviewed by our internal auditors. Management of risk is integrated into the Health Services 3 year Strategic Plan which is reviewed on a quarterly basis by the Board of Governance.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Interest Rate Risk Exposure

The Health Service's exposure to interest rate risk and effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates.

Interest rate exposure as at 30/06/2006

	Fixed interest rate maturing							Non Interest Bearing	Parent Entity 2006	Consolidated 2006	*Weighted Average Interest Rates (%)
	Floating Interest Rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years				
	\$'000	\$'000					\$'000	\$'000	\$'000	\$'000	
Financial Assets											
Cash at Bank	179	-	-	-	-	-	1	180	180	180	5.71
Short Term Money Market	-	1,120	-	-	-	-	-	1,120	1,857	1,857	5.94
Other Financial Assets	-	-	-	-	-	-	-	-	634	634	5.94
Trade debtors	-	-	-	-	-	-	88	88	88	88	
Other receivables	-	-	-	-	-	-	374	374	399	399	
Total Financial Assets	179	1,120	-	-	-	-	463	1,762	3,158	3,158	
Financial Liabilities											
Trade creditors and accruals	-	-	-	-	-	-	1,329	1,329	1,329	1,329	
Borrowings	-	-	-	-	-	-	8	8	8	8	
Monies held in trust	-	-	-	-	-	-	31	31	31	31	
Total Financial Liabilities	-	-	-	-	-	-	1,368	1,368	1,368	1,368	
Net Financial Asset/Liabilities	179	1,120	-	-	-	-	(905)	394	1,790	1,790	

*Weighted average or effective interest rates for each class of assets

** Includes \$'000 CPI indexed bonds (included in fixed interest rate maturing over five years)

Interest rate exposure as at 30/06/2005

	Fixed interest rate maturing							* Weighted Average Interest Rates (%)
	Floating Interest Rate	1 year or less	Over 1 to 5 years	Over 5 years	Non Interest Bearing	Parent Entity 2005	Consolidated 2005	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets								
Cash at Bank	210	-	-	-	2	212	213	4.5
Short Term Money Market	-	2,104	-	-	-	2,104	2,887	5.5
Trade debtors	-	-	-	-	176	176	176	0
Other receivables	-	-	-	-	224	224	244	0
Deposits	-	-	-	-	-	-	486	5.5
Total Financial Assets	210	2,104	-	-	402	2,716	4,006	
Financial Liabilities								
Trade creditors and accruals	-	-	-	-	1,287	1,287	1,287	0
Borrowings	-	-	-	-	29	29	29	0
Monies held in trust	-	-	-	-	41	41	41	0
Total Financial Liabilities	-	-	-	-	1,357	1,357	1,357	
Net Financial Asset/Liabilities	210	2,104	-	-	(955)	1,359	2,649	

* Weighted average or effective interest rates for each class of assets

** Includes \$'000 CPI indexed bonds (included in fixed interest rate maturing over five years)

(d) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties fail to meet their obligations under the respective contracts at maturity. The credit risk on financial assets of the entity have been recognised on the Balance Sheet, as the carrying amount, net any provisions for doubtful debts. (Indicate whether the Health Service is materially exposed to any individual debtor).

(e) Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and liabilities contained within these financial statements is representative of the fair value of each financial asset or liability.

Note 16: Financial Instruments (continued)

The following table details the fair value (2005: net fair value) of financial assets and financial liabilities.

	Parent Entity 2006		Parent Entity 2005		Consolidated 2006		Consolidated 2005	
	Book Value \$'000	Fair Value* \$'000	Book Value \$'000	Net Fair Value* \$'000	Book Value \$'000	Fair Value* \$'000	Book Value \$'000	Net Fair Value* \$'000
Financial Assets								
Cash at Bank	180	180	212	212	180	180	213	213
Short Term Money Market	1,120	1,120	2,104	2,104	2,491	2,491	2,887	2,887
Trade debtors	88	88	176	176	88	88	175	176
Other receivables	374	374	224	224	399	399	244	244
Deposits	-	-	-	-	-	-	486	486
Total Financial Assets	1,762	1,762	2,716	2,716	3,158	3,158	4,006	4,006
Financial Liabilities								
Trade creditors & accruals	1,329	1,329	1,287	1,287	1,329	1,329	1,287	1,287
Borrowings	8	8	29	29	8	8	29	29
Monies held in Trust	31	31	41	41	31	31	41	41
Total Financial Liabilities	1,368	1,368	1,357	1,357	1,368	1,368	1,357	1,357

* Fair values are capital amounts

(Fair values of financial instruments are determined on the following basis:

- i. Cash, deposit investments, cash equivalents and non-interest bearing financial assets and liabilities (trade debtors, other receivables, trade creditors and advances) are valued at cost which approximates to fair value
- ii. Interest bearing liability amounts are based on the present value of expected future cash flows, discounted at current market interest rates, quoted for trade (Treasury Corporation of Victoria.)

STAWELL REGIONAL HEALTH
Note 17: Commitments

	Parent Entity 2006 \$'000	Parent Entity 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
Capital Commitments				
Land and Buildings	-	712	-	712
Plant and Equipment	400	-	400	-
Total Capital Commitments	400	712	400	712
Land and Buildings				
Not later than one year	-	712	-	712
Plant and Equipment				
Not later than one year	400	-	400	-
Sub Total	400	712	400	712
Total				
Lease Commitments				
Commitments in relation to leases contracted for at the reporting date:				
Operating Leases	129	160	129	160
Sub Total	129	160	129	160
Total Lease Commitments	129	160	129	160
Operating Leases				
Non-cancellable				
Not later than one year	50	32	50	32
Later than one year and not later than 5 years	79	128	79	128
Sub Total	129	160	129	160
TOTAL	129	160	129	160

The weighted average interest rate implicit in leases is 6.92% (2005 - 6.92%).

STAWELL REGIONAL HEALTH

Note 18: Contingent Assets & Contingent Liabilities

As at June 30 2006 Stawell Regional Health has no knowledge of any contingent assets or liabilities (Nil for June 30 2005).

STAWELL REGIONAL HEALTH

Note 19: Superannuation

Superannuation contributions for the reporting period are included as part of employee benefits and on-costs in the Operating Statement of the Health Service.

The name and details of the major employee superannuation funds and contributions made by the Health Service are as follows:

Contribution for the Year

	Parent 2006 \$'000	Parent 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
FUND				
Health Super	844	796	844	796
HESTA	22	8	22	8
TOTAL	866	804	866	804

Contribution Outstanding at Year End

	Parent 2006 \$'000	Parent 2005 \$'000	Consolidated 2006 \$'000	Consolidated 2005 \$'000
FUND				
Health Super	-	-	-	-
Hesta	-	-	-	-
TOTAL	-	-	-	-

The bases for contributions are determined by the various schemes.

The unfunded superannuation liability in respect to members of State Superannuation Schemes and Health Super Scheme is not recognised in the Balance Sheet. Stawell Regional Health's total unfunded superannuation liability in relation to these funds has been assumed by and is reflected in the financial statements of the Department of Treasury and Finance.

The above amounts were measured as at 30 June of each year, or in the case of employer contributions they relate to the years ended 30 June.

All employees of the Health Service are entitled to benefits on retirement, disability or death from the Government Employees Super Fund. The defined benefit fund provides defined lump sum benefits based on years of service and annual average salary.

STAWELL REGIONAL HEALTH

Note 20: Segment Reporting (continued)

The major products/services from which the above segments derive revenue are:

Business Segments

Residential Aged Care Services (RACS)
Acute Health
Others (List)

- Primary Health
- District Nursing
- Radiology Service
- Catering Services
- Day Centre
- Phone triage
- Consulting Rooms
- Fundraising

Services

High and Pyschogeriatric Aged Care
Acute Medical & Surgical Services

Physiotherapy, Podiatry, Dietetics & Speech pathology

Geographical Segment

Stawell Regional Health operates predominantly in the Grampians region in Victoria. 100% of revenue, net surplus from ordinary activities and segment assets relate to operations in the Grampians region, Victoria.

STAWELL REGIONAL HEALTH

Note 21: Responsible Persons and Executive Officer Disclosures

(a) Responsible Persons

Responsible Ministers

The Hon B. Pike MP

Governing Boards

Mrs. J.M. Brilliant

Mrs. M.I. Blake

Dr. R.N. Castle

Mrs K Douglas

Mr. N.S. Dunn

Mr P.J. Martin

Mrs K. Harris

Mr G.E. McDonough

Mr. G.J. Thomas

Mr H.L. Cooper

Mr D.G. Stanes

Accountable Officer

Mr M.B. Delahunty

Appointed	Resigned
05/12/2002	
01/10/1986	
10/05/1977	30/10/2005
12/02/1980	30/10/2005
01/11/2004	
01/11/1991	
28/04/1999	
28/04/1999	
28/04/1999	
01/03/1993	
28/04/1999	
01/11/2005	
Nil	Nil
\$'000	\$'000
Nil	Nil
48	51
37	36

(b) Remuneration of Responsible Persons

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

The remuneration of the Accountable Officer who is not a member of the Board is reported under "Executive Officers Remuneration".

(c) Retirement Benefits of Responsible Persons

Retirement benefits paid by the reporting entity in connection with the retirement of Responsible Persons of the reporting entity amount to:

(d) Other Transactions of Responsible Persons and their Related Parties.

Dr R.N. Castle provides Visiting Medical Officer services

Ms M. Blake is employed by the Agency as the Public Relations officer

(e) Executive Officers' Remuneration

The numbers of executive officers, other than Ministers and members of the Board, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2006 No.	2005 No.	2006 No.	2005 No.
\$100,000 - \$109,999	2	-	2	-
\$160,000 - \$169,999	-	1	-	1
\$180,000 - \$189,999	1	-	1	-
	3	1	3	1
	\$'000	\$'000	\$'000	\$'000
	389	167	389	167

STAWELL REGIONAL HEALTH
Note 22: Remuneration of Auditors

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Health Services current financial report

Paid as at 30 June

Payable as at 30 June

Total Paid and Payable

Parent Entity	Parent Entity	Consolidated	Consolidated
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000
4	-	4	-
6	10	6	10
10	10	10	10

STAWELL REGIONAL HEALTH

Note 23: Events Occurring after the Balance Sheet Date

No significant events occurred after the reporting date (Nil, 2005).

STAWELL REGIONAL HEALTH

Note 24: Controlled Entity

Stawell District Hospital Foundation

A deed of settlement was executed on December 18, 1989 to establish the Stawell District Hospital Foundation. The purpose of the Foundation is to establish a charitable fund to which any person, corporation or association may contribute for the purpose of providing money, property and benefits to Stawell Regional Health.

STAWELL REGIONAL HEALTH

Note 25: Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS), the Health Service has reported for the first time in compliance with A-IFRS for the financial year ended 30 June 2006.

Under A-IFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with IFRS requirements. The Health Service is established to achieve the objectives of government in providing services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, the Health Service applies those paragraphs in Accounting Standards applicable to not-for-profit entities.

The Health Service changed its accounting policies, other than its accounting policies for financial instruments, on 1 July 2004 to comply with A-IFRS. The Health Service changed its accounting policies for financial instruments on 1 July 2005 (refer note 1(ae)). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Health Service's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

STAWELL REGIONAL HEALTH

Effect of A-IFRS on the Balance Sheet as at 1 July 2004

	Note	Previous AGAAP*	Parent Effect of transition to A-IFRS	A-IFRS	Previous AGAAP*	Consolidated Effect of transition to A-IFRS	A-IFRS
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current Assets							
Cash and Cash Equivalents		647		647	666		666
Receivables		570		570	590		590
Other Financial Assets		1830		1830	2818		2818
Inventories		153		153	153		153
Prepayments		46		46	46		46
Non-Current Assets Classified as Held For Sale				0			0
Other Assets				0			0
Total Current Assets		3246	0	3246	4273	0	4273
Non Current Assets							
Receivables		256		256	256		256
Other Financial Assets		1		1	1		1
Property, Plant & Equipment	E	15479	-52	15427	15479	-52	15427
Intangible Assets	E		52	52		52	52
Total Non Current Assets		15736	0	15736	15736	0	15736
TOTAL ASSETS		18982	0	18982	20009	0	20009
LIABILITIES							
Current Liabilities							
Payables		1334		1334	1334		1334
Provisions	C	864	528	1392	864	528	1392
Other Liabilities		108		108	108		108
Total Current Liabilities		2306	528	2834	2306	528	2834
Non-Current Liabilities							
Provisions	C	872	-528	344	872	-528	344
Total Non-Current Liabilities		872	-528	344	872	-528	344
TOTAL LIABILITIES		3178	0	3178	3178	0	3178
NET ASSETS		15804	0	15804	16831	0	16831
EQUITY							
Asset Revaluation Reserve		1398		1398	1398		1398
Restricted Specific Purpose Reserve		123		123	123		123
Contributed Capital		9107		9107	9107		9107
Accumulated Surpluses/(Deficits)		5176		5176	6203		6203
TOTAL EQUITY		15804	0	15804	16831	0	16831

STAWELL REGIONAL HEALTH

Effect of A-IFRS on the Operating Statement for the financial year ended 30 June 2004

No differences between Australian GAAP and A-IFRS have been identified as potentially having a material impact on the Health Service's financial performance after the adoption of A-IFRS.

Effect of A-IFRS on the statement of cash flows for the financial year ended 30 June 2004

There are no material differences between the cash flow statement presented under A-IFRS and the statement of cash flows presented under the superseded policies.

Notes to the reconciliation of income and equity

A. Impairment of assets.

AASB 136 *Impairment of Assets* requires assets to be assessed for indicators of impairment each year.

This Standard applies to all assets, other than inventories, financial assets and assets arising from construction contracts, regardless of whether they are measured on a cost or fair value basis. If indicators of impairment exist, the carrying value of an asset will need to be tested to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. For not-for-profit entities, value-in-use of an asset is generally its depreciated replacement cost.

An impairment test was conducted on transition date, 1 July 2004, which indicated no impairment loss.

B. Property, Plant and Equipment.

When an asset is initially recognised, AASB 116 *Property, Plant and Equipment* requires the capitalisation of costs of dismantling and removing an asset and restoring the site on which the asset was created, together with the recognition of a provision at present value in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. These costs (and the related provisions) were not recognised under Australian GAAP and the Health Service used to expense such costs as they were incurred. There were no significant costs of dismantling and removing an asset and restoring the site identified by the Health Service.

For property, plant and equipment that are measured under the revaluation model, not-for-profit entities are not required to establish the asset's true historical cost under AASB 116 or deemed cost because there is no requirement for not-for-profit entities to:

- restate the revaluation reserve on date of transition to A-IFRS; or
- disclose the carrying amount of each revalued class of property, plant and equipment that would have been recognised had the assets been carried under the cost model.

As a consequence, the Health Service has elected not to apply the deemed cost exemption provided under AASB 1 and continues to present the previous AGAAP cumulative revaluation reserve relating to each class of property, plant and equipment.

C. Employee Benefits.

Under previous Australian Accounting Standards, employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at their nominal amount regardless of whether they are expected to be settled within 12 months of the reporting date. On adoption of A-IFRS, a distinction is made between short-term and long-term employee benefits and AASB 119 *Employee Benefits* requires liabilities for short-term employee benefits to be measured at nominal amounts and liabilities for long-term employee benefits to be measured at present value. AASB 119 defines short-term employee benefits as employee benefits that fall due wholly within twelve months after the end of the period in which the employees render the related service. Therefore, liabilities for employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at present value where they are not expected to be settled within 12 months of the reporting date.

There was no material quantity effect of the above requirement on the Health Service's balance sheet as at 30 June 2004.

Classification of employee benefits as current and non-current liabilities

Employee benefit provisions are reported as current liabilities where the Health Service does not have an unconditional right to defer settlement for at least 12 months. Consequently, the current portion of the employee benefit provision can include both short-term benefits, that are measured at nominal values, and long-term benefits, that are measured at present values.

Employee benefit provisions that are reported as non-current liabilities also include long-term benefits such as non-vested long service leave (ie where the employee does not have a present entitlement to the benefit) that do not qualify for recognition as a current liability, and are measured at present values.

The effect of the above requirement on the Health Service's balance sheet as at 30 June 2004 was a decrease in non-current employee benefits provisions and increase in current employee benefits provision of \$528 000.

D. Inventories held for distribution.

Under previous AGAAP, costs of goods and services to be distributed for no consideration or at a nominal amount were expensed when incurred. The new Standard on inventories requires such costs to be capitalised as inventories held for distribution and expensed when distributed. Inventories held for distribution will be measured at the lower of cost and current replacement cost. Inventories other than inventories held for distribution will continue to be measured at the lower of cost and net realisable value.

There was no material quantity effect of the above requirement on the Health Service's Balance Sheet as at 30 June 2004.

E. Intangible Assets.

Under previous AGAAP costs incurred on research and development projects were deferred to future periods to the extent that they were expected beyond reasonable doubt to be recoverable. Under AASB 138 *Intangible Assets*, costs incurred in the research phase are not permitted to be recognised as an asset and are expensed when incurred. Only expenditures incurred in the development phase are permitted to be recognised as an asset to the extent that they satisfy the criteria of AASB 138. Accordingly, research costs previously capitalised as intangible assets were derecognised at the date of transition with the resulting adjustment made against accumulated funds. Intangible assets are also subject to annual impairment tests under AASB 138. There was no material quantity effect of these requirements on the Health Service's balance sheet as at 30 June 2004.

The Health Service has reclassified software previously included in Property, Plant and Equipment as Intangible Assets as they satisfy the criteria of AASB 138.

F. Accumulated Surplus

Above adjustments have no effect on accumulated surplus.

STAWELL REGIONAL HEALTH
Effect of A-IFRS on the Balance Sheet as at 30 June 2005

	Note	Parent Previous AGAAP* \$'000	Effect of transition to A-IFRS \$'000	A-IFRS \$'000	Parent Previous AGAAP* \$'000	Consolidated Effect of transition to A-IFRS \$'000	A-IFRS \$'000
ASSETS							
Current Assets							
Cash and Cash Equivalents		2,316	-	2,316	3,100	-	3,100
Receivables		255	-	255	275	-	275
Other Financial Assets		-	-	-	486	-	486
Inventories		165	-	165	165	-	165
Prepayments		43	-	43	43	-	43
Total Current Assets		2,779	-	2,779	4,069	-	4,069
Non Current Assets							
Receivables		331	-	331	331	-	331
Other Financial Assets		1	-	1	1	-	1
Property, Plant & Equipment	E	17,790	(37)	17,753	17,790	(37)	17,753
Intangible Assets	E		37	37		37	37
Total Non Current Assets		18,122	-	18,122	18,122	-	18,122
TOTAL ASSETS		20,901	-	20,901	22,191	-	22,191
LIABILITIES							
Current Liabilities							
Payables		1,142	-	1,142	1,142	-	1,142
Provisions	C	942	717	1,659	942	717	1,659
Other Liabilities		115	-	115	115	-	115
Total Current Liabilities		2,199	717	2,916	2,199	717	2,916
Non-Current Liabilities							
Provisions	C	976	(717)	259	976	(717)	259
Total Non-Current Liabilities		976	(717)	259	976	(717)	259
TOTAL LIABILITIES		3,175	-	3,175	3,175	-	3,175
NET ASSETS		17,726	-	17,726	19,016	-	19,016
EQUITY							
Asset Revaluation Reserve		2,417	-	2,417	2,417	-	2,417
Restricted Specific Purpose Reserve		123	-	123	123	-	123
Contributed Capital		9,107	-	9,107	9,107	-	9,107
Accumulated Surpluses/(Deficits)		6,079	-	6,079	7,369	-	7,369
TOTAL EQUITY		17,726	-	17,726	19,016	-	19,016

STAWELL REGIONAL HEALTH

Effect of A-IFRS on the Operating Statement for the financial year ended 30 June 2005

No differences between Australian GAAP and A-IFRS have been identified as potentially having a material impact on the Health Service's financial performance after the adoption of A-IFRS.

Effect of A-IFRS on the statement of cash flows for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the statement of cash flows presented under the superseded policies.

Notes to the reconciliation of income and equity

A. Impairment of assets.

AASB 136 *Impairment of Assets* requires assets to be assessed for indicators of impairment each year.

This Standard applies to all assets, other than inventories, financial assets and assets arising from construction contracts, regardless of whether they are measured on a cost or fair value basis. If indicators of impairment exist, the carrying value of an asset will need to be tested to ensure that the carrying value does not exceed its recoverable amount, which is the higher of its value-in-use and fair value less costs to sell. For not-for-profit entities, value-in-use of an asset is generally its depreciated replacement cost.

An impairment test was conducted on transition date, 1 July 2004, which indicated no impairment loss.

B. Property, Plant and Equipment.

When an asset is initially recognised, AASB 116 *Property, Plant and Equipment* requires the capitalisation of costs of dismantling and removing an asset and restoring the site on which the asset was created, together with the recognition of a provision at present value in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. These costs (and the related provisions) were not recognised under Australian GAAP and the Health Service used to expense such costs as they were incurred. There were no significant costs of dismantling and removing an asset and restoring the site identified by the Health Service.

For property, plant and equipment that are measured under the revaluation model, not-for-profit entities are not required to establish the asset's true historical cost under AASB 116 or deemed cost because there is no requirement for not-for-profit entities to:

- restate the revaluation reserve on date of transition to A-IFRS; or
- disclose the carrying amount of each revalued class of property, plant and equipment that would have been recognised had the assets been carried under the cost model.

As a consequence, the Health Service has elected not to apply the deemed cost exemption provided under AASB 1 and continues to present the previous AGAAP cumulative revaluation reserve relating to each class of property, plant and equipment.

C. Employee Benefits.

Under previous Australian Accounting Standards, employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at their nominal amount regardless of whether they are expected to be settled within 12 months of the reporting date. On adoption of A-IFRS, a distinction is made between short-term and long-term employee benefits and AASB 119 *Employee Benefits* requires liabilities for short-term employee benefits to be measured at nominal amounts and liabilities for long-term employee benefits to be measured at present value. AASB 119 defines short-term employee benefits as employee benefits that fall due wholly within twelve months after the end of the period in which the employees render the related service. Therefore, liabilities for employee benefits such as wages and salaries, annual leave and sick leave are required to be measured at present value where they are not expected to be settled within 12 months of the reporting date.

There was no material quantity effect of the above requirement on the Health Service's balance sheet as at 30 June 2005.

Classification of employee benefits as current and non-current liabilities

Employee benefit provisions are reported as current liabilities where the Health Service does not have an unconditional right to defer settlement for at least 12 months. Consequently, the current portion of the employee benefit provision can include both short-term benefits, that are measured at nominal values, and long-term benefits, that are measured at present values.

Employee benefit provisions that are reported as non-current liabilities also include long-term benefits such as non vested long service leave (ie where the employee does not have a present entitlement to the benefit) that do not qualify for recognition as a current liability, and are measured at present values.

The effect of the above requirement on the Health Service's balance sheet as at 30 June 2005 was a decrease in non current employee benefits provisions and increase in current employee benefits provision of \$717 000.

D. Inventories held for distribution.

Under previous AGAAP, costs of goods and services to be distributed for no consideration or at a nominal amount were expensed when incurred. The new Standard on inventories requires such costs to be capitalised as inventories held for distribution and expensed when distributed. Inventories held for distribution will be measured at the lower of cost and current replacement cost. Inventories other than inventories held for distribution will continue to be measured at the lower of cost and net realisable value.

There was no material quantity effect of the above requirement on the Health Service's Balance Sheet as at 30 June 2005.

E. Intangible Assets.

Under previous AGAAP costs incurred on research and development projects were deferred to future periods to the extent that they were expected beyond reasonable doubt to be recoverable. Under AASB 138 *Intangible Assets*, costs incurred in the research phase are not permitted to be recognised as an asset and are expensed when incurred. Only expenditures incurred in the development phase are permitted to be recognised as an asset to the extent that they satisfy the criteria of AASB 138. Accordingly, research costs previously capitalised as intangible assets were derecognised at the date of transition with the resulting adjustment made against accumulated funds. Intangible assets are also subject to annual impairment tests under AASB 138.

There was no material quantity effect of these requirements on the Health Service's balance sheet as at 30 June 2005.

The Health Service has reclassified software previously included in Property, Plant and Equipment as Intangible Assets as they satisfy the criteria of AASB 138.

F. Accumulated Surplus

Above adjustments have no effect on accumulated surplus.

STAWELL REGIONAL HEALTH

Note 26: Going Concern

The financial Statements are prepared on a going concern basis. Stawell Regional Health has:

- A deficit from ordinary activities of \$680,000 for the year ended 30 June 2006 (a surplus from ordinary activities of \$903,000 for the year ended 30 June 2005).
- A working capital deficiency of \$1,341,000 as at June 2006 (\$137,000 deficiency as at 30 June 2005).

The Department of Human Services will provide to Stawell Regional Health adequate cash flow support to enable the health service to meet its current and future obligations as and when they fall due for a period up to September 2007 should this be required.

In line with processes we have established, Stawell Regional Health will continue to provide monthly advice on its financial position, including the likelihood of any short term liquidity issues to the Department of Human Services.

It is expected that Stawell Regional Health will commit to achieve the agreed budget targets, and all other requirements of the Health Service Agreements in 2006-07.

Additionally, Stawell Regional Health is required to submit a Financial Recovery Plan to the Department of Human Services that outlines strategies to support achieving a break-even result over the period that has been agreed with the Stawell Regional Health Board.

