

Financial Report

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Our Performance

AGAINST 2008-09 BUDGET ALLOCATION

NSW Health is the major provider of health services to the NSW public and comprises around 27% of NSW General Government Sector expenditures as compared to 23% a decade ago.

The Operating Statement identifies that total expenses for 2008-09 amounted to \$13.84 billion which is a 5.5% increase over 2007-08. An average of \$37.92 million is expended each day.

User charges, where applied, are not based on full cost recovery or on commercial returns and instead reflect a contribution to the operating costs of health services. Because of these financial arrangements, the Department's performance measurement is best reflected in the net cost of providing those services. For the year ending 30 June 2009, this net cost was \$12.04 billion compared with \$11.30 billion in 2007-08.

The Department's Operating Statement for year ended 30 June 2009 has been prepared in accordance with NSW Treasury Reporting Code for Budget Dependent General Government Sector Agencies. Under the reporting requirements of the Code, NSW Health's Operating statement reports its actual Net Cost of Services result as \$12.04 billion which is a \$376 million (3.2%) variance to the reported 2008-09 Budget.

In reporting the Department's 2008-09 budget, the Code does not allow for the inclusion or recognition of a range of approved budget increases that have been provided to the Department during 2008-09. These intra year approved budget increases include approved increases granted from the NSW Treasurer's Advance (\$83M), specific Budget Committee of Cabinet approved increases (\$124M) and approved budget increases to recognise Actuarial review and assessment for leave provisions (\$120M).

Details of these variations are included at Note 40 of the Department's audited financial statements for 2008-09.

On the basis of recognising the additional approved budget adjustments identified at Note 40, the Department's actual Net Cost of Service result was effectively an on budget result for the 2008-09 year.

The NSW Government increased its funding for operating and capital needs to the NSW Department of Health from the Consolidated Fund by \$969 million or 9.0% to \$11.724 billion in 2008-09.

Consolidated Funds are used to meet both recurrent and capital expenditures, and are accounted for after Net Cost of Service is calculated in order to determine the movement in accumulated funds for the year.

While capital funding is shown in the Operating Statement, capital expenditure is not treated as an expense. By its nature, it is reflected in the Balance Sheet.

The amount the Department receives from year to year for capital purposes varies in line with its Capital Works Program but does influence the amount reported as the "Result for the Year". The result reported is also influenced by the extent of third party contributions restricted by donor conditions.

Expenses incurred throughout the health system are varied but the major categories include:

- \$8.55 billion for salaries and employee related expenses (\$7.96 billion in 2007-08)
- \$87 million for food (\$89 million in 2007-08)
- \$1.19 billion for drugs, medical and surgical supplies (\$1.16 billion in 2007-08)
- \$92 million for fuel, light and power (\$81 million in 2007-08)
- \$535 million for visiting medical staff (\$520 million in 2007-08)

The financial statements identify that, whilst \$480 million was charged for depreciation and amortisation on Property, Plant & Equipment and Intangibles, an amount of \$696 million was incurred in capital expenditure. This constitutes a real increase in the value of health assets and reflects the significant capital works program to improve NSW Health infrastructure.



Since 30 June 2001 the total assets of NSW Health have increased by \$4.445 billion or 64% to \$11.41 billion. The most significant movement has been the increase in Property, Plant & Equipment and Intangible Assets of \$3.689 billion or 59% which, reflects the injection of capital funding referenced above and the independent revaluations of assets.

Cash and Other Financial Assets have also increased by \$456 million since 30 June 2001 to \$914 million flowing from factors such as increased monies held as restricted assets (eg donations) of \$410 million, increased Salaries & Wages accruals of \$163 million and increased taxation, superannuation and payroll deductions of \$112 million duly adjusted for other balance sheet movements. The cash/other financial asset movement in 2008-09 was an increase of \$50 million.

Total Liabilities since June 2001 have increased by some \$2.223 billion or 129% to \$3.95 billion. This generally comprises:

- an increase in Payables of \$660 million stemming from the introduction of the Goods and Services Tax, the reclassification of Salary Accruals and salary related payments from Provisions to Payables in accordance with revised Australian Accounting Standards.
- an increase in Employee entitlements or Provisions of \$1.38 billion due to various Award movements that have occurred together with changes in the measurement of leave values to accord with revised Australian Accounting Standards.
- an increase in Borrowings of \$162 million due principally to contractual arrangements for various Private/Public Partnerships for the construction of infrastructure.

Health Services Liquidity and Creditor Payments - Health Services are required to utilise best practice liquidity management to maximise revenue and have funds available to pay staff, creditors and other cash liabilities as they fall due. However, payments to suppliers must be made in accordance with contract or normal terms unless payment is disputed over the condition or quantum of goods and services or the late receipt of invoices.

The NSW Department of Health monitors creditor performance on a regular basis and, where liquidity management is found to be deficient, requires relevant health services to improve performance and implement strategies. The Department

monitors progress, both in the short term and on a long term basis to achieve acceptable payment terms to suppliers.

Performance at balance date in the past three years against Trade Creditor benchmarks reported by Health Services is:

	30 June 2007	30 June 2008	30 June 2009
Value of General Accounts not paid within 45 days, \$M	0	75.1	69
Number of Health Services reporting General Creditors > 45 days	0	7	6

The Department has set a benchmark that creditor payments should not exceed 45 days from receipt of invoice.

In 2008-09 six Health Services did not achieve the 45 day requirement at 30 June 2009. The Department continues to work with Health Services to effect improvements in creditor payment and management with further requirements being imposed in 2008-09 to ensure that acceptable payment processes are observed, e.g.

- any Health Service which has creditors over its targeted benchmark is required to articulate how the creditor problem will be eliminated, reduced or otherwise managed. The Health Service is to continually monitor and report on its compliance with the benchmark.
- when a Health Service is contacted by a supplier about non or late payment of an account, the Director of Financial Operations is the responsible Health Service executive to satisfactorily resolve the matter. All commitments given to suppliers in respect of future payment arrangements are to be honoured by the Health Service concerned.
- Health Services are to apply best practice protocols for dealing with enquiries from suppliers, e.g. a dedicated telephone number for enquiries, an indication of such phone number and terms of payment on the purchase order and the monitoring of calls from suppliers.

General Creditors > 45 days at the end of the year

Desired outcome

Payment of general creditors within agreed terms.

Context

The department monitors creditor performance weekly. Where liquidity management is found to be deficient, it requires relevant health services to improve performance and implement strategies. The department monitors progress, both short- and long-term, to achieve acceptable payment terms to suppliers.

Performance at balance date in the past six years against trade creditor benchmarks reported by health services is:

Date	Value of General Accounts not paid within 45 days (\$M)	Number of Health Services reporting General Creditors 45 days
30 June 2004	7.5	3
30 June 2005	13.2	4
30 June 2006	1.3	1
30 June 2007	0	0
30 June 2008	75.2	6
30 June 2009	69.3	6

Since 2004-05, the department has set a benchmark that creditor payments should not exceed between 35 and 45 days from receipt of invoice.

The health services reporting creditors over 45 days at 30 June 2009 are as follows:

Health Service	\$M
South Eastern Sydney Illawarra	12.0
Sydney West	14.3
Northern Sydney Central Coast	15.2
North Coast	7.4
Greater Southern	10.5
Greater Western	9.8
Total	69.2*

*A further three with creditors over 45 days totalling \$81K can be attributed to timing issues.

Related policies and programs

The department has introduced weekly reporting of creditors since November 2008 and has also implemented improved business processes for liquidity management.

Net cost of service – general fund variance against budget

Desired outcome

Optimal use of resources to deliver health care.

Context

Net Cost of Services is the difference between total expenses and retained revenues and is a measure commonly used across government to denote financial performance. In NSW Health, the general fund (general) measure is refined to exclude the:

- ▮ effect of special purpose and trust fund monies, which are variable in nature, dependent on the level of community support
- ▮ operating result of business units (e.g., pathology services) covering a number of health services and which would otherwise distort the host service's financial performance
- ▮ effect of special projects only available for the specific purpose (e.g., oral health, drug and alcohol).

Interpretation

Four health services contributed significantly to the unfavourable 2008-09 total, i.e., Sydney West, Northern Sydney Central Coast, North Coast and Greater Western. The results reflect the significant pressures on budgets, particularly in responding to increases in activity and patient flows to/from other States and Territories.

In controlling budgetary performance, it will be appreciated that employee-related expenses constitute the major category.

For 2009-10, the department requires chief executives to set and achieve monthly staff targets. This will be closely monitored and departmental intervention will be considered if targets are not achieved. The department also requires the development of financial strategies to address the budgetary problems experienced in 2008-09.

Health Service	2008-09 Budget	Variation from Budget	
	\$M	\$M	%
Sydney South West	1,814.4	(6.6)	(0.4)
South Eastern Sydney Illawarra	1,505.0	11.2	0.7
Sydney West	1,452.2	31.8	2.2
Northern Sydney Central Coast	1,222.3	37.9	3.1
Hunter New England	1,290.1	6.0	0.5
North Coast	757.9	27.5	3.6
Greater Southern	702.8	13.9	2.0
Greater Western	604.0	37.4	6.2
NSW Ambulance Service	436.8	(2.9)	(0.7)
Children's Hospital at Westmead	44.8	5.2	11.6
Justice Health	96.8	(1.5)	(1.5)
Issued Budgets	9,927.1	159.8	1.6
2008-09 Result	9,302.2	159.4	1.7



Major Funding Initiatives

FINANCIAL YEAR 2008-09

The 2008-09 State Expenditure Budget was \$13.151 billion, ie, a 5.0% increase over the initial budget for 2007-08.

As indicated in the NSW Government Budget Papers for 2009-10 performance in key areas has improved considerably in the past three years at the same time as significant increases in activity.

Key features of the 2008-09 recurrent expenditure on health care in NSW included:

- \$17.8M to expand Medical Assessment Units (MAU) and provide 72 new MAU beds in 2008-09.
- \$19.8M to fund 160 extra community-based places in 2008-09.
- \$1.2M on the expansion of after-hours General Practice Clinics to further locations including Mona Vale and Canterbury Hospitals.
- \$3.3M to further develop HealthOne's focus on health promotion and protection to ease the burden of ill health, especially chronic disease.
- \$2.7M (\$19.1M over four years) to improve Aboriginal early childhood health services.
- \$1M (\$15.2M over four years) to enhance Housing and Accommodation Support Initiative (HASI) for Aboriginal people.
- \$4M for recruitment and retention of public oral health practitioners state-wide as the third stage of a \$40M program to improve dental services.
- \$32M in statewide services; including funding for extra intensive care beds, bone marrow transplantation, spinal injuries and severe burns.
- 4 Intensive Care beds (Royal Prince Alfred, Wollongong, Nepean & Westmead), 1 Paediatric Intensive Care bed (Sydney Children's Hospital), & 1 neo-natal intensive care cot (Nepean).
- \$32M to purchase specialist medical equipment such as feeding pumps, blood pressure machines and operating theatre equipment.
- \$12.9M for an additional 52 acute beds.
- \$29.7M Commonwealth funding to reduce elective surgery waiting lists and a nominal provision for the Commonwealth surgical equipment initiative (\$50.6M to NSW in total).
- \$5.7M (\$46.4M over four years) for maternity recruitment with emphasis on collocating intensive and neonatal intensive care services.
- \$7.2M to recruit 75 additional full-time ambulance staff in the Sydney area.
- Enhancing the Clinical Nurse Educators (CNEs) initiative by a further 120 to give 200 by 2011/12 the new enhancement commencing with 18 in 2008-09 (\$2.6M additional funding in 2008-09).
- \$3.5M to fund ten-hour night shifts in John Hunter, Blacktown, Mt Druitt, Gladesville/ Macquarie, Dubbo and Macksville hospitals.
- \$19M to fully fund the operating cost of the new Forensic Hospital at Long Bay.
- \$2.6M to expand the child and adolescent mental health program.



Initial cash allocations in 2008-09 to health services were increased by over \$447 million or on average by 4.7% compared to 2007-08 as follows:

HEALTH SERVICE	2008-09 \$M	2007-08 \$M	Increase	
			\$M	%
Sydney South West Area Health Service	1,879.3	1,800.5	78.8	4.4
South Eastern Sydney/Illawarra Area Health Service	1,790.4	1,714.4	76.0	4.4
Sydney West Area Health Service	1,342.4	1,291.1	51.3	4.0
Northern Sydney/Central Coast Area Health Service	1,257.6	1,219.5	38.1	3.1
Hunter/New England Area Health Service	1,179.3	1,129.6	49.7	4.4
North Coast Area Health Service	717.7	681.0	36.7	5.4
Greater Southern Area Health Service	569.1	536.7	32.4	6.0
Greater Western Area Health Service	510.1	486.5	23.6	4.8
The Children's Hospital at Westmead	218.9	209.3	9.6	4.6
Ambulance Service	340.5	316.3	24.2	7.7
Justice Health	122.4	95.3	27.1	28.4
Total	9,927.7	9,480.2	447.5	4.7

Note: These figures reflect initial Net Cash Allocations for 2007/08 and 2008-09.

Consolidated Financial Statements

The Department is required under the Annual Reports (Departments) Act to present the annual financial statements of each of its controlled entities. This has been achieved by tabling the 2008-09 annual reports of each Health Service before Parliament. For these purposes the report of each Health Service should be viewed as a volume of the Department of Health's overall report. Key indicators and comparatives at a Consolidated NSW Health level are:

NSW Health Key Financial Indicators

	2008-09 (\$M)	2007-08 (\$M)	Increase on previous Year (\$M)	Increase on previous Year (%)
Expenses	13,841	13,117	+724	+5.5
Revenue	1,864	1,870	-6	-0.3
Net Cost of Service	12,042	11,298	+744	+6.6
Recurrent Appropriation	11,202	10,353	+849	+8.2
Capital Appropriation	522	402	+120	+29.9
Net Assets	7,462	7,490	-28	-0.4
Total Assets	11,408	11,049	+359	+3.3
Total Liabilities	3,947	3,559	+388	+10.9

2008-09 Total Expenses Comparisons

Expenses include:	2008-09 (\$M)	2007-08 (\$M)	2006-07 (\$M)	2005-06 (\$M)	2004-05 (\$M)
Salaries and employee-related expenses	8,547	7,959	7,394	6,961	6,381
Food	87	89	82	81	75
Drugs, medical and surgical supplies	1,188	1,165	1,040	918	842
Fuel, light and power	92	81	78	72	64
Visiting medical staff	535	520	468	441	402

Movement in Key Financial Indicators over the last 6 years

	June 2009 (\$M)	June 2008 (\$M)	June 2007 (\$M)	June 2006 (\$M)	June 2005 (\$M)	June 2004 (\$M)
Assets						
Property, Plant & Equipment & Intangibles	9,935	9,656	9,083	8,729	8,391	7,426
Inventories	135	105	115	108	72	66
Cash & Financial Assets	914	864	907	860	868	683
Receivables	373	390	317	295	234	162
Other	52	34	27	28	27	43
Total	11,409	11,049	10,449	10,020	9,592	8,380
Liabilities						
Payables	1,008	1,052	751	711	690	543
Provisions	2,599	2,331	2,179	2,002	1,700	1,507
Borrowings	267	101	36	48	82	109
Other	73	75	42	75	64	65
Total	3,947	3,559	3,008	2,836	2,536	2,224
Equity	7,462	7,490	7,441	7,184	7,056	6,156

NOTE: Source for all above tables is the Audited Financial Statements

2009/10 and Forward Years

In 2009-10 \$14.5 billion has been provided for health service delivery, a 10.2% increase or \$1.34 billion more than the previous year.

The growing and ageing population exerts increasing pressures on the resources available and health service managers are required to respond to these challenges in the provision of quality health care.

The 2009-10 budget contains \$117 million to deliver the practical initiatives in the Government's "*Caring Together: The Health Action Plan for NSW*" to help doctors, nurses and allied health staff focus on patient care.

Caring Together initiatives for 2009-10 include:

- \$44M for 500 Clinical Support Officers who will enable doctors and nurses to spend more time caring for patients and less time on paperwork
- \$13.3M for Emergency Physicians
- \$8.6M for 64 new Clinical Pharmacists who will improve patient safety by monitoring the type, quantity, past use and combination of prescription medicines, educate patients about their prescribed medications and advise junior doctors and nurses on the best use of medicines
- \$7.4M to promote a positive culture and for training programs to prevent bullying
- \$6.8M for 45 additional rural junior medical doctor positions
- \$6.35M for improved cleaning services
- \$3.9M for on the job training
- \$3.7M for 30 new Clinical Initiative Nurses who will improve communication with patients and their families in the Emergency Department waiting room, organise x-rays so results are available when the patient is seen by a doctor and organise pain relief or a reassessment of priority for a patient if their condition changes while waiting
- \$3M to employ more support staff to ensure single sex rooms and areas wherever possible
- \$2.8M for additional allied health coverage for ward rounds
- \$2.3M to assist rural patient transport and accommodation for clinical care (IPTAAS).

A key reform to ensuring the NSW Health system will continue to meet the demands of the population is the provision of Medical Assessment Units, where elderly and fragile patients are treated quickly, as an Emergency Department is not often the best place to provide treatment. The 2009/10 budget provides \$17.7 million for 6 new Medical Assessment Units (MAU) and the expansion of another 6 units, providing an additional 69 MAU beds.

106 additional beds (including the MAUs) across NSW to meet ongoing demand, as well as \$11.9 million for more than 7,900 community-based residential or aged care places to relieve pressure on the health system.

Funding includes:

- \$9.4M for an additional 30 hospital beds
- \$3M for three additional Intensive Care beds at John Hunter, St George and Gosford hospitals
- \$3M for three additional neo-natal beds at Royal Hospital for Women (2) and one at Children's Hospital at Westmead and
- \$900,000 for providing additional high risk maternity bed capacity at Royal Hospital for Women.

Other key initiatives of the 2009-10 health budget include:

- An extra \$10M for community-based mental health programs including services for older people, mental health emergency care, rehabilitation and state-wide telephone access now totalling more than \$60M annually
- \$7.7M to expand renal services including additional renal dialysis chairs, intensive therapy capacity, home dialysis support and prevention and education programs
- \$5M for services to children with rare and complex conditions



- \$4.8M to expand maternity services including midwives positions and obstetricians
- \$3.8M for expanding the Aboriginal Housing and Accommodation Support Initiative (HASI)
- An extra \$2.8M making an annual total of \$5.5M for the Building Strong Foundations for Aboriginal Children, Families and Communities strategy, to ensure quality access to early childhood health services for Aboriginal families
- The investment of \$3.6M in the Government's "*Keep Them Safe: A Shared Approach to Child Wellbeing*" action plan, to establish a Child Well-being Unit within NSW Health – part of a \$14.4M project over four years to improve the health and safety of children
- NSW Health will also provide \$3.6M to non-government agencies to establish Regional Intake and Referral Services – part of a \$23.5M four-year commitment to improve access to community support services for vulnerable children and families.
- Other initiatives aimed at improving the well-being of children:
 - \$2M for better services for families where parents have mental illness – part of a progressively increasing \$14M four-year allocation
 - \$3M for coordination of health assessments for children and young people in out-of-home care – part of a \$12M four-year allocation
 - \$2M to extend trial of Sustained Health Home Visiting programs for children at risk – part of a \$8M four-year allocation
 - \$2M for better services for families where parents have drug and alcohol problems – part of an \$8M four-year investment
 - \$1.9M for new therapeutic programs for children and young people who display abusive behaviour – part of a \$7.7M four year allocation.

It is expected that the Commonwealth – NSW partnership in the provision of new health infrastructure and key services like dental, cancer, maternity and elective surgery will support and complement the NSW Government's *Caring Together* health action plan.

Independent Audit Report

FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT NSW Department of Health

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the NSW Department of Health (the Department), which comprises the balance sheets as at 30 June 2009, the operating statements, statements of recognised income and expense, cash flow statements, service group statements and summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

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

Director-General's Responsibility for the Financial Report

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 report.



I believe that 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 Department or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 role by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

8 October 2009
SYDNEY

Certification of Accounts


FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The financial statements of the NSW Health Department (parent entity) and the consolidated entity comprising the Department and its controlled activities for the year ended 30 June 2009 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.


John Roach
Chief Financial Officer


Debora Picone
Director-General
7 October 2009



Operating Statement

FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
			Expenses excluding losses				
			Operating Expenses:				
127,243	129,126	121,938	– Employee Related	3	8,546,559	8,227,410	7,959,424
462,328	489,005	489,005	– Other Operating Expenses	4	3,834,744	3,784,313	3,674,765
4,338	5,099	5,099	Depreciation and Amortisation	5	479,689	459,894	448,619
11,283,779	11,281,955	10,404,775	Grants and Subsidies	6	957,980	958,031	1,026,945
238	238	799	Finance Costs	7	22,458	15,201	7,629
11,877,926	11,905,423	11,021,616	Total Expenses excluding losses		13,841,430	13,444,849	13,117,382
			Revenue				
75,080	96,261	96,261	Sale of Goods and Services	8	1,378,020	1,299,867	1,319,671
12,101	18,029	18,029	Investment Revenue	9	58,254	75,040	60,252
78,534	75,372	93,372	Grants and Contributions	10	342,790	348,389	358,025
6,524	4,355	4,355	Other Revenue	11	85,142	87,244	132,034
172,239	194,017	212,017	Total Revenue		1,864,206	1,810,540	1,869,982
(963)	–	(6,436)	Gain /(Loss) on Disposal	12	(23,199)	–	(17,074)
(2,079)	(2,079)	(1,299)	Other Losses	13	(41,209)	(31,536)	(33,779)
11,708,729	11,713,485	10,817,334	Net Cost of Services	36	12,041,632	11,665,845	11,298,253
			Government Contributions				
11,201,765	11,167,349	10,353,404	Recurrent Appropriation	15	11,201,765	11,120,760	10,353,404
522,461	436,061	401,639	Capital Appropriation	15	522,461	436,061	401,639
1,347	1,347	595	Asset Sale Proceeds transferred to Parent		–	–	–
9,928	9,928	7,444	Acceptance by the Crown Entity of Employee Benefits	16	161,919	146,749	163,216
11,735,501	11,614,685	10,763,082	Total Government Contributions		11,886,145	11,703,570	10,918,259
26,772	(98,800)	(54,252)	RESULT FOR THE YEAR	32	(155,487)	37,725	(379,994)

The accompanying notes form part of these Financial Statements

Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
(2,277)	-	-	Net Increase/(Decrease) in Reserves	32	121,585	-	429,100
(2,277)	-	-	TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	32	121,585	-	429,100
26,772	(98,800)	(54,252)	Result for the Year		(155,487)	37,725	(379,994)
24,495	(98,800)	(54,252)	TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	32	(33,902)	37,725	49,106

The accompanying notes form part of these Financial Statements



Balance Sheet

AS AT 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
			ASSETS				
			Current Assets				
60,324	60,324	141,961	Cash and Cash Equivalents	18	774,329	700,444	702,787
45,330	45,330	72,362	Receivables	19	354,896	369,143	380,137
47,328	37,655	24,655	Inventories	20	134,600	106,113	105,109
-	-	-	Financial Assets at Fair Value	21	117,772	125,900	125,900
66,845	22,007	22,007	Other Financial Assets	22	-	-	-
13,955	15,345	-	Non Current Assets Held for Sale	24	35,184	(3,090)	18,740
233,782	180,661	260,985	Total Current Assets		1,416,781	1,298,510	1,332,673
			Non-Current Assets				
-	-	-	Receivables	19	17,612	9,380	9,380
-	-	2,086	Financial Assets at Fair Value	21	22,064	35,324	35,324
88,795	47,319	47,319	Other Financial Assets	22	-	-	-
			Property, Plant and Equipment				
113,608	108,310	128,654	- Land and Buildings	25	8,755,321	8,786,138	8,551,252
6,291	7,708	7,708	- Plant and Equipment	25	721,934	695,692	690,459
-	-	-	- Infrastructure Systems	25	338,112	332,774	332,774
119,899	116,018	136,362	Total Property, Plant and Equipment		9,815,367	9,814,604	9,574,485
392	392	2,485	Intangible Assets	26	119,561	82,884	81,884
-	-	-	Other	23	17,069	15,081	15,081
209,086	163,729	188,252	Total Non-Current Assets		9,991,673	9,957,273	9,716,154
442,868	344,390	449,237	Total Assets		11,408,454	11,255,783	11,048,827
			LIABILITIES				
			Current Liabilities				
108,492	133,030	126,530	Payables	28	1,008,446	1,024,008	1,052,208
-	-	-	Borrowings	29	8,384	6,251	4,309
15,500	14,719	14,019	Provisions	30	2,490,268	2,261,340	2,234,340
590	590	13,015	Other	31	19,087	25,750	25,750
124,582	148,339	153,564	Total Current Liabilities		3,526,185	3,317,349	3,316,607
			Non-Current Liabilities				
-	-	-	Borrowings	29	258,786	265,342	96,853
446	386	368	Provisions	30	109,157	96,785	96,785
1,637	2,027	2,027	Other	31	52,511	48,847	48,847
2,083	2,413	2,395	Total Non-Current Liabilities		420,454	410,974	242,485
126,665	150,752	155,959	Total Liabilities		3,946,639	3,728,323	3,559,092
316,203	193,638	293,278	Net Assets		7,461,815	7,527,460	7,489,735
			EQUITY	32			
92,643	94,838	94,838	Reserves		2,112,411	2,001,189	2,001,189
223,560	98,800	198,440	Accumulated Funds		5,346,631	5,524,505	5,486,780
-	-	-	Amounts Recognised in Equity Relating to Assets Held for Sale	24	2,773	1,766	1,766
316,203	193,638	293,278	Total Equity		7,461,815	7,527,460	7,489,735

The accompanying notes form part of these Financial Statements

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
(116,537)	(118,198)	(112,528)	Employee Related		(8,067,267)	(8,067,861)	(7,537,621)
(11,308,515)	(11,281,955)	(10,362,973)	Grants and Subsidies		(957,980)	(883,031)	(1,026,945)
(2,062)	(238)	(799)	Finance Costs		(25,510)	(15,201)	(7,629)
(577,346)	(452,988)	(663,609)	Other		(4,558,613)	(4,397,984)	(4,114,964)
(12,004,460)	(11,853,379)	(11,139,909)	Total Payments		(13,609,370)	(13,364,077)	(12,687,159)
			Receipts				
86,947	82,316	83,174	Sale of Goods and Services		1,482,733	1,291,794	1,250,043
18,138	18,029	10,677	Interest Received		37,792	75,040	48,184
195,449	66,640	233,308	Other		931,989	998,831	1,090,532
300,534	166,985	327,159	Total Receipts		2,452,514	2,365,665	2,388,759
			CASH FLOWS FROM GOVERNMENT				
11,189,340	11,167,349	10,365,829	Recurrent Appropriation		11,189,340	11,120,760	10,365,829
522,461	436,061	401,639	Capital Appropriation		522,461	436,061	401,639
1,347	1,347	595	Asset Sale Proceeds Transferred to Parent		-	-	-
11,713,148	11,604,757	10,768,063	NET CASH FLOWS FROM GOVERNMENT		11,711,801	11,556,821	10,767,468
9,222	(81,637)	(44,687)	NET CASH FLOWS FROM OPERATING ACTIVITIES	36	554,945	558,409	469,068
			CASH FLOWS FROM INVESTING ACTIVITIES				
498	-	298	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		24,902	-	9,102
26,726	-	81,820	Proceeds from Sale of Investments		47,988	48,280	45,319
(5,043)	-	(2,294)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(539,355)	(588,621)	(561,079)
(113,040)	-	(76,896)	Purchases of Investments		(21,546)	-	(28,289)
-	-	-	Other		-	(20,000)	(32,972)
(90,859)	-	2,928	NET CASH FLOWS FROM INVESTING ACTIVITIES		(488,011)	(560,341)	(567,919)
			CASH FLOWS FROM FINANCING ACTIVITIES				
-	-	-	Proceeds from Borrowings and Advances		13,287	3,171	88,908
-	-	-	Repayment of Borrowings and Advances		(8,560)	(3,582)	(24,308)
-	-	-	NET CASH FLOWS FROM FINANCING ACTIVITIES		4,727	(411)	64,600
(81,637)	(81,637)	(41,759)	NET INCREASE/(DECREASE) IN CASH		71,661	(2,343)	(34,251)
141,961	141,961	183,720	Opening Cash and Cash Equivalents		702,668	702,668	736,919
60,324	60,324	141,961	CLOSING CASH AND CASH EQUIVALENTS	18	774,329	700,325	702,668

The accompanying notes form part of these Financial Statements

Summary of Compliance with Financial Directives

FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

SUPPLEMENTARY FINANCIAL STATEMENTS

	2009				2008			
	Recurrent Appropriation \$'000	Expenditure /Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure /Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure /Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure /Net Claim on Consolidated Fund \$'000
Original Budget Appropriation/Expenditure								
Appropriation Act	10,826,608	10,825,695	436,061	436,061	10,350,496	10,326,304	385,439	385,439
Additional Appropriations	30,505	30,505	-	-	10,000	10,000	-	-
S26 PF&AA Commonwealth Specific Purpose Payments	263,647	263,647	-	-	-	-	-	-
	11,120,760	11,119,847	436,061	436,061	10,360,496	10,336,304	385,439	385,439
Other Appropriations/Expenditure								
Treasurer's Advance	83,114	83,114	86,400	86,400	20,000	20,000	16,200	16,200
Transfers to/from another agency (S31 of the Appropriation Act)	(1,196)	(1,196)	-	-	(2,900)	(2,900)	-	-
	81,918	81,918	86,400	86,400	17,100	17,100	16,200	16,200
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	11,202,678	11,201,765	522,461	522,461	10,377,596	10,353,404	401,639	401,639
Amount drawn down against Appropriation		11,201,765		522,461		10,365,829		401,639
Liability to Consolidated Fund *		-		-		12,425		-

The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

* The "Liability to Consolidated Fund" represents the difference between the "Amount Drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund".

Service Group Statement

FOR THE YEAR ENDED 30 JUNE 2009 - NSW DEPARTMENT OF HEALTH

SUPPLEMENTARY FINANCIAL STATEMENTS

EXPENSES AND REVENUES	Service Group 1.1* Primary and Community based Services		Service Group 1.2* Service Group 1.2* Aboriginal Health Services		Service Group 1.3* Outpatient Services		Service Group 2.1* Emergency Services		Service Group 2.2* Overnight Acute Inpatient Services		Service Group 2.3* Same Day Acute Inpatient Services		Service Group 3.1* Mental Health Services		Service Group 4.1* Rehabilitation & Extended Care Services		Service Group 5.1* Population Health Services		Service Group 6.1* Teaching and Research		Non Attributable		TOTAL						
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000				
Expenses excluding losses																													
Operating Expenses																													
- Employee Related	600,160	612,905	28,545	25,922	918,571	790,943	1,044,512	950,872	3,315,637	3,192,679	449,605	442,289	791,484	724,330	701,370	634,655	207,326	186,761	489,349	398,068	-	-	-	-	8,546,559	7,959,424			
- Other Operating Expenses	158,257	209,405	9,042	12,074	344,290	376,302	375,249	355,988	1,941,605	1,628,034	347,429	366,235	162,125	197,251	210,309	177,644	171,609	240,669	114,829	111,163	-	-	-	-	3,834,744	3,674,765			
Depreciation and Amortisation	29,741	28,131	1,209	1,207	57,702	52,544	56,107	56,494	211,238	195,715	31,229	30,803	32,426	27,315	35,857	34,322	8,099	7,322	16,081	14,766	-	-	-	-	479,689	448,619			
Grants and Subsidies	123,103	136,396	18,811	16,602	108,370	100,414	39,292	38,780	198,069	277,978	30,300	23,455	96,690	87,897	156,003	159,062	133,914	122,419	53,428	63,942	-	-	-	-	957,980	1,026,945			
Finance Costs	1,295	504	75	30	3,569	449	1,652	332	12,043	4,897	1,618	667	324	370	1,630	345	66	35	186	-	-	-	-	-	22,458	7,629			
Total Expenses excluding losses	912,556	987,341	57,682	55,835	1,432,502	1,320,652	1,516,812	1,402,466	5,678,592	5,299,303	860,181	863,449	1,083,049	1,037,163	1,105,169	1,006,028	521,014	557,206	673,873	587,939	-	-	-	-	13,841,430	13,117,382			
Revenue																													
Sale of Goods and Services	18,806	52,506	507	1,175	87,613	111,310	115,669	117,102	780,024	621,701	159,989	157,357	8,633	48,302	139,833	138,986	6,782	8,850	60,164	62,382	-	-	-	-	1,378,020	1,319,671			
Investment Revenue	4,827	4,492	145	69	5,943	5,588	5,315	4,770	19,955	22,670	2,876	3,630	3,149	2,915	4,862	5,611	2,027	1,275	9,155	9,232	-	-	-	-	58,254	60,252			
Grants and Contributions	31,701	36,114	4,697	3,769	29,702	23,169	12,937	10,778	69,982	89,324	11,988	9,956	11,661	12,336	31,832	38,707	39,841	46,458	98,449	87,414	-	-	-	-	342,790	358,025			
Other Revenue	6,109	9,063	98	115	6,709	9,655	8,494	13,379	27,721	41,372	3,994	6,340	3,119	3,307	7,613	12,026	7,808	11,426	13,477	25,351	-	-	-	-	85,142	132,034			
Total Revenue	61,443	102,175	5,447	5,128	129,967	149,722	142,415	146,029	897,682	775,067	178,847	177,283	28,562	66,860	184,140	195,330	56,458	68,009	181,245	184,379	-	-	-	-	1,864,206	1,869,982			
Gain/ (Loss) on Disposal	(1,086)	(962)	25	(916)	(2,613)	(2,369)	(1,661)	(2,921)	(12,653)	(4,849)	(1,551)	(890)	(932)	(1,059)	(1,350)	(1,131)	(443)	(642)	(935)	(1,335)	-	-	-	-	(23,199)	(17,074)			
Other Losses	(731)	(411)	(549)	(486)	(1,582)	(1,303)	(22,188)	(18,442)	(11,636)	(10,933)	(629)	(604)	(1,100)	(299)	(1,065)	(607)	(587)	(192)	(1,142)	(502)	-	-	-	-	(41,209)	(33,779)			
Net Cost of Services	852,930	886,539	52,759	52,109	1,306,730	1,174,602	1,398,246	1,277,800	4,805,199	4,540,018	683,514	687,660	1,058,519	971,661	923,444	812,436	465,586	490,031	494,705	405,397	-	-	-	-	12,041,632	11,298,253			
Government Contributions**																													
RESULT FOR THE YEAR																													
Administered Revenues																													
Consolidated Fund Taxes, Fees and Fines																													
Total Administered Revenues																													

* NSW Budget Paper No. 3 has replaced program statements with service group statements. Service group statements focus on the key measures of service delivery performance.

** The name and purpose of each service group is summarised in Note 17. There has been no need to amend comparative data for 2008.

The service group statement uses statistical data to 31 December 2008 to allocate the current period's financial information to each service group.

No changes have occurred during the period between 1 January 2009 and 30 June 2009 which would materially impact this allocation.

*** Appropriations are made on an agency basis and not to individual service groups. Consequently, government contributions must be included in the "Not Attributable" column

Service Group Statement

FOR THE YEAR ENDED 30 JUNE 2009 - NSW DEPARTMENT OF HEALTH

SUPPLEMENTARY FINANCIAL STATEMENTS

ASSETS AND LIABILITIES	Service Group 1.1**		Service Group 1.2**		Service Group 1.3**		Service Group 2.1**		Service Group 2.2**		Service Group 2.3**		Service Group 3.1**		Service Group 4.1**		Service Group 5.1**		Service Group 6.1**		Non Attributable		TOTAL			
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	
	ASSETS																									
Current Assets																										
Cash and Cash Equivalents	35,241	44,555	1,263	945	65,629	69,806	85,906	74,072	327,884	258,740	37,321	39,820	38,716	49,231	41,523	47,428	11,816	10,151	129,030	108,039	-	-	-	-	774,329	702,787
Receivables	8,200	15,779	1,088	542	23,846	21,468	40,366	31,202	162,034	208,646	31,779	25,636	21,973	8,961	36,861	34,285	10,838	6,723	17,911	26,895	-	-	-	-	354,896	380,137
Inventories	3,405	3,049	153	138	7,861	6,775	10,900	8,596	45,222	45,818	7,421	7,131	3,019	2,753	4,427	3,983	48,571	24,655	3,621	2,211	-	-	-	-	134,600	105,109
Financial Assets at Fair Value	1,288	7,354	-	168	6,377	14,982	3,182	8,801	94,160	52,984	2,073	6,857	1,532	2,617	2,346	9,152	63	1,304	6,751	21,681	-	-	-	-	117,772	125,900
Non Current Assets Held for Sale	2,201	2,736	187	29	1,630	1,923	3,551	3,410	7,587	7,028	1,596	987	1,765	806	16,126	1,195	361	183	180	443	-	-	-	-	35,184	18,740
Total Current Assets	50,335	73,473	2,691	1,822	105,343	114,954	143,905	126,081	636,887	573,216	80,190	80,431	67,005	64,368	101,283	96,043	71,649	43,016	157,493	159,269	-	-	-	-	1,416,781	1,332,673
Non-Current Assets																										
Receivables	286	401	4	3	752	437	1,779	764	9,076	5,117	1,267	552	713	279	1,621	577	153	148	1,961	1,102	-	-	-	-	17,612	9,380
Financial Assets at Fair Value	335	537	7	12	3,350	5,364	808	1,294	7,277	11,651	552	884	503	805	324	519	473	758	8,435	13,500	-	-	-	-	22,064	35,324
Property, Plant and Equipment																										
- Land and Buildings	559,576	537,200	24,838	22,667	1,109,841	1,032,151	832,334	805,515	3,865,620	3,794,310	557,625	584,208	662,145	709,455	643,202	630,442	143,593	148,864	356,547	286,440	-	-	-	-	8,755,321	8,551,252
- Plant and Equipment	39,876	37,597	1,511	1,349	94,873	87,001	88,729	97,262	314,245	299,061	46,959	44,823	51,848	44,503	49,329	46,822	10,915	10,590	23,649	21,451	-	-	-	-	721,934	690,459
- Infrastructure Systems	18,611	17,436	896	785	46,409	45,442	27,654	27,573	154,746	150,312	22,301	22,637	22,629	24,232	25,817	25,603	5,040	4,758	14,009	13,996	-	-	-	-	338,112	332,774
Intangible Assets	601	153	6	3	8,547	13,554	8,706	10,026	77,352	42,319	5,548	6,272	6,128	5,736	10,327	2,968	384	164	2,012	689	-	-	-	-	119,561	81,884
Other	836	919	33	35	2,372	2,021	1,308	1,191	8,090	6,751	919	804	1,004	873	1,273	1,257	221	159	1,013	1,071	-	-	-	-	17,069	15,081
Total Non-Current Assets	620,121	594,243	27,295	24,854	1,266,144	1,185,970	961,318	943,625	4,436,406	4,309,521	635,171	660,180	744,970	785,883	731,893	708,188	160,729	165,441	407,626	338,249	-	-	-	-	9,991,673	9,716,154
Total Assets	670,456	667,716	29,986	26,676	1,371,487	1,300,924	1,105,223	1,069,706	4,882,737	4,882,737	715,361	740,611	811,975	850,251	833,176	804,231	232,378	208,457	565,119	497,518	-	-	-	-	11,408,454	11,048,827
LIABILITIES																										
Current Liabilities																										
Payables	34,336	51,416	2,190	2,386	76,655	92,374	107,247	106,255	574,811	568,673	78,442	91,478	39,056	40,732	50,157	57,250	16,798	14,454	28,754	27,190	-	-	-	-	1,008,446	1,052,208
Borrowings	149	399	23	10	-	352	-	312	7,987	2,026	-	325	-	309	23	344	202	82	-	150	-	-	-	-	8,384	4,309
Provisions	173,378	182,357	7,902	6,676	272,247	227,425	319,740	273,959	959,322	895,089	132,335	122,512	230,744	199,507	204,297	177,474	55,286	46,403	135,017	102,938	-	-	-	-	2,490,268	2,234,340
Other	664	2,001	29	66	1,130	5,504	1,193	2,033	12,899	11,621	576	1,709	903	2,035	900	2,131	230	589	563	1,061	-	-	-	-	19,087	25,750
Total Current Liabilities	208,527	236,173	10,144	9,138	350,032	322,655	428,180	382,559	1,555,019	1,477,409	211,353	216,024	270,703	242,583	255,377	237,199	72,516	61,528	164,334	131,339	-	-	-	-	3,526,185	3,316,607
Non-Current Liabilities																										
Borrowings	19,170	7,214	1,334	284	50,361	9,429	14,590	7,598	75,173	43,363	12,794	7,077	36,406	7,858	36,892	8,859	4,691	1,770	7,375	3,401	-	-	-	-	258,786	96,853
Provisions	7,378	7,554	267	235	11,200	10,550	15,805	9,520	42,534	39,390	5,841	5,518	9,344	8,850	8,290	7,732	2,567	2,407	5,931	5,029	-	-	-	-	109,157	96,785
Other	3,046	3,256	59	59	6,268	4,872	3,068	3,527	23,982	23,554	2,545	2,482	4,233	3,877	4,104	4,030	812	628	4,394	2,562	-	-	-	-	52,511	48,847
Total Non-Current Liabilities	29,594	18,024	1,660	578	67,829	24,851	33,463	20,645	141,689	106,307	21,180	15,077	49,983	20,585	49,286	20,621	8,070	4,805	17,700	10,992	-	-	-	-	420,454	242,485
Total Liabilities	238,121	254,197	11,804	9,716	417,861	347,506	461,643	403,204	1,696,708	1,583,716	232,533	231,101	320,686	263,168	304,663	257,820	80,586	66,333	182,034	142,331	-	-	-	-	3,946,639	3,559,092
Net Assets	432,335	413,519	18,182	16,960	953,626	953,418	643,580	666,502	3,376,585	3,299,021	482,828	509,510	491,289	587,083	528,513	546,411	151,793	142,124	383,085	355,187	-	-	-	-	7,461,815	7,489,735

* NSW Budget Paper No. 3 has replaced program statements with service group statements. Service group statements focus on the key measures of service delivery performance.
 ** The name and purpose of each service group is summarised in Note 17.

The statistical data collected to 31 December 2008 to apportion Service Group expenses and revenues is also used to attribute assets and liabilities to each Service Group.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009
NSW DEPARTMENT OF HEALTH

1. The NSW Department of Health Reporting Entity

- (a) The NSW Department of Health (the Department), as a reporting entity, comprises all the entities under its control, namely Area Health Services constituted under the *Health Services Act, 1997*; the Royal Alexandra Hospital for Children, the Justice Health Service, the Clinical Excellence Commission, HealthQuest, and the Health Administration Corporation (which for both years includes the operations of the Ambulance Service of NSW, Health Support Services, NSW Institute of Medical Education and Training and Health Infrastructure). All of these entities are reporting entities that produce financial statements in their own right.

The reporting economic entity is based on the control exercised by the Department, and, accordingly, encompasses Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or donor, are nevertheless controlled by the entities referenced above.

- (b) The Department's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Department.
- (c) The consolidated accounts are those of the consolidated entity comprising the Department of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.
- (d) The Department is a NSW Government Department. The Department is a not-for-profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW Total State Sector Accounts.
- (e) This consolidated financial report for the year ended 30 June 2009 has been authorised for issue by the Chief Financial Officer and Director-General on 6 October 2009.

2. Summary of Significant Accounting Policies

The NSW Department of Health's financial report is a general purpose financial report which has been prepared in

accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2005*, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

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

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

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

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

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 Department.

Accounting Standard/Interpretation

AASB 127 and AASB 2008-3, Business Combinations, has application in reporting periods beginning on or after 1 July 2009 and determines information to be disclosed in respect of business acquisitions. Its applicability to not-for-profit entities is yet to be determined.

AASB 8 and AASB 2007-3 Operating Segments, has application in reporting periods beginning on or after 1 January 2009. It relates to for-profit entities specifically and is therefore not applicable to the Department or its controlled entities.

AASB 101, Presentation of Financial Statements, effective for reporting periods beginning on 1 July 2009, has reduced the disclosure requirements for various reporting entities. However, in not-for-profit entities such as the Department or its controlled entities there is no change required.



AASB 123 Borrowing Costs, has application in reporting periods beginning on or after 1 January 2009. The Standard, which requires capitalisation of borrowing costs, has not been adopted in 2008-09 nor is adoption expected prior to 2009/10.

AASB 1039, Concise Financial Reports, responds to changes in Section 314 of the Corporations Law and has application in reporting periods beginning on or after 1 January 2009 but is not applicable to the Department or its controlled entities.

AASB 2008-1, Share Based Payments has no applicability to the Department or its controlled entities.

AASB 2008-2, Puttable Financial Instruments and Obligations Arising on Liquidation, effective from 1 July 2009 has no application to the Department and its controlled entities.

AASB 2008-5 and AASB 2008-6, Annual Improvements Project, has application from 1 July 2009 and comprises changes for presentation, recognition or measurement purposes which are currently assessed as having no material impact on the Department or its controlled entities.

AASB 2008-7 Investment in a Subsidiary, Jointly Controlled Entity or Associate, has no impact on the Department or its controlled entities.

AASB 2008-8 Eligible Hedged Items, has application from 1 July 2009 but has no current applicability to the Department or its controlled entities.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, has mandatory application from 1 July 2009 and will not be early adopted by the Department or its controlled entities.

AASB 2008-11 Business Combinations Among Not for Profit, has application from 1 July 2009 and focuses largely on Local Government.

AASB 2008-13, Distribution of Non Cash Assets to Owners, has application in reporting periods beginning on or after 1 July 2009 but is assessed as having no applicability to the Department or its controlled entities.

AASB 2009-2, Improving Disclosures about Financial Instruments, has mandatory application from 1 July 2009. Changes to be advised by NSW Treasury concerning fair value measurement and liquidity risk will be adopted by the Department or its controlled entities.

Interpretation 15 Construction of Real Estate, applies from 1 July 2009 but has no impact on the Department or its controlled entities which are not involved in the construction of real estate for sale.

Interpretation 16, Agreements for the Hedges of a Net Investment in a Foreign Operation, has application from 1 July 2009 but has no relevance to the Department or its controlled entities.

Interpretation 17 & AASB 2008-13 Distributions of Non Cash Assets to Owners, applies from 1 July 2009 and principally addresses share holder distributions. It is not applicable to the Department or its controlled entities.

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

(a) Employee Benefits and Other Provisions

i) Salaries and Wages, Annual Leave, Sick Leave and On-costs

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

All annual leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 17% are applied to the value of leave payable at 30 June 2009, such on-costs being consistent with actuarial assessment (Comparable on-costs for 30 June 2008 were also 17%).

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

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

ii) Long Service Leave and Superannuation

At the consolidated level of reporting, long service leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non-Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next twelve months. This in turn is based on past trends and known resignations and retirements.

Long service leave provisions are measured on a short hand basis at an escalated rate of 9.8% (8.1% at 30 June 2008) for all employees with five or more years of service. The escalation applied is consistent with the actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate. Long service leave provisions for the parent entity have been calculated in accordance with the requirements of Treasury Circular T09/04. The parent

entity's liability for long service leave is assumed by the Crown Entity.

The Department's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Department accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 28, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

iii) Other Provisions

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

(b) Insurance

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

(c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's mandate for general government sector agencies.

(d) Income Recognition

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

i) Parliamentary Appropriations and Contributions

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must

be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the service is provided or by reference to the stage of completion.

Patient fees are derived from chargeable inpatients and non-inpatients on the basis of rates charged in accordance with approvals communicated in the Government Gazette.

Specialist doctors with rights of private practice are charged an infrastructure charge for the use of hospital facilities at rates determined by the NSW Department of Health. Charges are based on fees collected.

iii) Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement". Rental revenue is recognised in accordance with AASB117, "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 "Revenue" when the Department's right to receive payment is established.

iv) Grants and Contributions

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

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

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

- the amount of GST incurred by the Department/its controlled entities as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

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

(f) Intangible Assets

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



Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Department's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period of three to five years for items of computer software.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity the Department is effectively exempted from impairment testing (refer Paragraph 2(k)).

(g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

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

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

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

(h) Capitalisation Thresholds

Individual items of property, plant and equipment and intangible assets costing \$10,000 and above are capitalised.

(i) Depreciation

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 NSW Department of Health. Land is not a depreciable asset.

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

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

"Infrastructure Systems" means assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy including roads, bridges and seawalls.

(j) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP07-1). This policy adopts fair value in accordance with AASB116, "Property, Plant and Equipment" and AASB140, "Investment Property".

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

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

The Department revalues Land and Buildings and Infrastructure at least every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

To ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from the Department of Lands are applied. The indices reflect an assessment of movements in the period between revaluations. Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Values assigned to Land

and Buildings and Infrastructure have been modified accordingly.

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 Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

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

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

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

(k) Impairment of Property, Plant & Equipment

As a not-for-profit entity with no cash generating units, the Department is effectively exempted from AASB136, "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 material. Selling costs are regarded as immaterial.

(l) Maintenance

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

(m) Leased Assets

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

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

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

(n) Inventories

Inventories are held for distribution and are stated at the lower of cost and current replacement cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs. Obsolete items are disposed of upon identification in accordance with delegated authority.

(o) Non-current Assets (or disposal groups) held for sale

The Department has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(p) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs.

The Department, through its controlled Health Services determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss – The Department, through its controlled Health Services subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the operating statement.

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

The risk management strategy of the Department and its controlled Health Services has been developed consistent with the investment powers granted under the provision of the *Public Authorities (Financial Arrangements) Act 1987*.



TCorp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures. The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item "investment revenue".

(q) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the operating statement when impaired, derecognised or through the amortisation process.

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

(r) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the operating statement.

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

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

(s) De-recognition of Financial Assets and Financial Liabilities

A financial asset is de-recognised 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 de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

(t) Payables

These amounts represent liabilities for goods and services provided to the NSW Department of Health and its controlled entities and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the NSW Department of Health and its controlled entities.

(u) Borrowings

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

(v) Trust Funds

The Department's controlled entities receive monies in a trustee capacity for various trusts as set out in Note 34. As the controlled entities perform only a custodial role in respect of these monies and because the monies cannot be used for the achievement of NSW Health's objectives, they are not brought to account in the financial statements.

(w) Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as Departmental revenue but are disclosed as "Administered Revenues" in the service group statement.

The accrual basis of accounting and all applicable accounting standards have been adopted.

(x) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, S21A, S24 and/or S26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial report (rather than carried forward estimates).

(y) Exemption from Public Finance and Audit Act 1983

The Treasurer has granted the Department an exemption under section 45e of the Public Finance and Audit Act 1983, from the requirement to use the line item title "Surplus/ (Deficit) for the Year" in the Operating Statement. The Treasurer approved the title "Result for the Year" instead.

(z) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners by NSWTPP 09-3 and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

In 2008-09 the Department transferred land to the State Property Authority valued at \$0.375M (both parent and consolidated). The parent entity also transferred intangibles of \$1.195M within Health which had no effect on the consolidation.

(aa) Emerging Assets

The NSW Department of Health's emerging interest in car parks and hospitals have been valued in accordance with "Accounting for Privately Financed Projects" (TPP06-8). This policy requires Health Services to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost is then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period.

(ab) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2008 which is then applied to the current period's financial information. In respect of Assets and Liabilities the Department requires that all Health Services take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the Department, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

3. Employee Related Expenses

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
97,713	90,057	Employee related expenses comprise the following specific items:		
3,293	7,954	Salaries and Wages	6,735,690	6,355,762
3,846	6,049	Superannuation – defined benefit plans	162,803	168,683
6,695	4,586	Superannuation – defined contributions plans	525,863	486,034
8,842	6,590	Long Service Leave	265,690	213,600
960	1,164	Recreation Leave	731,189	603,635
5,894	5,538	Workers Compensation Insurance	119,454	124,741
		Payroll Tax and Fringe Benefit Tax	5,870	6,969
127,243	121,938		8,546,559	7,959,424
		The following additional information is provided:		
-	-	Employee Related Expenses Capitalised – Land and Buildings	1,476	208
-	-	Employee Related Expenses Capitalised – Plant and Equipment	9,404	2,225
			10,880	2,433

4. Other Operating Expenses

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
–	–	Blood and Blood Products	76,965	64,836
577	528	Domestic Supplies and Services	89,227	83,652
145,043	175,807	Drug Supplies	615,745	622,876
–	–	Food Supplies	87,483	88,564
300	265	Fuel, Light and Power	91,649	81,207
59,322	51,407	General Expenses (b)	191,092	211,393
12,741	10,317	Information Management Expenses	135,590	124,056
193,693	203,940	Insurance	206,488	215,855
15,220	–	Interstate Patient Outflows, NSW	137,309	110,128
1,534	3,754	Medical and Surgical Supplies	572,334	541,965
		Maintenance (c)		
867	823	Maintenance Contracts	107,530	89,518
1,472	941	New/Replacement Equipment under capitalisation threshold	111,005	88,739
2,243	3,526	Repairs	88,708	86,830
–	–	Maintenance/Non Contract	33,897	51,740
3	2	Other Maintenance	349	3,791
35	253	Operating Lease Rental Expense - minimum lease payments	45,661	38,096
2,331	2,209	Postal and Telephone Costs	53,814	54,044
3,929	3,470	Printing and Stationery	45,900	46,026
185	175	Rates and Charges	15,031	14,230
6,594	6,351	Rental	43,987	37,938
184	70	Special Service Departments	271,476	256,868
13,400	22,806	Staff Related Costs	72,210	66,184
–	–	Sundry Operating Expenses (a)	131,721	111,083
2,655	2,361	Travel Related Costs	74,550	64,837
–	–	Visiting Medical Officers	535,023	520,309
462,328	489,005		3,834,744	3,674,765
		(a) Sundry Operating Expenses comprise:		
–	–	Aircraft Expenses (Ambulance)	56,505	50,011
–	–	Contract for Patient Services	65,835	51,909
–	–	Isolated Patient Travel and Accommodation Assistance Scheme	9,381	9,163
–	–		131,721	111,083
		(b) General Expenses include:		
4,973	2,173	Advertising	11,145	10,609
292	349	Books, Magazines and Journals	7,889	7,916
		Consultancies		
1,761	1,706	Operating Activities	14,081	12,379
1,787	1,826	Capital Works	2,870	5,056
1,900	1,787	Courier and Freight	15,001	13,414
345	430	Auditors Remuneration - Audit of financial reports	3,845	3,847
920	960	Legal Services	6,669	7,346
47	241	Motor Vehicle Operating Lease Expense - minimum lease payments	64,413	65,564
212	269	Membership/Professional Fees	6,326	4,929
–	9	Payroll Services	293	504
317	272	Security Services	13,064	10,848
243	358	Translator Services	2,932	3,275
–	–	Quality Assurance/Accreditation	3,143	2,386
485	1,003	Data Recording and Storage	3,569	3,721
		(c) Reconciliation - Total Maintenance		
4,585	5,292	Maintenance expense - contracted labour and other (non employee related), included in Note 4 above	341,489	320,618
72	137	Employee related maintenance expense included in Note 3	72,745	72,384
4,657	5,429	Total maintenance expenses included in Notes 3 and 4	414,234	393,002

5. Depreciation and Amortisation

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
1,828	1,853	Depreciation - Buildings	296,068	280,338
1,952	2,052	Depreciation - Plant and Equipment	154,579	138,789
-	-	Depreciation - Infrastructure Systems	14,198	12,379
-	-	Amortisation - Leased Buildings	2,309	211
558	1,194	Amortisation - Intangibles	12,535	16,902
4,338	5,099		479,689	448,619

6. Grants and Subsidies

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
14,008	15,265	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service net of payments recognised in Note 4	14,008	15,265
-	-	Operating Payments to Other Affiliated Health Organisations	546,505	565,495
1,369	18,666	Capital Payments to Affiliated Health Organisations	7,928	23,089
		Grants -		
145,925	139,509	Cancer Institute NSW	135,389	139,509
13,847	18,879	External Research	15,285	41,510
4,242	2,135	NSW Institute of Psychiatry	4,242	2,135
1,857	1,814	National Drug Strategy	1,857	1,814
57,086	59,803	Non Government Voluntary Organisations	133,465	138,914
11,020,157	10,108,565	Payments to Controlled Health Entities	-	-
25,288	40,139	Other Payments	99,301	99,214
11,283,779	10,404,775		957,980	1,026,945

7. Finance Costs

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
-	-	Finance Lease Interest Charges	7	1,678
238	799	Other Interest Charges	22,451	5,951
238	799		22,458	7,629

8. Sale of Goods and Services

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
-	-	(a) Sale of Goods comprise the following:-		
-	-	Sale of Prosthesis	42,055	37,242
-	-	Cafeteria/Kiosk	20,959	21,587
-	-	Linen Service Revenues - Non Health Services	12,765	15,332
-	-	Meals on Wheels	2,863	2,908
-	-	Pharmacy Sales	6,142	5,978

8. Sale of Goods and Services (continued)

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(b) Rendering of Services comprise the following:		
-	-	Patient Fees	404,425	407,063
-	-	Staff - Meals and Accommodation	7,709	8,056
		Infrastructure Fees		
-	-	– Monthly Facility Charge	204,463	192,016
-	-	– Annual Charge	59,888	48,537
54,567	55,522	Department of Veterans' Affairs Agreement Funding	289,817	296,343
-	-	Ambulance Non Hospital User Charges	77,515	69,253
-	-	Use of Ambulance Facilities	8,370	3,304
-	-	Motor Accident Authority Third Party Receipts	33,200	28,500
-	-	Car Parking	21,800	20,132
-	-	Child Care Fees	9,540	8,310
-	-	Clinical Services	28,534	16,995
-	-	Commercial Activities	36,114	32,031
-	-	Fees for Medical Records	2,122	2,210
-	-	Services Provided to Non NSW Health Organisations	14,192	17,844
-	-	PADP Patient Copayments	907	935
3,115	2,734	Personnel Services - Institute of Psychiatry	3,115	2,734
6,252	5,615	Personnel Services - Health Professional Registration Boards	6,252	5,615
291	4,785	Patient Inflows from Interstate	291	368
-	-	Computer Support Charges - Health Services	97	99
10,855	27,605	Other	84,885	76,279
75,080	96,261		1,378,020	1,319,671

9. Investment Revenue

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Interest		
-	-	TCorp Hour Glass Investment Facilities designated at Fair Value through profit or loss	9,917	7,848
11,177	17,656	Other	30,308	38,354
-	-	Lease and Rental Income	15,397	13,003
924	373	Other	2,632	1,047
12,101	18,029		58,254	60,252

10. Grants and Contributions

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
-	-	Clinical Drug Trials	16,766	18,263
39,071	57,158	Commonwealth Government Grants	82,326	99,532
23,000	23,000	Health Super Growth	23,000	23,000
-	-	Industry Contributions/Donations	64,877	74,029
5,778	5,500	Grants from Cancer Institute of NSW	49,456	62,310
216	153	Research Grants	37,411	33,997
-	-	University Commission Grants	189	135
10,469	7,561	Other Grants	68,765	46,759
78,534	93,372		342,790	358,025

11. Other Revenue

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
–	–	Other Revenue comprises the following:-		
–	–	Commissions	2,732	2,738
–	–	Conference and Training Fees	5,671	5,683
1,272	65	Treasury Managed Fund Hindsight Adjustment	32,772	69,286
–	–	Sale of Merchandise, Old Wares and Books	1,110	52
–	–	Rights to Receive Fixed Assets	4,344	8,534
5,252	4,290	Sundry Revenue	38,513	45,741
6,524	4,355		85,142	132,034

12. Gain/(Loss) on Disposal

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
5,312	8,802	Property, Plant and Equipment	364,737	249,131
(4,192)	(2,713)	Less Accumulated Depreciation	(332,442)	(224,366)
1,120	6,089	Written Down Value	32,295	24,765
(497)	347	Less Proceeds from Disposal	(9,532)	(8,043)
(623)	(6,436)	Gain/(Loss) on Disposal of Property Plant and Equipment	(22,763)	(16,722)
17,748	77,855	Financial Assets at Fair Value	47,988	–
(17,748)	(77,855)	Less Proceeds from Disposal	(47,988)	–
–	–	Gain/(Loss) on Disposal of Financial Assets at Fair Value	–	–
340	–	Intangible Assets	340	229
–	–	Less Proceeds from Disposal	–	(3)
(340)	–	Gain/(Loss) on Disposal of Intangible Assets	(340)	(226)
–	–	Assets Held for Sale	15,466	1,179
–	–	Less Proceeds from Disposal	(15,370)	(1,053)
–	–	Gain/(Loss) on Disposal of Assets Held for Sale	(96)	(126)
(963)	(6,436)	Total Gain/(Loss) on Disposal	(23,199)	(17,074)

13. Other (Losses)

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
6	(1,299)	Impairment of Receivables	(38,615)	(33,779)
(2,085)	–	Write off of Shares	(2,085)	–
–	–	Decrement on Land Revaluation, Justice Health	(509)	–
(2,079)	(1,299)		(41,209)	(33,779)

14. Conditions on Contributions - Consolidated

	Purchase of Assets \$000	Health Promotion, Education and Research \$000	Other \$000	Total \$000
Contributions recognised as revenues during current year for which expenditure in manner specified had not occurred as at balance date	9,699	65,410	66,834	141,943
Contributions recognised in previous years which were not expended in the current financial year	54,958	397,812	99,479	552,249
Total amount of unexpended contributions as at balance date	64,657	463,222	166,313	694,192

Comment on restricted assets appears in Note 27

15. Appropriations

	PARENT AND CONSOLIDATED	
	2009 \$000	2008 \$000
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	11,201,765	10,365,829
Less Liability to Consolidated Fund (per Summary of Compliance)	-	(12,425)
Total	11,201,765	10,353,404
Comprising:		
Recurrent appropriations (per Operating Statement)	11,201,765	10,353,404
Total	11,201,765	10,353,404
Capital appropriations		
Total capital draw-downs from NSW Treasury (per Summary of Compliance)	522,461	401,639
Total	522,461	401,639
Comprising:		
Capital appropriations (per Operating Statement)	522,461	401,639
Total	522,461	401,639

16. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
3,293	2,934	Superannuation - Defined Benefit	155,284	158,706
6,446	4,334	Long Service Leave	6,446	4,334
189	176	Payroll Tax	189	176
9,928	7,444		161,919	163,216

17. Service Groups of the Department

Service Group 1.1 - Primary and Community Based Services

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

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

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and

- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Overnight Acute Inpatient Services

Service Description: This service group covers the provision of health care to patients admitted to public hospitals with the intention that their stay will be overnight, including elective surgery and maternity services

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

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction, and

- reduced rate of unplanned and unexpected hospital readmissions.

Service Group 2.3 - Same Day Acute Inpatient Services

Service Description: This service group covers the provision of health care to patients who are admitted to public hospitals with the intention that they will be admitted, treated and discharged on the same day.

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent



functioning of people with disabilities or chronic conditions, the frail and terminally ill.

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

18. Cash and Cash Equivalents

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
60,324	141,961	Current		
-	-	Cash at Bank and on hand	291,228	348,292
		Short Term Deposits	483,101	354,495
60,324	141,961		774,329	702,787
		Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:		
60,324	141,961	Cash and Cash Equivalents (per Balance Sheet)	774,329	702,787
-	-	Bank Overdraft *	-	(119)
60,324	141,961	Closing Cash and Cash Equivalents (per Cash Flow Statement)	774,329	702,668

* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments. Refer to Note 41 for details regarding credit risk and market risk arising from financial instruments.

19. Receivables

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
30,891	52,056	Current		
3,687	5,686	(a) Sale of Goods and Services	277,990	264,212
949	1,026	Goods and Services Tax	72,581	68,585
763	1,784	Personnel Services - Institute of Psychiatry	949	1,026
6,738	3,902	Personnel Services - HPRB	763	1,784
		Other Debtors	14,161	43,877
43,028	64,454	Sub Total	366,444	379,484
(96)	(1,286)	Less Allowance for Impairment	(46,698)	(46,658)
2,398	9,194	Prepayments	35,150	47,311
45,330	72,362		354,896	380,137

19. Receivables (continued)

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(b) Movement in the allowance for impairment		
		Sale of Goods and Services		
(1,286)	(177)	Balance at 1 July	(39,388)	(32,913)
1,184	190	Amounts written off during the year	34,385	23,759
(69)	–	Amounts recovered during the year	475	(452)
75	(1,299)	(Increase)/decrease in allowance recognised in profit or loss	(35,874)	(29,782)
(96)	(1,286)	Balance at 30 June	(40,402)	(39,388)
		(c) Movement in the allowance for impairment		
		Other Debtors		
–	–	Balance at 1 July	(7,270)	(5,377)
–	–	Amounts written off during the year	4,999	1,316
–	–	Amounts recovered during the year	173	–
–	–	(Increase)/decrease in allowance recognised in Result for the Year	(4,198)	(3,209)
–	–	Balance at 30 June	(6,296)	(7,270)
		Non-Current		
		(a) Sale of Goods and Services		
–	–	Other Debtors	1,539	2,547
–	–		–	596
–	–		1,539	3,143
–	–	Less Allowance for Impairment	(526)	(1,682)
–	–	Prepayments	16,599	7,919
–	–		17,612	9,380
		(b) Movement in the allowance for impairment		
		Sale of Goods and Services		
–	–	Balance at 1 July	(1,349)	(894)
–	–	Amounts written off during the year	1,451	226
–	–	Amounts recovered during the year	–	–
–	–	(Increase)/decrease in allowance recognised in Result for the Year	(628)	(681)
–	–	Balance at 30 June	(526)	(1,349)
		(c) Movement in the allowance for impairment		
		Other Debtors		
–	–	Balance at 1 July	(333)	(334)
–	–	Amounts written off during the year	333	108
–	–	Amounts recovered during the year	–	–
–	–	(Increase)/decrease in allowance recognised in Result for the Year	–	(107)
–	–	Balance at 30 June	–	(333)
		Receivables (both Current and Non Current) includes:		
–	–	Patient Fees - Compensable	13,798	16,068
–	–	Patient Fees - Ineligibles	17,700	16,687
–	–	Patient Fees - Other	56,131	65,766

As indicated in Note 2(q) an allowance for impairment of receivables is recognised when there is objective evidence that the entity will not be able to collect all amounts due. Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 41.

20. Inventories

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current - Held for Distribution		
40,634	17,961	Drugs	77,334	52,834
6,694	6,694	Medical and Surgical Supplies	45,149	40,570
-	-	Food Supplies	1,577	2,294
-	-	Engineering Supplies	504	521
-	-	Other including Goods in Transit	10,036	8,890
47,328	24,655		134,600	105,109

21. Financial Assets at Fair Value

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
-	-	TCorp Hour Glass Investment Facilities	117,772	125,900
-	-	Shares	-	-
-	-		117,772	125,900
		Non-Current		
-	-	TCorp Hour Glass Investment Facilities	22,064	33,238
-	2,086	Shares	-	2,086
-	2,086		22,064	35,324

Refer Note 41 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

22. Other Financial Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
66,845	22,007	Advances Receivable - Intra Health	-	-
66,845	22,007		-	-
		Non-Current		
88,795	47,319	Advances Receivable - Intra Health	-	-
88,795	47,319		-	-

Refer Note 41 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

23. Other Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Non Current		
-	-	Emerging Rights to Assets (Refer to Note 2 (aa))	17,069	15,081
-	-		17,069	15,081

Car parks at Sydney Hospital, Prince of Wales Hospital and St George Hospital are included above as are the Bowral Private Hospital, Prince of Wales Private Hospital, Bowral Private Medical Imaging and the Bankstown Medical General Practitioner Service.

24. Non Current Assets (or Disposal groups) Held for Sale

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
13,955	–	Assets Held for Sale		
–	–	Land and Buildings	34,917	18,566
		Infrastructure Systems	267	174
13,955	–		35,184	18,740
		Amounts recognised in equity relating to assets held for sale		
–	–	Available for sale financial asset revaluation increments/(decrements) - Note 32 refers	2,773	1,766
–	–		2,773	1,766

The assets held for sale all relate to properties that have been classified as surplus to need. In such case sales are expected to be realised within the next reporting period.

25. Property, Plant and Equipment

	PARENT	
	2009 \$000	2008 \$000
Land and Buildings - Fair Value		
Gross Carrying Amount	179,598	185,557
Less Accumulated Depreciation and Impairment	(65,990)	(56,903)
Net Carrying Amount	113,608	128,654
Plant and Equipment - Fair Value		
Gross Carrying Amount	26,315	29,973
Less Accumulated Depreciation and Impairment	(20,024)	(22,265)
Net Carrying Amount	6,291	7,708
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	119,899	136,362

25. Property, Plant and Equipment - Reconciliations

	PARENT			
	Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
Year Ended 30 June 2009				
Net Carrying amount at start of year	74,075	54,579	7,708	136,362
Additions	1,375	2,349	1,320	5,044
Assets Held for Sale	(13,230)	(725)	–	(13,955)
Disposals	(335)	–	(785)	(1,120)
Net revaluation increment less revaluation decrements recognised in reserves	(8,797)	6,520	–	(2,277)
Administrative transfers	(375)	–	–	(375)
Depreciation expense	–	(1,828)	(1,952)	(3,780)
Net Carrying amount at end of year	52,713	60,895	6,291	119,899

	PARENT			
	Land \$000	Buildings \$000	Plant and Equipment \$000	Total \$000
Year Ended 30 June 2008				
Net Carrying amount at start of year	79,137	57,118	8,452	144,707
Additions	–	–	1,649	1,649
Disposals	(5,062)	(686)	(341)	(6,089)
Depreciation expense	–	(1,853)	(2,052)	(3,905)
Net Carrying amount at end of year	74,075	54,579	7,708	136,362

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- (i) All Land and Buildings for the parent entity were valued by the State Valuation Office independently of the Department on 1 July 2006.
- (ii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value.

The following table details the indices to be applied to Non-Current Assets as determined by the Department of Lands:

Year	Land	Buildings	Infrastructure
07/08	0%	6%	6%
08/09	-10%	6%	6%

- (iii) Plant and Equipment is predominantly recognised on the basis of depreciated cost.

25. Property, Plant and Equipment

	CONSOLIDATED	
	2009 \$000	2008 \$000
Land and Buildings - Fair Value		
Gross Carrying Amount	14,767,187	14,418,458
Less Accumulated Depreciation and impairment	(6,011,866)	(5,867,206)
Net Carrying Amount	8,755,321	8,551,252
Plant and Equipment - Fair Value		
Gross Carrying Amount	1,964,003	1,945,924
Less Accumulated Depreciation and impairment	(1,242,069)	(1,255,465)
Net Carrying Amount	721,934	690,459
Infrastructure Systems - Fair Value		
Gross Carrying Amount	573,321	563,857
Less Accumulated Depreciation and Impairment	(235,209)	(231,083)
Net Carrying Amount	338,112	332,774
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	9,815,367	9,574,485

25. Property, Plant and Equipment - Reconciliations

	CONSOLIDATED					
	Land \$000	Buildings \$000	Leased Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year Ended 30 June 2009						
Net Carrying amount at start of year	1,672,105	6,826,859	52,288	690,459	332,774	9,574,485
Additions	5,230	463,699	257	176,150	280	645,616
Reclassifications to Intangibles	-	-	-	(433)	-	(433)
Assets Held for Sale	(19,848)	(7,119)	-	-	(96)	(27,063)
Disposals	(2,606)	(20,099)	-	(9,492)	(98)	(32,295)
Net revaluation increment less revaluation decrements recognised in reserves	(32,450)	145,396	3,342	-	(59)	116,229
Administrative transfers	5,982	-	-	-	-	5,982
Depreciation expense	-	(296,068)	(2,309)	(154,579)	(14,198)	(467,154)
Reclassifications	1,661	(42,850)	1,851	19,829	19,509	-
Net Carrying amount at end of year	1,630,074	7,069,818	55,429	721,934	338,112	9,815,367

25. Property, Plant and Equipment - Reconciliations (continued)

	CONSOLIDATED					
	Land \$000	Buildings \$000	Leased Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
Year Ended 30 June 2008						
Net Carrying amount at start of year	1,510,114	6,416,941	51,694	724,072	316,505	9,019,326
Additions	12,012	463,222	-	113,848	1,720	590,802
Reclassifications to Intangibles	-	-	-	(2,465)	-	(2,465)
Assets Held for Sale	(3,008)	(2,745)	-	-	(43)	(5,796)
Disposals	(6,480)	(7,631)	-	(10,654)	-	(24,765)
Net revaluation increment less revaluation decrements recognised in reserves	136,892	272,704	1,937	-	17,567	429,100
Depreciation expense	-	(280,338)	(211)	(138,789)	(12,379)	(431,717)
Reclassifications	22,575	(35,294)	(1,132)	4,447	9,404	-
Net Carrying amount at end of year	1,672,105	6,826,859	52,288	690,459	332,774	9,574,485

Land and Buildings include land owned by the Health Administration Corporation and administered by either the Department or its controlled entities. Valuations for each of the Health Services are performed regularly within a three year cycle. Revaluation details are included in the individual entities' financial reports. In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets for those Health Services that last performed revaluations in 2006/07 have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The indices used have been determined by the Department of Lands and are specified in Health Service reports.

26. Intangible Assets

	PARENT	
	2009 \$000	2008 \$000
Software		
Cost (Gross Carrying Amount)	6,242	8,945
Less Accumulated Amortisation and Impairment	(5,850)	(6,460)
Net Carrying Amount	392	2,485
Total Intangible Assets at Net Carrying Amount	392	2,485

26. Intangible Assets - Reconciliation

	PARENT	
	SOFTWARE \$000	
Year Ended 30 June 2009		
Net Carrying amount at start of year	2,485	
Amortisation (recognised in depreciation and amortisation)	(558)	
Disposals	(340)	
Administrative transfer	(1,195)	
Net Carrying amount at end of year	392	

	PARENT	
	SOFTWARE \$000	
Year Ended 30 June 2008		
Net Carrying amount at start of year	3,679	
Amortisation (recognised in depreciation and amortisation)	(1,194)	
Net Carrying amount at end of year	2,485	

26. Intangible Assets

	CONSOLIDATION	
	2009 \$000	2008 \$000
Software		
Cost (Gross Carrying Amount)	188,647	141,382
Less Accumulated Amortisation and Impairment	(69,225)	(59,818)
Net Carrying Amount	119,422	81,564
Other		
Cost (Gross Carrying Amount)	991	946
Less Accumulated Amortisation and Impairment	(852)	(626)
Net Carrying Amount	139	320
Total Intangible Assets at Net Carrying Amount	119,561	81,884

26. Intangible Assets - Reconciliation

	CONSOLIDATION		
	SOFTWARE \$000	OTHER \$000	TOTAL \$000
Year Ended 30 June 2009			
Net Carrying amount at start of year	81,564	320	81,884
Additions - Internal Development	50,074	45	50,119
Reclassifications from Plant & Equipment	433	-	433
Amortisation (recognised in depreciation and amortisation)	(12,309)	(226)	(12,535)
Disposals	(340)	-	(340)
Net Carrying amount at end of year	119,422	139	119,561

	CONSOLIDATION		
	SOFTWARE \$000	OTHER \$000	TOTAL \$000
Year Ended 30 June 2008			
Net Carrying amount at start of year	63,578	-	63,578
Additions - Internal Development	32,495	477	32,972
Reclassifications from Plant and Equipment	2,465	-	2,465
Amortisation (recognised in depreciation and amortisation)	(16,745)	(157)	(16,902)
Disposals	(229)	-	(229)
Net Carrying amount at end of year	81,564	320	81,884

27. Restricted Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
-	-	The Department's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.		
-	-	Specific Purposes	349,656	323,475
-	-	Perpetually Invested Funds	7,019	6,880
-	-	Research Grants	153,406	137,879
-	-	Private Practice Funds	158,662	155,669
-	-	Other	25,449	26,357
-	-		694,192	650,260

Details of Conditions on Contributions appear in Note 14.

27. Restricted Assets (continued)

Major categories included in the Consolidation are:

CATEGORY	BRIEF DETAILS OF EXTERNALLY IMPOSED CONDITIONS
Specific Purposes Trust Funds	Donations, contributions and fundraisings held for the benefit of specific patient, Department and/or staff groups.
Perpetually Invested Trust Funds	Funds invested in perpetuity. The income therefrom used in accordance with donors' or trustees' instructions for the benefit of patients and/or in support of hospital services.
Research Grants	Specific research grants.
Private Practice Funds	Annual Infrastructure Charges raised in respect of Salaried Medical Officers Rights of Private Practice arrangements.

28. Payables

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
659	427	Accrued Salaries, Wages and On-Costs	232,843	220,371
1,107	3,176	Taxation and Other Payroll Deductions	108,851	78,589
48,087	41,748	Superannuation Guarantee Charge Payables	48,087	41,748
23,025	13,643	Creditors	559,955	644,619
		Other Creditors		
-	-	- Capital Works	58,710	66,881
35,614	67,536	- Intra Health Liability	-	-
108,492	126,530		1,008,446	1,052,208

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

29. Borrowings

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
-	-	Bank Overdraft* - Unsecured	-	119
-	-	Treasury Advances Repayable - Secured	4,681	1,137
-	-	Finance Leases [See note 33(d)] - Secured	3,703	3,053
-	-		8,384	4,309
		Non Current		
-	-	Treasury Advances Repayable - Secured	8,606	7,423
-	-	Finance Leases [See note 33(d)] - Secured	15,143	18,845
-	-	Other - Mater PPP	81,002	-
-	-		154,035	70,585
-	-		258,786	96,853
		Repayment of Borrowings (Excluding Finance Leases)		
-	-	Not later than one year	4,475	1,353
-	-	Between one and five years	28,816	7,073
-	-	Later than five years	215,033	70,838
-	-	Total Borrowings at face value (Excluding Finance Leases)	248,324	79,264

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 41.

* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.

30. Provisions

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current Employee Benefits and Related On-Costs		
7,244	5,243	Recreation Leave - Short Term Benefit	617,956	606,465
5,651	5,074	Recreation Leave - Long Term Benefit	524,764	402,426
260	370	Long Service Leave - Short Term Benefit	139,847	127,408
2,345	3,332	Long Service Leave - Long Term Benefit	1,199,654	1,092,421
-	-	Health and Wellness (Ambulance Service of NSW)	2,000	-
-	-	Death and Disability (Ambulance Service of NSW)	5,450	5,005
-	-	Sick Leave - Long Term Benefit	597	615
15,500	14,019	Total current provisions	2,490,268	2,234,340
		Non Current Employee Benefits and Related On-Costs		
446	368	Long Service Leave - Conditional	109,023	96,735
-	-	Sick Leave - Long Term Benefit	54	50
-	-	Death and Disability (Ambulance Service of NSW)	80	-
446	368	Total non current provisions	109,157	96,785
		Aggregate Employee Benefits and Related On-Costs		
15,500	14,019	Provisions - current	2,490,268	2,234,340
446	368	Provisions - non current	109,157	96,785
49,853	45,351	Accrued Salaries, Wages and On-Costs (refer to Note 28)	389,781	340,708
65,799	59,738		2,989,206	2,671,833

As indicated in Note 2(a) i) leave is classified as current if the employee has an unconditional right to payment. Short Term/Long Term classification is dependent on whether or not payment is anticipated within the next twelve months.

31. Other Liabilities

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
590	590	Income in Advance	19,049	13,280
-	12,425	Liability to Consolidated Fund	-	12,425
-	-	Other	38	45
590	13,015		19,087	25,750
		Non Current		
-	-	Income in Advance	50,874	46,820
1,637	2,027	Other	1,637	2,027
1,637	2,027		52,511	48,847

The largest component of Income in Advance relates to monies received from the Sydney University as a contribution towards the construction costs of a research and education facility. Upon commissioning of the facility the University will partly occupy the facility and the income in advance will be exhausted over the term of occupation. Income in advance has also been received as a consequence of Health Services entering into agreements for the sale of surplus properties, the provision and operation of private facilities and car parks.

32. Changes in Equity

PARENT	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		TOTAL EQUITY	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the Financial Year	198,440	249,071	94,838	98,459	293,278	347,530
Changes in Equity - transactions with owners as owners						
Decrease in net assets from administrative restructure	(1,570)	-	-	-	(1,570)	-
Total	(1,570)	-	-	-	(1,570)	-
Changes in Equity - other than transactions with owners as owners						
Result for the Year	26,772	(54,252)	-	-	26,772	(54,252)
Decrement on Revaluation of Land and Buildings	-	-	(2,277)	-	(2,277)	-
Total	26,772	(54,252)	(2,277)	-	24,495	(54,252)
Transfer within Equity						
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	(82)	3,621	82	(3,621)	-	-
Total	(82)	3,621	82	(3,621)	-	-
Balance at the end of the financial year	223,560	198,440	92,643	94,838	316,203	293,278

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the "Revaluation of Physical Non-Current Assets" and "Investments", as discussed in Note 2(j).

32. Changes in Equity

CONSOLIDATED	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		NOT CURRENT ASSETS HELD FOR SALE RESERVES		TOTAL EQUITY	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the Financial Year	5,486,780	5,807,531	2,001,189	1,632,356	1,766	742	7,489,735	7,440,629
Changes in Equity - transactions with owners as owners								
Increase in net assets from administrative restructure	5,982	-	-	-	-	-	5,982	-
Total	5,982	-	-	-	-	-	5,982	-
Changes in Equity other than transactions with owners as owners								
Results for the Year	(155,487)	(379,994)	-	-	-	-	(155,487)	(379,994)
Increment on Revaluation of:								
Land and Buildings	-	-	116,797	411,533	-	-	116,797	411,533
Plant and Equipment	-	-	-	-	-	-	-	-
Infrastructure Systems	-	-	(59)	17,567	-	-	(59)	17,567
Assets Held for Sale	-	-	-	-	4,847	-	4,847	-
Total	(155,487)	(379,994)	116,738	429,100	4,847	-	(33,902)	49,106
Transfer within Equity								
Available for sale reserves transferred to Asset revaluation reserve	-	(84)	(949)	(940)	949	1,024	-	-
Available for sale reserves transferred to accumulated funds on disposal of assets	4,789	-	-	-	(4,789)	-	-	-
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	4,567	-	(4,567)	-	-	-	-	-
Other transfers	-	59,327	-	(59,327)	-	-	-	-
Total	9,356	59,243	(5,516)	(60,267)	(3,840)	1,024	-	-
Balance at the end of the financial year	5,346,631	5,486,780	2,112,411	2,001,189	2,773	1,766	7,461,815	7,489,735

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the "Revaluation of Physical Non-Current Assets" and "Investments", as discussed in Note 2(j).

33. Commitments for Expenditure

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets contracted for at balance date and not provided for :		
-	-	Not later than one year	303,476	364,817
-	-	Later than one year and not later than five years	320,893	332,622
-	-	Later than five years	2,939,077	738,909
-	-	Total Capital Expenditure Commitments (including GST)	3,563,446	1,436,348

The Government is committed to capital expenditures as follows in accordance with the Department's Asset Acquisition Program:	2009 \$000	2008 \$000
Not later than one year	689,234	668,621
Later than one year and not later than five years	1,018,866	1,281,956
Total Capital Program	1,708,100	1,950,577

However, Contractual Commitments are confined to the values reported above for 2009 (\$3.563 billion) and 2008 (\$1.436 billion).

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for at balance date and not provided for:		
17,907	11,196	Not later than one year	346,183	271,228
4,473	6,939	Later than one year and not later than five years	566,397	354,312
-	-	Later than five years	3,727,372	1,969,496
22,380	18,135	Total Other Expenditure Commitments (including GST)	4,639,952	2,595,036

Major commitments relate to contracts for Public Private Partnership provision of services - see Notes 33 (f) to (i)

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
7,243	7,563	Not later than one year	104,869	108,665
29,240	7,724	Later than one year and not later than five years	195,356	195,607
-	-	Later than five years	88,353	72,433
36,483	15,287	Total Operating Lease Commitments (including GST)	388,578	376,705

The operating leases include motor vehicles arranged through a lease facility negotiated by NSW Treasury as well as electro medical equipment. Operating leases have also been included for information technology equipment. These operating lease commitments are not recognised in the financial statements as liabilities.

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(d) Finance Lease Commitments		
		Minimum lease payment (including GST) commitments in relation to finance leases payable as follows:		
-	-	Not later than one year	4,836	4,745
-	-	Later than one year and not later than five years	14,268	16,110
-	-	Later than five years	6,441	9,435
-	-	Minimum Lease Payments (including GST)	25,545	30,290
-	-	Less: Future Financing Charges	(4,377)	(5,638)
-	-	Less: GST Component	(2,322)	(2,754)
-	-	Present Value of Minimum Lease Payments	18,846	21,898
-	-	Current (Note 29)	3,703	3,053
-	-	Non-Current (Note 29)	15,143	18,845
-	-		18,846	21,898
		The present value of finance lease commitments is as follows:		
-	-	Not later than one year	3,703	3,053
-	-	Later than one year and not later than five years	12,521	14,033
-	-	Later than five years	2,622	4,812
-	-	Total	18,846	21,898

The finance lease commitment is in respect of the Hawkesbury Private Hospital. The term of the lease is 20 years at which time the ownership of the buildings transfers to the NSW State Government.

(e) Contingent Asset related to Commitments for Expenditure

The total "Commitments for Expenditure" above includes input tax credits of \$5M in relation to the Parent Entity and \$783M in relation to NSW Health that are expected to be

recoverable from the Australian Taxation Office. The comparatives for 2007/08 are \$3M and \$402M respectively.

(f) Calvary Mater Hospital, Newcastle Private/Public Partnership

In 2005-06, the Health Administration Corporation entered into a contract with a private sector provider, Novacare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment has been completed in three stages. Stage 1 was completed in January 2008 followed by Stage 2 in February 2009. Construction of Stage 3 was completed on 16 June 2009.

When Stage 1 construction was completed in January 2008 the Hunter New England Area Health Service (HNEAHS) transferred the Mater Hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33M. The recognition is based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either HNEAHS or the Department. Upon

completion of the project, HNEAHS transferred the other parts of the new hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.

HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site, as occupied by HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.

In addition, the HNEAHS recognised the liability to Novacare, payable over the period to 2033, for the construction of both hospitals.

An estimate of the commitments inclusive of Goods and Services Tax which has been recognised in Notes 33(a) and (b) is as follows:

Capital Commitments – New Mental Health Building and Refurbished Buildings

NOMINAL	2009 \$000	2008 \$000
Not later than one year	6,847	4,253
Later than one year and not later than five years	19,756	29,315
Later than five years	38,209	89,818

Other Expenditure Commitments – Provision of facilities management and other non-clinical services to both hospitals.

NOMINAL	2009 \$000	2008 \$000
Not later than one year	29,341	11,896
Later than one year and not later than five years	106,895	86,955
Later than five years	592,220	586,801

The expenditure commitments include Goods & Services Tax. Related input tax credits of \$72M (2008: \$74M) are expected to be recoverable from the Australian Taxation Office.

(g) Long Bay Forensic and Prison Hospitals Private/Public Partnership

In 2006-07 a private sector company, PPP Solutions (Long Bay) Pty Limited, was engaged to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The development is a joint project between the NSW Department of Health and the Department of Corrective Services. In addition to the hospital facilities, the project includes a new Operations Building and a new Pharmacy Building for Justice Health, and a new Gatehouse for the NSW Department of Corrective Services. The new development was completed in December 2008.

After construction was completed, Justice Health, a statutory health corporation operated and recognised the new Hospital, the Operations Building and the Pharmacy Building as an asset of \$86m. The basis for the accounting treatment is that services will be delivered by Justice Health for the duration of the term until May 2034.

In addition, Justice Health will recognise the liability to PPP Solutions, payable over the period to 2034 for the construction of the new facilities.

An estimate of the commitments is as follows:

(a) Repayment of PPP non current liability - New Forensic Hospital and Operations Building

NOMINAL	2009 \$000	2008 \$000
Not later than one year	879	-
Later than one year and not later than five years	4,555	-
Later than five years	87,752	-

(b) Capital Commitments - PPP Interest

NOMINAL	2009 \$000	2008 \$000
Not later than one year	9,894	6,499
Later than one year and not later than five years	38,540	43,095
Later than five years	125,981	228,941

(c) Other Expenditure Commitments - Provision of facilities management and other non-clinical services to the new facilities

NOMINAL	2009 \$000	2008 \$000
Not later than one year	8,100	4,837
Later than one year and not later than five years	36,135	34,082
Later than five years	294,202	303,137

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$55M (2008: \$56M) are expected to be recoverable from the Australian Taxation Office.

(h) Orange and Associated Health Services Private/Public Partnership

In December 2007 a private sector company, Pinnacle Healthcare (OAHS) Pty Limited, was engaged to finance, design and construct the new Orange Hospital and new health facilities including Orange Tertiary Mental Health and other expansion works. Pinnacle will refurbish existing buildings and provide facilities management and delivery of ancillary non-clinical services for these hospital facilities and the new Bathurst Hospital under a Project Deed. Provision of facilities maintenance commenced in April 2007, followed by other non-clinical support services in December 2008. The new development will be completed in stages and full service commissioning is anticipated in 2011.

When construction is completed, the Greater Western Area Health Service (GWAHS) will operate and recognise the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities as an asset of \$162.1M. The basis for the

accounting treatment is that services will be delivered by GWAHS for the duration of the term until December 2035.

In addition, GWAHS will recognise the liability to Pinnacle Healthcare, payable over the period up to 2035 for the construction of the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities.

During 2008-09, NSW Health requested a contract variation to expand the Orange Hospital in accordance with the change procedure in the Project Deed. It is anticipated that the variation will be completed in the 2nd half of 2009.

An estimate of the commitment inclusive of Goods and Services Tax which has been recognised in Notes 33 a) and 33 b) is as follows:

(a) Capital Commitments - New Orange Hospital and health facilities

NOMINAL	2009 \$000	2008 \$000
Not later than one year	5,473	5,841
Later than one year and not later than five years	64,110	52,398
Later than five years	492,784	509,968

(b) Other Expenditure Commitments - Provision of facilities management and other non-clinical services to the new and existing facilities

NOMINAL	2009 \$000	2008 \$000
Not later than one year	21,464	15,391
Later than one year and not later than five years	105,019	100,134
Later than five years	943,687	970,036

The expenditure commitments include Goods & Services Tax. Related input tax credits of \$148M (2008: \$150M) are expected to be recoverable from the Australian Taxation Office.

(i) Royal North Shore Hospital Private/Public Partnership

In October 2008, a private sector company, InfraShore Pty Limited, was engaged to finance, design and construct the new Royal North Shore Hospital, the new Community Health Facility and a new car park. InfraShore will provide facilities management services and delivery of ancillary non-clinical support services for these hospital facilities, the new Research and Education Centre (the Kolling Building) and some existing facilities under a Project Deed. Provision of facilities maintenance will commence in October 2009 and other support services will commence in April 2010. The new development will be completed in stages and full service commissioning is anticipated in 2014.

When construction is completed, the Northern Sydney and Central Coast Area Health Service (NSCCAHS) will operate and recognise the new Royal North Shore Hospital, the new Community Health Facility and the new car park facility as an asset of \$722M.

In addition, NSCCAHS will recognise the liability to InfraShore, payable over the period to 2036 for the construction of the new Royal North Shore Hospital, new Community Health Facility and new car park facility.

The car park facilities across the Hospital campus will be managed under a separate licence agreement with InfraShore Parking Pty Ltd over 28 years to match the Project Deed term. The new car park will be treated as a capital purchase with deferred settlement. The prepaid car park licence fee receivable from the car park operator will be initially recognised as deferred revenue (a liability) and subsequently released to revenue on a systematic basis over the licence term.

An estimate of the commitments is as follows:

(a) Capital Commitments – New acute hospital, health facilities and car park

NOMINAL	2009 \$000	2008 \$000
Not later than one year	-	-
Later than one year and not later than five years	28,284	-
Later than five years	232,705	-

(b) Other Expenditure Commitments - Provision of facilities management and other non-clinical services to the new and existing facilities

NOMINAL	2009 \$000	2008 \$000
Not later than one year	14,102	-
Later than one year and not later than five years	163,720	-
Later than five years	1,721,541	-

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$386M are expected to be recoverable from the Australian Taxation Office.

34. Trust Funds

The NSW Department of Health's controlled entities hold Trust Fund monies of \$69.236 Million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are

excluded from the financial statements as the Department or its controlled entities perform only a custodial role and cannot use them for the achievement of their objectives. The following is a summary of the transactions in the trust account:

	PATIENT TRUST		REFUNDABLE DEPOSITS		PRIVATE PRACTICE TRUST FUNDS		TOTAL TRUST FUNDS	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash Balance at the beginning of the financial year	4,556	4,306	9,023	19,797	42,805	12,886	56,384	36,989
Receipts	4,345	3,979	5,317	8,073	326,920	316,632	336,582	328,684
Expenditure	(4,214)	(3,729)	(3,902)	(18,847)	(315,614)	(286,713)	(323,730)	(309,289)
Cash Balance at the end of the financial year	4,687	4,556	10,438	9,023	54,111	42,805	69,236	56,384

35. Contingent Liabilities (Parent and Consolidated)

(a) Claims on Managed Fund

Since 1 July 1989, the NSW Department of Health has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of the Department all sums, which it shall become legally liable to pay by way of compensation, or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Department. As such, since 1 July 1989, no contingent liabilities exist in respect of liability claims against the Department. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Department.

(b) Workers Compensation Hindsight Adjustment

TMF normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2002/03 fund year and an interim adjustment for the 2004/05 fund year were not calculated until 2008-09. As a result, the 2003/04 final and 2005/06 interim hindsight calculations will be paid in 2009/10.

(c) Affiliated Health Organisations

Based on the definition of control in Australian Accounting Standard AASB127, Affiliated Health Organisations listed in the Third Schedule of the *Health Services Act, 1997* are only recognised in the Department's consolidated Financial Statements to the extent of cash payments made.

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

(d) Mater Hospital Private/Public Partnership

Note 33 provides disclosure of commitments for expenditure concerning the Mater Hospital Private/ Public Partnership under which the Health Administration Corporation has entered into a contract with a private sector provider, Novacare Project Partnerships for financing, design, construction and commissioning of a range of health facilities.

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

(e) Forensic Hospital - Long Bay, Private/Public Partnership

The liability to pay PPP Solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving non-indexable availability charges. Other service fees are to be indexed in accordance with inflation and wages escalation. The estimated value of the contingent liability associated with indexation is unable to be fully determined because of uncertain future events.

Note 33 also provides disclosure of commitments for expenditure for this project.

(f) Orange Hospital and Associated Health Services Private/Public Partnership

The liability to pay Pinnacle Healthcare for the development of the Orange Hospital and health facilities is based on a financing arrangement involving CPI indexed annuity bond. An interest rate adjustment will be made in accordance with the CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

Note 33 also provides disclosure of commitments for expenditure for this project.

(g) Royal North Shore Hospital Private/Public Partnership

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with the CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

(h) Claim by Lessee of Certain Property

The lessee of certain property controlled by Sydney South West Area Health Service (SSWAHS) had made a claim against the Area. The lessee was seeking compensation for unpaid rent and damages in respect of rescission of an agreement and lease for a proposed private hospital on the Royal Prince Alfred Hospital Campus. The private hospital was to be constructed and operated by the lessee. The Supreme Court judgement in favour of SSWAHS was handed down in 2008-09. In relation to the proceedings, costs were awarded against the lessee in favour of SSWAHS. Appeal proceedings against the Supreme Court judgement has commenced by the lessee and it is expected that a period up to 12 months will expire before the matter is heard.

(i) Graythwaite Property

The Trust of the property known as "Graythwaite" was established by the gift of the said property to the Crown by Thomas Allwright Dibbs on 1 October 1915 (the Trust).

On 20 November 2008 the Supreme Court decided that the Graythwaite property at North Sydney could be sold with the proceeds then being applied to the construction of a "Graythwaite Rehabilitation Centre" on the Ryde Hospital campus for patients of the public health system.

The Court's decision contained a number of conditions:

- The property at Ryde be transferred to the Trust. (A binding agreement has been put in place to transfer the land once the Graythwaite property at North Sydney has been sold).
- All necessary government approvals for capital expenditure of the proceeds from sale must be obtained by 20 May 2009 (the approval of the Treasurer was duly obtained in accordance with this condition and communicated to the Minister for Health).
- Once the above two conditions are met the Trust property is to be sold by 20 November 2009 for a sale price not less than \$16.8 million (The Department is proposing to market the property and has reclassified the property as a "Non Current Asset Held for Sale").

Should the Department be unable to effect the sale by 20 November 2009 it is acknowledged that the matter will return to Court for further consideration".

(j) Interstate Patient Flows, Australian Capital Territory

The Department has agreed with ACT Health that a clinical and resource cost audit be performed on a subset of NSW patient inflows to the ACT.

This review is required to assess the reasonableness of the rapid increases in the number of separations/statistical discharges and same day admissions through ACT emergency departments for NSW patients for both 2006/07 and 2007/08.

It is also expected that the audit will make recommendations on an appropriate process of regular auditing and data checking relating to NSW inflows to the ACT.

The outcome and completion date of the review cannot be reliably estimated and, therefore it is not possible to quantify the contingent liability that may present.

(k) Contractual Dispute, Health Support Services

Health Support Services, a unit of the Health Administration Corporation, currently carries a contractual dispute for which the estimated total contingent liability is within the range of \$0.5 Million to \$2 Million.

However, legal advice to hand indicates that the Health Administration Corporation has no contractual liability in this matter.

(l) Other Legal Matters

Five legal matters are currently on foot, which carry a potential total liability of \$170,000. This compares with eleven matters reported for 2007/08 for which a contingency of \$980,000 was reported.

36. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
9,222	(44,687)	Net Cash Used on Operating Activities	554,945	469,068
(4,338)	(5,099)	Depreciation	(479,689)	(448,619)
(2,079)	(1,299)	Allowance for Impairment	(41,209)	(33,779)
(9,928)	(7,444)	Acceptance by the Crown of Employee Benefits	(161,919)	(163,216)
(1,559)	(486)	(Increase)/ Decrease in Provisions	(268,300)	(152,321)
5,549	23,065	Increase / (Decrease) in Prepayments and Other Assets	55,269	100,907
20,940	(23,276)	(Increase)/ Decrease in Creditors	41,642	(306,024)
(963)	(6,436)	Net Gain/(Loss) on Sale of Property, Plant and Equipment	(23,199)	(17,074)
(11,201,765)	(10,353,404)	Recurrent Appropriation	(11,201,765)	(10,353,404)
(522,461)	(401,639)	Capital Appropriation	(522,461)	(401,639)
-	-	Revaluation of Investment	5,054	7,848
(1,347)	3,371	Other	-	-
(11,708,729)	(10,817,334)	Net Cost of Services	(12,041,632)	(11,298,253)

37. Non Cash Financing and Investing Activities

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
-	-	Assets Received by Donation	99	1,836
-	-		99	1,836

38. 2008-09 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to health services. Services provided include:

- Chaplaincies and Pastoral Care - *Patient & Family Support*
- Pink Ladies/Hospital Auxiliaries - *Patient Services, Fund Raising*
- Patient Support Group - *Practical Support to Patients and Relatives*
- Community Organisations - *Counselling, Health Education, Transport, Home Help & Patient Activities*

39. Unclaimed Monies

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

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

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

40. Budget Review (Consolidated)

Net Cost of Services

The actual Net Cost of Services of \$12.042 Billion was at variance with the Operating Statement budget by \$376 Million. However, the Operating Statement budget is confined only to specific Government appropriations or variations in Commonwealth Specific Purpose Payments approved in accordance with Section 26 of the Public Finance & Audit Act and does not take into account the total approved consolidated recurrent funding as provided to the NSW Department of Health.

NSW Treasury has either approved a series of other budget/ funding adjustments or accepted the validity of the adjustments resulting in a variation of (\$8M) only. Details of all adjustments from the reported budget follow:

Treasurer's Advance Approvals (budget & funding)		
	\$M	\$M
Wages supplementation.....	53	
Mini Budget approvals.....	28	
Adjustment from 2007/08 revariation in Australian Health Care Agreement.....	2	
		83
Budget Committee of Cabinet Approvals (budget)		
Depreciation Adjustments.....	26	
Leave Adjustments	93	
Superannuation and Payroll Tax	4	
Medically Supervised Injecting Centre.....	1	
Treasury Managed Fund Insurance.....	3	
Cancer Institute Administrative Savings.....	(3)	
		124
Actuarial Assessment of Leave (varied per final movement in recognised expense)		119
Asset revaluation decrement effected through Operating Statement		1
Capital Expense incurred above Treasury budget provision		37
		364
Non Recurrent Adjustments		
In 2008-09 a series of adjustments were effected which had no funding implications either for 2008-09 or future years:		
• Write off of buildings, demolished site at Parramatta Justice Precinct;		
• Write off of assets with no economic benefit, Auburn Hospital site;		
• Demolition of building in disrepair, South Eastern Sydney / Illawarra;		
• Westmead and Windsor property write-offs as no further benefit will be derived;		
		20
Other		(8)
		376

Result for the Year

The Result for the Year is derived as the difference between the above Net Cost of Services result and the additional amounts approved by Government for recurrent services, capital works and superannuation/long service leave costs -

	\$M	\$M
• Variation from budget for Net Cost of Services as detailed above.....	376	
• Increases in recurrent appropriation as reflected in Treasurer’s Advance adjustment as shown above	(81)	
• Treasurer’s Advance approvals for variations in Asset Acquisition Program	(86)	
• Crown acceptance of employee liabilities (a non-cash expense to the Department).....	(16)	
		193

Assets and Liabilities

Net assets decreased by \$66 million from budget. This included the following variations:

	\$M	\$M
• Movements in Property, Plant and Equipment \$1M, Intangibles \$37M & Assets Held for Sale \$38M per independent asset valuations as well as variations in the capital program and asset sales.....	76	
• Increase in Leave Provisions due mainly to awards and actuarial assessment of accumulated leave entitlements	(242)	
• Decrease in Receivables	(6)	
• Decrease in Current Payables	16	
• Increase in Cash/Other Financial Assets largely due to increase in restricted assets (Note 27)	52	
• Increase in Inventories principally in respect of Commonwealth Vaccination Program.....	28	
• Decrease in Borrowings	4	
• Other	6	
		66

41. Financial Instruments

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

The Department’s main risks arising from financial instruments are outlined below, together with the Department’s objectives, policies and processes for measuring and managing

Cash Flow

Cash Flows from Operating Activities

• **Payments**

2008-09 total payments exceeded the budget by \$245 million, the principal components of which were increased Grants & Subsidies of \$75 million, an increase in finance costs of \$10 million and an increase in Other Payments of \$160 million.

The increased payments were largely sourced from increased Cash Flows from Government \$155 million and increased receipts of \$87 million (see below).

• **Receipts**

2008-09 total revenue receipts were \$87 million more than budget estimates due principally to the increased revenues reported in the Operating Statement e.g. Sale of Goods & Services \$78 million, duly adjusted for the effects of decreased receivables.

Cash Flows from Government

The increase of \$155 million in Cash Flows from Government results from additional recurrent funding of \$81 million provided principally via Treasurer’s Advance, largely in respect of award costs \$53 million and Mini Budget strategies \$28 million. Approvals of \$86 million were also provided in respect of the Asset Acquisition Program to cover additional expenditure on items such as research, additional beds and clinical services. Offsetting the above increases was the extinguishment of liability to the Consolidated Fund of \$12 million.

risk. Further quantitative and qualitative disclosures are included throughout this financial report.

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

(a) Financial Instrument Categories

PARENT

		Total Carrying Amounts as per the Balance Sheet	
		2009 \$000	2008 \$000
Financial Assets			
CLASS	CATEGORY		
Cash and Cash Equivalents (Note 18)	N/A	60,324	141,961
Receivables (Note 19) ¹	Loans & Receivables (at amortised costs)	39,245	57,482
Financial Assets at Fair Value (Note 21)	At fair value through profit or loss (designated as such upon initial recognition) (at amortised cost)	–	2,086
Other Financial Assets (Note 22)		155,640	69,326
Total Financial Assets		255,209	270,855
Financial Liabilities			
Payables (Note 28) ²	Financial liabilities measured at amortised cost	60,247	84,152
Other (Note 31)		1,637	14,452
Total Financial Liabilities		61,884	98,604

- 1. Excludes statutory receivables and prepayments (ie not within scope of AASB 7)
- 2. Excludes unearned revenue (ie not within scope of AASB 7)

CONSOLIDATION

		Total Carrying Amounts as per the Balance Sheet	
		2009 \$000	2008 \$000
Financial Assets			
CLASS	CATEGORY		
Cash and Cash Equivalents (Note 18)	N/A	774,329	702,787
Receivables (Note 19) ¹	Loans & Receivables (at amortised costs)	248,178	265,702
Financial Assets at Fair Value (Note 21)	At fair value through profit or loss (designated as such upon initial recognition)	139,836	161,224
Total Financial Assets		1,162,343	1,129,713
Financial Liabilities			
Borrowings (Note 29)	Financial liabilities measured at amortised cost	267,170	101,162
Payables (Note 28) ²		940,979	993,090
Other (Note 31)		1,675	14,497
Total Financial Liabilities		1,209,824	1,108,749

- 1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)
- 2 Excludes unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. 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 the financial assets of the Department, including cash, receivables, and authority deposits. No collateral is held by the Department. The Department has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates between 2.9% and 7.15% for the Parent and between 2.9% and 7.15% for the Consolidated entity. This compares to rates of 5.25 to 6.25% in the previous year for the Parent and 5% and 8% for the consolidated. The TCorp Hour Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable

are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect the amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Debtors that are not past due (Parent 2009: \$10.449M; 2008: \$44.429M; Consolidated 2009 \$156.159M; 2008 \$109.973M) plus those not more than 3 months past due but not impaired (Parent 2009: \$2.642M; 2008: \$0.818M; Consolidated 2009 \$52.401M, 2008 \$57.708M) but for which no provision for impairment is warranted represent 92.1% (2008 86.9%) of the

total trade debtors reported by the Parent and 70.6% (2008 62.9%) reported in the consolidation. In addition Patient Fees Compensables are frequently not settled with 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the debtors of the Department and its controlled entities are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the balance sheet. Patient Fees Ineligibles represent the majority of financial assets that are past due or impaired.

PARENT

2009	Total ^{1,2} \$000	Past Due But Not Impaired ^{1,2} \$000	Considered Impaired ^{1,2} \$000
<3 months overdue	2,642	2,642	-
3 months - 6 months overdue	1,127	1,127	-
> 6 months overdue	96	0	96
	3,865	3,769	96
2008			
<3 months overdue	856	818	38
3 months - 6 months overdue	505	467	38
> 6 months overdue	6,266	5,056	1,210
	7,627	6,341	1,286

CONSOLIDATION

2009	Total ^{1,2} \$000	Past Due But Not Impaired ^{1,2} \$000	Considered Impaired ^{1,2} \$000
<3 months overdue	67,952	52,401	15,551
3 months - 6 months overdue	30,334	20,668	9,666
> 6 months overdue	40,957	18,950	22,007
	139,243	92,019	47,224
2008			
<3 months overdue	70,714	57,708	13,006
3 months - 6 months overdue	44,015	37,440	6,575
> 6 months overdue	42,057	20,901	21,156
	156,786	116,049	40,737

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

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

Authority Deposits

Controlled entities of the Department have placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits vary. The

deposits at balance date across Health Services under the control of the NSW Department of Health were earning interest rates ranging between -2.69% and 5.23% (2008 -3.92% and 7.92%) while over the year the weighted average interest rates reported by Health Services ranged between -2.67% and 5.64% (2008 -1.32% and 7.9%). None of these assets are past due or impaired.

c) Liquidity Risk

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

The Department and its controlled entities have negotiated no loan outside of arrangements with the Sustainable Energy Development Authority or the Private Public Partnership arrangements negotiated through Treasury.

During the current and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Department's controlled entities' exposure to liquidity risk is significant. However, this risk is minimised as the NSW Department of Health has indicated its ongoing financial support to those entities. Risks to the Department are

not considered significant as the Department is a budget dependent agency that is funded to continue to provide essential health services.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. It is expected that amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. This requires that, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints within Health Services, terms of payment are negotiated with creditors.

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

Maturity Analysis and interest rate exposure of financial liabilities

PARENT

	INTEREST RATE EXPOSURE						MATURITY DATES			Weighted Average Effective interest rate (%)
	Fixed Interest Rate (%)	Variable Interest Rate (%)	Nominal Amount \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non-Interest Bearing \$000	< 1 Yr \$000	1-5 Yrs \$000	> 5 Yrs \$000	
2009										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	1,608	-	-	1,608	1,608	-	-	-
Creditors	-	-	58,639	-	-	58,639	58,639	-	-	-
	-	-	60,247	-	-	60,247	60,247	-	-	-
2008										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	2,973	-	-	2,973	2,973	-	-	-
Creditors	-	-	81,179	-	-	81,179	81,179	-	-	-
	-	-	84,152	-	-	84,152	84,152	-	-	-

CONSOLIDATED

	INTEREST RATE EXPOSURE						MATURITY DATES			Weighted Average Effective interest rate (%)
	Fixed Interest Rate (%)	Variable Interest Rate (%)	Nominal Amount \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non-Interest Bearing \$000	< 1 Yr \$000	1-5 Yrs \$000	> 5 Yrs \$000	
2008										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	341,694	-	-	341,694	341,694	-	-	-
Creditors	-	-	599,285	-	-	599,285	599,285	-	-	-
Borrowings:										
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Other Loans and Deposits	5.7-7.5	5.1-7.2	248,324	248,324	-	-	4,475	28,816	215,033	8.79
Finance leases	-	6.6 - 6.8	18,846	-	18,846	-	3,703	12,521	2,622	6.7
			1,208,149	248,324	18,846	940,979	949,157	41,337	217,655	

Maturity Analysis and interest rate exposure of financial liabilities (continued)

	INTEREST RATE EXPOSURE						MATURITY DATES			Weighted Average Effective interest rate (%)
	Fixed Interest Rate (%)	Variable Interest Rate (%)	Nominal Amount \$000	Fixed Interest Rate \$000	Variable Interest Rate \$000	Non-Interest Bearing \$000	< 1 Yr \$000	1-5 Yrs \$000	> 5 Yrs \$000	
2008										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	298,330	-	-	298,330	298,330	-	-	-
Creditors	-	-	694,760	-	-	694,760	694,760	-	-	-
Borrowings:										
Bank Overdraft	-	-	119	-	-	119	119	-	-	-
Other Loans and Deposits	5.2-6.6	6.0	79,145	79,145	-	-	1,137	6,997	71,011	5.99
Finance leases	-	6.6 - 7.1	21,898	-	21,898	-	3,053	14,033	4,812	6.9
Total			1,094,252	79,145	21,898	993,209	997,399	21,030	75,823	

d) Market Risk

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

The effect on the reported result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Department and its controlled entities operate and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at

the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the interest bearing liabilities held by the Department's controlled entities.

However, Health Services are not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury excepted). Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. For financial instruments a reasonably possible change of +/-1% is consistent with trends in interest. The Department's exposure to interest rate risk is set out below and addresses both the Parent and the Consolidated Entity

PARENT	Carrying Amount \$000	-1%		+1%	
		Result \$000	Equity \$000	Result \$000	Equity \$000
2009					
Financial assets					
Cash and cash equivalents	60,324	(603)	(603)	603	603
Receivables	39,245	-	-	-	-
Other financial assets	155,640	(1,556)	(1,556)	1,556	1,556
Financial liabilities					
Payables	60,247	-	-	-	-
Other	1,637	16	16	(16)	(16)
2008					
Financial assets					
Cash and cash equivalents	141,961	(1,420)	(1,420)	1,420	1,420
Receivables	57,482	-	-	-	-
Financial assets at fair value	2,086	(21)	(21)	21	21
Other financial assets	69,326	(693)	(693)	693	693
Financial liabilities					
Payables	84,152	-	-	-	-
Other	14,452	145	145	(145)	(145)

CONSOLIDATED	Carrying Amount \$000	-1%		+1%	
		Result \$000	Equity \$000	Result \$000	Equity \$000
2009					
Financial assets					
Cash and cash equivalents	774,329	(7,743)	(7,743)	7,743	7,743
Receivables	248,178	-	-	-	-
Financial assets at fair value	139,836	(1,398)	(1,398)	1,398	1,398
Financial liabilities					
Borrowings	267,170	2,672	2,672	(2,672)	(2,672)
Payables	940,979	-	-	-	-
Other	1,675	17	17	(17)	(17)
2008					
Financial assets					
Cash and cash equivalents	702,787	(7,028)	(7,028)	7,028	7,028
Receivables	265,702	-	-	-	-
Financial assets at fair value	161,224	(1,612)	(1,612)	1,612	1,612
Financial liabilities					
Borrowings	101,162	1,012	1,012	(1,012)	(1,012)
Payables	993,090	-	-	-	-
Other	14,497	145	145	(145)	(145)

Other price risk - TCorp Hour Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes. Neither the Department nor its controlled entities have direct

equity investments. Units in the following Hour-Glass investment trusts are confined to controlled entities only with the Parent entity having no such investments:

Facility	Investment Sectors	Investment Horizon	2009 \$000	2008 \$000
Cash facility	Cash, money market instruments	Up to 1.5 years (pre-June 2008)	222,726	142,934
Strategic cash facility	Cash, money market and other interest rate instruments	1.5 years to 3 years	68,164	17,718
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	3 years to 7 years (pre-June 2008 - 4 years to 7 years)	50,684	49,422
Long term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	7 years and over	70,129	91,998

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

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

Investment in the Hour Glass facilities limits the exposure to risk of the Department and its controlled entities, as it allows

diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period quoted at two standard deviations (ie 95% probability). The TCorp Hour Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour Glass Statement).

Impact on profit/loss

	Change In Unit Price	2009 \$000	2008 \$000
Hour Glass Investment - Cash facility	1%	2,167	1,234
Hour Glass Investment - Strategic cash facility	2 to 5%	1,771	596
Hour Glass Investment - Medium term growth facility	7 to 24%	8,131	(61)
Hour Glass Investment - Long term growth facility	15%	7,655	2,956

e) Fair Value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour Glass facilities, which are measured at fair value. As discussed, the value of the Hour Glass Investments is based on the share of the value of the underlying assets of the facility held by controlled entities of the Department, based on the market value. The Parent entity has no such investments. All of the Hour Glass facilities, are

valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value because of the short term nature of many of the financial instruments. There are no financial instruments where the fair value differs from the carrying amount.

42. After Balance Date Events**(a) Transfer of Callan Park Hospital site to Leichardt Council**

Given the relocation of health services from the Callan Park site to Concord Hospital an offer has been made to Leichardt Municipal Council for a 99 year lease of 40 of the 60 hectares contained in the Callan Park site. The conditions of the lease are being negotiated through the Sydney Harbour Foreshore Authority and the impact on both the Sydney South West Area Health Service and the Department are not yet known.

However, based on transfer of 40 hectares the potential reduction in the Area's land and buildings and infrastructure assets approximates \$59M, such estimate having been updated from last year's estimate of \$52M due to the desk valuation of the Health Service's assets in 2008-09.

(b) Establishment of Albury Wodonga Health Division

Albury Wodonga Health (AWH) was established by Victoria, pursuant to the Health Services Act (VIC). On 1 July 2009, AWH assumed responsibility for providing certain health services at Albury Base Hospital and in Wodonga (VIC), in an integrated manner. NSW provides funding to AWH for the provision of health services at Albury Base Hospital (other than mental health, sub acute and community health services), in

accordance with the terms of the Intergovernmental Agreement and interim arrangements currently in place.

In accordance with the provisions of the *Health Services Act 1997* the Director General established an "Albury Wodonga Health Division" of the NSW Health Service and transferred the group of staff within the Greater Southern Area Health Service Division who will be working at AWH to that Division, effective from 1 July 2009. NSW has delegated the day to day management of staff working with AWH to the Chief Executive of AWH. NSW is providing funding to AWH to cover existing annual leave and long service leave for NSW seconded employees but the net value of the transfer is yet to be agreed.

The Health Administration Corporation will be entering into a lease with the Department of Human Services, VIC, of the Albury Base Hospital Campus. The buildings, plant and equipment at the Albury campus remain assets of NSW and reporting of the new Division will continue through the Greater Southern Area Health Service.

(c) NSW Government Agency Amalgamation

On 27 July 2009 an Administrative Changes Order was made through which 13 super Departments were created. The changes have no impact on the responsibilities of the NSW Department of Health.

END OF AUDITED FINANCIAL STATEMENTS

Independent Audit Report

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Health Administration Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Health Administration Corporation (the Corporation), which comprises the balance sheets as at 30 June 2009, the operating statements, statements of recognised income and expense, cash flow statements, service group statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

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

Director-General's Responsibility for the Financial Report

The Director-General of the NSW Department of Health is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 report.

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

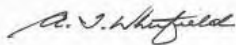
My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 role by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

8 October 2009
SYDNEY



Certification of Accounts

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)

CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The attached financial statements of the Health Administration Corporation for the year ended 30 June 2009 have been prepared in accordance with the requirements of applicable Australian Accounting Standards, the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



John Roach
Chief Financial Officer



Debora Picone
Director-General
7 October 2009

Operating Statement

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
			Expenses excluding losses				
			Operating Expenses				
-	-	-	Employee Related	3	581,232	588,294	443,923
581,232	588,294	443,923	Personnel Services	4	-	-	-
316,749	310,957	225,488	Other Operating Expenses	5	316,749	310,957	225,488
47,492	49,111	51,340	Depreciation and Amortisation	2(h), 6	47,492	49,111	51,340
20,133	23,704	17,623	Grants and Subsidies	7	20,133	23,704	17,623
3,377	2,986	840	Finance Costs	8	3,377	2,986	840
968,983	975,052	739,214	Total Expenses excluding losses		968,983	975,052	739,214
			Revenue				
476,293	464,989	305,828	Sale of Goods and Services	9	476,293	464,989	305,828
5,193	1,296	2,996	Investment Revenue	10	5,193	1,296	2,996
15,023	11,986	15,751	Grants and Contributions	11	1,311	749	4,745
6,996	7,057	10,557	Other Revenue	12	6,996	7,057	10,557
503,505	485,328	335,132	Total Revenue		489,793	474,091	324,126
(1,909)	(616)	(2,846)	Loss on Disposal	13	(1,909)	(616)	(2,846)
(21,679)	(22,436)	(17,358)	Other losses	14	(21,679)	(22,436)	(17,358)
489,066	512,776	424,286	Net Cost of Services		502,778	524,013	435,292
			Government Contributions				
430,061	428,029	359,667	NSW Department of Health Recurrent Allocations	2(d)	430,061	430,061	359,667
99,574	108,839	64,435	NSW Department of Health Capital Allocations	2(d)	99,574	108,839	64,435
-	-	-	Acceptance by the Crown Entity of Employee Benefits	2(a)	13,712	11,237	11,006
(1,347)	-	-	Asset Sales Proceeds Transferred to the Department		(1,347)	-	-
528,288	536,868	424,102	Total Government Contributions		542,000	550,137	435,108
39,222	24,092	(184)	RESULT FOR THE YEAR	29	39,222	26,124	(184)

The accompanying notes form part of these Financial Statements

Statement of Recognised income and Expense

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
11,800	-	6,954	Net Increase/(Decrease) in Property, Plant and Equipment Asset Revaluation Reserve	29	11,800	-	6,954
11,800	-	6,954	TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		11,800	-	6,954
39,222	24,092	(184)	Result for the Year	29	39,222	24,092	(184)
51,022	24,092	6,770	TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		51,022	24,092	6,770

The accompanying notes form part of these Financial Statements

Balance Sheet

AS AT 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION (HAC)

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
			ASSETS				
			Current Assets				
102,097	80,734	50,339	Cash and Cash Equivalents	17	102,097	80,734	50,339
132,631	63,306	61,295	Receivables	18	132,631	63,306	61,295
5,499	4,991	3,490	Inventories	19	5,499	4,991	3,490
2,207	2,880	2,880	Non-Current Assets Held for Sale	20	2,207	2,880	2,880
5,062	21,173	2,809	Other Financial Assets	21	5,062	21,173	2,809
247,496	173,084	120,813	Total Current Assets		247,496	173,084	120,813
			Non-Current Assets				
2,530	14,777	3,847	Receivables	18	2,530	14,777	3,847
22,364	6,525	6,526	Other Financial Assets	21	22,364	6,525	6,526
			Property, Plant and Equipment				
190,510	180,034	185,706	- Land and Buildings	22	190,510	180,034	185,706
106,837	149,811	97,538	- Plant and Equipment	22	106,837	149,811	97,538
87	96	96	- Infrastructure System	22	87	96	96
297,434	329,941	283,340	Total Property, Plant and Equipment		297,434	329,941	283,340
112,563	63,349	71,908	Intangible Assets	23	112,563	63,349	71,908
434,891	414,592	365,621	Total Non-Current Assets		434,891	414,592	365,621
682,387	587,676	486,434	Total Assets		682,387	587,676	486,434
			LIABILITIES				
			Current Liabilities				
137,417	85,742	76,538	Payables	25	137,417	85,742	76,538
17,946	2,218	2,337	Borrowings	26	17,946	2,218	2,337
191,304	192,789	137,155	Provisions	27	191,304	192,789	137,155
11,457	5,408	1,007	Other	28	11,457	5,408	1,007
358,124	286,157	217,037	Total Current Liabilities		358,124	286,157	217,037
			Non-Current Liabilities				
12,392	6,812	4,483	Provisions	27	12,392	6,812	4,483
283	10,480	6,812	Borrowings	26	283	10,480	6,812
107	-	-	Other	28	107	-	-
12,782	17,292	11,295	Total Non-Current Liabilities		12,782	17,292	11,295
370,906	303,449	228,332	Total Liabilities		370,906	303,449	228,332
311,481	284,227	258,102	Net Assets		311,481	284,227	258,102
			EQUITY				
58,988	48,250	48,250	Reserves	29	58,988	48,250	48,250
252,493	235,977	209,852	Accumulated Funds	29	252,493	235,977	209,852
311,481	284,227	258,102	Total Equity		311,481	284,227	258,102

The accompanying notes form part of these Financial Statements

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)

PARENT				Notes	CONSOLIDATED		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000			Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
-	-	-	Employee Related		(523,504)	(527,829)	(408,506)
(20,133)	(18,471)	(18,043)	Grants and Subsidies		(20,133)	(18,471)	(18,043)
-	-	(278)	Finance Costs		-	-	(278)
(832,074)	(827,435)	(651,445)	Other		(308,570)	(299,606)	(242,939)
(852,207)	(845,906)	(669,766)	Total Payments		(852,207)	(845,906)	(669,766)
			Receipts				
393,573	435,422	296,340	Sale of Goods and Services		393,573	435,422	296,340
4,541	1,296	2,996	Interest Received		4,541	1,296	2,996
28,129	15,503	18,851	Other		28,129	15,503	18,851
426,243	452,221	318,187	Total Receipts		426,243	452,221	318,187
			Cash Flows From Government				
430,061	430,061	359,667	NSW Department of Health Recurrent Allocations		430,061	430,061	359,667
99,574	108,837	66,175	NSW Department of Health Capital Allocations		99,574	108,837	66,175
(1,347)	-	-	Asset Sale Proceeds transferred to Parent		(1,347)	-	-
528,288	538,898	425,842	Net Cash Flows From Government		528,288	538,898	425,842
102,324	145,213	74,263	NET CASH FLOWS FROM OPERATING ACTIVITIES	32	102,324	145,213	74,263
			CASH FLOWS FROM INVESTING ACTIVITIES				
3,394	-	1,397	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		3,394	-	1,397
(14,578)	(88,885)	(19,949)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(14,578)	(88,885)	(19,949)
-	(23,331)	(1,399)	Purchase of Investments		-	(23,331)	(1,399)
(48,462)	-	(32,317)	Purchases of Intangibles		(48,462)	-	(32,317)
(59,646)	(112,216)	(52,268)	NET CASH FLOWS FROM INVESTING ACTIVITIES		(59,646)	(112,216)	(52,268)
			CASH FLOWS FROM FINANCING ACTIVITIES				
10,080	-	59,276	Proceeds from Borrowings and Advances		10,080	-	59,276
(883)	(2,485)	(60,506)	Repayment of Borrowings and Advances		(883)	(2,485)	(60,506)
9,197	(2,485)	(1,230)	NET CASH FLOWS FROM FINANCING ACTIVITIES		9,197	(2,485)	(1,230)
51,875	30,512	20,765	NET INCREASE / (DECREASE) IN CASH		51,875	30,512	20,765
50,222	50,222	29,457	Opening Cash and Cash Equivalents		50,222	50,222	29,457
102,097	80,734	50,222	CLOSING CASH AND CASH EQUIVALENTS	17	102,097	80,734	50,222

The accompanying notes form part of these Financial Statements

Service Group Statement

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)

SUPPLEMENTARY FINANCIAL STATEMENTS

SERVICE'S EXPENSES AND INCOME	Service Group 1.1*		Service Group 1.2*		Service Group 1.3*		Service Group 2.1*		Service Group 2.2*		Service Group 2.3*		Service Group 3.1*		Service Group 4.1*		Service Group 5.1*		Service Group 6.1*		Non Attributable		TOTAL				
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000		
Expenses excluding losses																											
Operating Expenses																											
Employee Related	1,800	3,238	-	58	18,307	9,819	416,664	360,189	78,892	37,241	13,188	4,922	29,013	10,269	12,750	8,328	251	495	10,376	9,364	-	-	-	-	581,232	443,923	
Other Operating Expenses	138	3,589	-	196	12,843	9,190	174,539	147,295	84,297	42,190	12,263	6,563	15,742	6,212	13,098	4,557	357	1,012	3,471	4,684	-	-	-	-	316,749	225,488	
Depreciation and Amortisation	-	1,190	-	48	3,061	4,186	23,127	25,209	14,044	13,368	2,166	2,047	2,399	1,845	2,469	2,348	2	309	224	790	-	-	-	-	47,492	51,340	
Grants and Subsidies	-	17,312	-	-	500	-	1,964	-	4,403	-	1,617	-	10,524	-	871	-	-	-	253	311	-	-	-	-	20,133	17,623	
Finance Costs	-	-	-	-	288	-	326	-	2,117	727	204	113	212	-	232	-	-	-	-	-	-	-	-	-	3,377	840	
Total Expenses excluding losses	1,938	25,329	-	302	34,999	23,195	616,610	532,693	183,753	93,526	29,438	13,645	57,891	18,326	29,420	15,233	610	1,816	14,324	15,149	-	-	-	-	968,983	739,214	
Revenue																											
Sale of Goods and Services	-	20,017	-	215	15,734	17,223	204,240	161,465	94,131	68,121	54,009	10,038	38,828	13,605	69,344	12,155	-	1,111	7	1,878	-	-	-	-	476,293	305,828	
Investment Revenue	-	38	-	2	250	142	2,674	1,800	1,560	577	177	88	183	106	136	93	66	13	147	137	-	-	-	-	5,193	2,996	
Grants and Contributions	-	-	-	-	63	-	723	644	288	-	44	-	102	-	91	4,100	-	-	-	1	-	-	-	-	1,311	4,745	
Other Revenue	-	14	-	1	188	251	5,324	8,503	861	1,083	133	133	138	222	151	203	-	5	201	142	-	-	-	-	6,996	10,557	
Total Revenue	-	20,069	-	218	16,235	17,616	212,961	172,412	96,840	69,781	54,363	10,259	39,251	13,933	69,722	16,551	66	1,129	355	2,158	-	-	-	-	489,793	324,126	
Gain / (Loss) on Disposal	-	(13)	-	(1)	(200)	(272)	(295)	(921)	(916)	(1,013)	(141)	(142)	(151)	(241)	(161)	(222)	-	(4)	(45)	(17)	-	-	-	-	(1,909)	(2,846)	
Other Gains / (Losses)	-	-	-	-	(84)	(138)	(21,019)	(16,366)	(366)	(542)	(60)	(69)	(62)	(126)	(68)	(117)	-	-	-	-	-	-	-	-	(21,679)	(17,358)	
Net Cost of Services	1,938	5,273	-	85	19,048	5,989	424,963	377,568	88,215	25,300	(24,724)	3,597	18,853	4,760	(40,073)	(979)	544	691	14,014	13,008	-	-	-	-	502,778	435,292	
Government Contributions **																										542,000	435,108
RESULT FOR THE YEAR																										39,222	(184)

** Appropriations are made on an agency basis and not to individual service groups. Consequently, government contributions must be included in the "Net Attributable column."
NSW Budget Paper 3 has replaced program statements with Service Group Statements. Service Group Statements focus on the key measures of service delivery performance.

* The name and purpose of each Service Group is summarised in Note 16. There has been no need to amend comparative data for 2008.

The Service Group Statement uses statistical data to 31 December 2008 to allocate the current period's financial information on Expenses and Income to each Service Group. No changes have occurred during the period between 1 January 2009 and 30 June 2009 which would materially impact this allocation.

Service Group Statement

FOR THE YEAR ENDED 30 JUNE 2009 – HEALTH ADMINISTRATION CORPORATION (HAC)

SUPPLEMENTARY FINANCIAL STATEMENTS

Services's Assets and Liabilities	Service Group 1.1**		Service Group 1.2**		Service Group 1.3**		Service Group 2.1**		Service Group 2.2**		Service Group 2.3**		Service Group 3.1**		Service Group 4.1**		Service Group 5.1**		Service Group 6.1**		Not Attributable		TOTAL			
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	
ASSETS																										
Current Assets																										
Cash and Cash Equivalents	166	2,479	31	441	2,367	50,702	28,101	47,439	10,326	392	1,393	818	2,023	141	1,556	254	185	1,744	1,878	1,744	1,878	-	-	102,097	50,339	
Receivables	-	5,739	61	8,025	5,038	28,691	18,925	50,868	19,770	13,273	2,934	12,656	4,068	15,833	3,561	2,037	315	1,247	885	1,247	885	-	-	132,631	61,295	
Inventories	5	1	-	-	-	5,426	3,439	-	-	-	-	3	8	-	-	-	-	-	66	42	66	42	-	-	5,499	3,490
Financial Assets at Fair Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	321	4	16	309	22	306	4,953	1,205	16	182	39	214	16	203	-	24	-	41	-	-	-	-	-	5,062	2,809
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Current Assets Held for Sale	-	-	-	-	-	2,186	2,854	-	-	-	-	1	1	-	-	-	-	-	20	25	-	-	-	-	2,207	2,880
Total Current Assets	171	8,540	96	8,482	7,714	87,027	53,625	103,260	31,301	13,681	4,509	13,516	6,314	15,990	5,320	2,292	524	3,077	2,871	3,077	2,871	-	-	247,496	120,813	
Non-Current Assets																										
Receivables	-	398	4	258	350	581	927	623	1,387	330	204	298	276	439	247	-	22	1	32	1	32	-	-	2530	3,847	
Financial Assets at Fair Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Assets	-	746	9	72	717	98	712	21,881	2,800	72	422	172	498	69	471	-	56	-	95	-	-	-	-	-	22,364	6,526
Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land and Buildings	-	-	-	2,600	3,978	167,818	162,853	12,377	11,979	1,777	1,945	2,083	1,791	2,168	898	-	258	1,687	2,004	1,687	2,004	-	-	190,510	185,706	
- Plant and Equipment	-	-	-	7,373	9,136	48,539	48,067	34,049	27,518	5,758	4,468	4,684	4,026	5,870	2,062	30	593	534	1,668	534	1,668	-	-	106,837	97,538	
- Infrastructure Systems	-	-	-	10	16	11	12	44	49	7	8	8	7	8	1	-	1	-	2	-	-	-	-	-	87	96
Intangible Assets	-	-	-	12,167	11,726	14,109	9,202	57,809	35,303	9,074	5,734	9,608	5,152	9,797	2,647	-	761	-	1,382	-	-	-	-	-	112,563	71,908
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	-	1,144	14	22,480	25,923	231,156	221,772	126,783	79,035	17,018	12,781	16,853	11,750	18,351	6,326	30	1,692	2,222	5,184	2,222	5,184	-	-	434,891	365,621	
Total Assets	171	9,684	109	30,962	33,637	318,183	275,398	230,043	110,336	30,699	17,289	30,369	18,064	34,341	11,646	2,322	2,216	5,299	8,055	5,299	8,055	-	-	682,387	486,434	
LIABILITIES																										
Current Liabilities																										
Payables	38	924	26	7,306	4,884	53,037	38,207	51,279	21,688	6,966	3,488	8,927	3,222	5,221	1,728	2,429	505	2,214	1,865	2,214	1,865	-	-	137,417	76,538	
Borrowings	-	264	3	58	254	80	370	17,553	899	58	150	140	177	57	167	-	19	-	34	-	-	-	-	-	17,946	2,337
Provisions	597	1,074	20	6,656	3,316	132,715	110,154	28,685	12,302	4,795	1,662	10,532	3,356	4,699	2,813	28	167	2,597	2,290	2,597	2,290	-	-	191,304	137,155	
Other	2	-	-	25	-	541	-	10,767	1,007	26	-	63	-	25	-	1	-	8	-	-	-	-	-	-	11,457	1,007
Total Current Liabilities	637	2,262	49	14,045	8,454	186,373	148,732	108,284	35,896	11,845	5,300	19,661	6,755	10,002	4,708	2,458	692	4,819	4,189	4,819	4,189	-	-	358,124	217,037	
Non-Current Liabilities																										
Borrowings	-	767	10	-	738	-	732	283	2,975	-	434	-	513	-	485	-	59	-	99	-	-	-	-	-	283	6,812
Provisions	37	68	1	425	239	8,668	2,637	1,829	894	306	120	671	228	300	203	1	12	155	80	155	80	-	-	12,392	4,483	
Other	-	-	-	10	-	12	-	51	-	8	-	13	-	-	-	8	-	5	-	-	-	-	-	-	107	-
Total Non-Current Liabilities	37	835	11	434	977	8,680	3,369	2,164	3,869	314	554	685	741	300	688	10	71	159	179	159	179	-	-	12,782	11,295	
Total Liabilities	674	3,097	60	14,479	9,431	195,053	152,101	110,448	39,765	12,159	5,854	20,346	7,497	10,302	5,396	2,467	763	4,979	4,368	4,979	4,368	-	-	370,906	228,332	
Net Assets	(503)	6,587	49	16,483	24,206	123,130	123,297	119,596	70,571	18,540	11,436	10,023	10,567	24,039	6,250	(146)	1,454	320	3,687	320	3,687	-	-	311,481	258,102	

NSW Budget Paper No. 3 has replaced program statements with service group statements. Service group statements focus on the key measures of service delivery performance.

* The name and purpose of each service group is summarised in Note 16. The statistical data collected to 31 December 2008 to apportion Service Group expenses and revenues is also used to attribute assets and liabilities to each Service Group.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009
HEALTH ADMINISTRATION CORPORATION (HAC)

1. The Health Administration Corporation Reporting Entity

From 17 March 2006 the Director General became responsible for providing health support services. Under Section 8A of the *Health Administration Act 1982* she has determined that Health Administration Corporation (HAC) may exercise this function.

HAC consists of a number of units established under the Public Health System Support Division of Health Administration Corporation in accordance with the provisions of the *Health Services Act 1997*. These divisions are as follows:

- Health Support Services established on 24 April 2008 from the merger of the former Health Technology and Health Support units to provide financial, payroll, linen, food, information and other health support services to the health sector;
- The NSW Institute of Medical Education and Training established 1 September 2005 to provide educational support to the health sector;
- The Ambulance Service of NSW transferred to HAC on 17 March 2006 after the *Ambulance Service Act 1990* was repealed;
- Health Infrastructure established on 1 July 2007 to provide a broad range of asset services in connection with public health organisations, eg the management and coordination of Government approved capital works projects.

HAC as a reporting entity also encompasses the Special Purposes and Trust Funds of these units which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by HAC. HAC is a not for profit entity.

HAC Special Purpose Service Entity was established as a Division of the Government Service on 17 March 2006 in accordance with the *Public Sector Employment and Management Act 2002* and the *Health Services Act 1977*. The Division provides personnel services to enable HAC to exercise its functions and, in accordance with Accounting Standards, is consolidated with the financial report.

As a consequence the values in the annual financial statements presented herein consist of HAC (as the parent entity), the financial report of the special purpose service

entity and the consolidated financial report of the economic entity. Notes capture both the Parent and Consolidated values with Notes 3, 4, 25, 27 and 32 being especially relevant.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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

The Consolidated Financial report for the year ended 30 June 2009 has been authorised for issue by the Chief Financial Officer and Director General on 7 October 2009.

2. Summary of Significant Accounting Policies

HAC's financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Health Services Act 1997* and its regulations including observation of the Accounts and Audit Determination for Area Health Services and Public Hospitals.

The consolidated entity has a deficiency of working capital of \$121.320M (2008 \$95.128M). Notwithstanding this deficiency the financial report has been prepared on a going concern basis because the entity has the support of the New South Wales Department of Health.

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

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

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

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



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 HAC.

Accounting Standard/Interpretation

AASB 127 and AASB 2008-3, Business Combinations, has application in reporting periods beginning on or after 1 July 2009 and determines information to be disclosed in respect of business acquisitions. Its applicability to not for profit entities is yet to be determined.

AASB 8 and AASB 2007-3 Operating Segments, has application in reporting periods beginning on or after 1 January 2009. It relates to for profit entities specifically and is therefore not applicable to HAC.

AASB 101, Presentation of Financial Statements, effective for reporting periods beginning on 1 July 2009, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities such as HAC there is no change required.

AASB 123 Borrowing Costs, has application in reporting periods beginning on or after 1 January 2009. The Standard, which requires capitalisation of borrowing costs, has not been adopted in 2008-09 nor is adoption expected prior to 2009/10.

AASB 1039, Concise Financial Reports, responds to changes in Section 314 of the Corporations Law. It is not applicable to HAC.

AASB 2008-1, Share Based Payments has no applicability to HAC.

AASB 2008-2, Puttable Financial Instruments and Obligations Arising on Liquidation, effective from 1 July 2009 has no application to HAC.

AASB 2008-5 and AASB 2008-6, Annual Improvements Project, has application from 1 July 2009 and comprises changes for presentation, recognition or measurement purposes which are currently assessed as having no material impact on HAC.

AASB 2008-7 Investment in a Subsidiary, Jointly Controlled Entity or Associate, has no impact on HAC.

AASB 2008-8 Eligible Hedged Items, has application from 1 July 2009 but has no current applicability to HAC.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, has mandatory application from 1 July 2009 and will not be early adopted by HAC.

AASB 2008-11 Business Combinations Among Not for Profit, has application from 1 July 2009 and focuses largely on Local Government.

AASB 2008-13, Distribution of Non Cash Assets to Owners, has application in reporting periods beginning on or after 1 July 2009 but is assessed as having no applicability to HAC.

AASB 2009-2, Improving Disclosures about Financial Instruments, has mandatory application from 1 July 2009. Changes to be advised by NSW Treasury concerning fair value measurement and liquidity risk will be adopted by HAC.

Interpretation 15 Construction of Real Estate, applies from 1 July 2009 but has no impact on HAC which is not involved in the construction of real estate for sale.

Interpretation 16, Agreements for the Hedges of a Net Investment in a Foreign Operation, has application from 1 July 2009 but has no relevance to HAC.

Interpretation 17 & AASB 2008-13 Distributions of Non Cash Assets to Owners, applies from 1 July 2009 and principally addresses share holder distributions. It is not applicable to HAC.

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

a) Employee Benefits

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

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

All annual leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On-costs of 17% are applied to the value of leave payable at 30 June 2009, such on costs being consistent with actuarial assessment. (Comparable on-costs for 30 June 2008 were also 17%).

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

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

ii) Long Service Leave and Superannuation

At the consolidated level of reporting, long service leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next twelve

months. This in turn is based on past trends and known resignations and retirements.

Long service leave provisions are measured on a short hand basis at an escalated rate of 9.8% above the salary rate immediately payable at 30 June 2009 (8.1% at 30 June 2008) for all employees with five or more years of service. The escalation applied is consistent with the actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

HAC's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. HAC accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 25, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified by the NSW Department of Health. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential to the legislative changes of 17 March 2006 no salary costs or provisions are recognised by the Parent Entity beyond that date.

iii) Death and Disability Scheme

In February 2008 the Ambulance Service Death and Disability Award (the Award) was established. The Award provided death and disability benefits for eligible employees including:

- A partial and permanent disability benefit
- A total and permanent disability benefit
- A death benefit payable to the family or estate
- On and off duty and disability benefit.

The Award provides that the eligible employees are required to contribute a percentage of salary. Funds are administered by Pillar Administration in respect of death and total permanent disability from February 2008 whilst death and total permanent disability for the period November 2006 to February 2008 and partial permanent disability are managed within Special Purpose and Trust Fund moneys dedicated for this purpose. Actuarial advice obtained indicates inter alia that, in the absence of a significant claims history, the present cash backing is deemed appropriate.

iv) Other Provisions

Other provisions exist when the agency has a present legal or constructive obligation as a result of a past event; it is

probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

b) Insurance

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

c) Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred in accordance with Treasury's mandate for general government sector agencies.

d) Income Recognition

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

Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services, ie user charges. User charges are recognised as revenue when the service is provided or by reference to the stage of completion.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement". Rental revenue is recognised in accordance with AASB117 "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 "Revenue" when HAC's right to receive payment is established.

Debt Forgiveness

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

Grants and Contributions

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

NSW Department of Health Allocations

Payments are made by the NSW Department of Health on the basis of the allocation for HAC as adjusted for approved supplementations mostly for salary agreements, computer hardware/software acquisitions and approved enhancement projects. e.g for rescue services. This allocation is included in the Operating Statement before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the health services



provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

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

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

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

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

f) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by HAC. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

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

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

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

Land and Buildings which are owned by HAC or the State and administered by the Health Service (other than Health Infrastructure, Health Support Services, the NSW Institute of Medical Education and Training and the Ambulance Service of NSW) are deemed to be controlled by the Health Service and are reflected as such in their financial statements.

Health Infrastructure manages all major works in progress on behalf of Health Services. The value of works in progress managed by Health Infrastructure during the year has been transferred to Health Services at year end. This is because Health Services will receive the future economic benefit from the asset constructed.

g) Capitalisation Thresholds

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

h) Depreciation

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 HAC. Land is not a depreciable asset.

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

Buildings	2.5%
Electro Medical Equipment	
– Costing less than \$200,000	10.0%
– Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Passenger Motor Vehicles	12.5%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%
Ambulance Vehicles	11.75%
Trucks and Vans	20.0%

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

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

i) Revaluation of Non-Current Assets

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

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

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

HAC revalues its Land and Buildings at minimum every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date. To ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from the Department of Lands are applied for assets not valued by independent valuation in the current year. The indices reflect an assessment of movements in the period between revaluations. Values assigned to Land & Buildings and Infrastructure have been modified accordingly.

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 Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

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

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

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

j) Impairment of Property, Plant and Equipment

As a not-for-profit entity, HAC is effectively exempted 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.

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

HAC has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

l) Intangible Assets

HAC recognises intangible assets only if it is probable that future economic benefits will flow to HAC and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful life of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for HAC's intangible assets, the assets are carried at cost less any accumulated amortisation. HAC's intangible assets are tested for impairment where an indicator of impairment exists. However, as not-for-profit entity HAC is effectively exempted from impairment testing (see Note 2(j)).

m) Maintenance

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

n) Leased Assets

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

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

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

o) Inventories Held for Distribution

Inventories are stated at cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.



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

p) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the operating statement when impaired, derecognised or through the amortisation process.

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

q) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs.

HAC determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - HAC subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses of these assets are recognised in the operating statement.

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

The risk management strategy of HAC has been developed consistent with the investment powers granted under the provision of Public Authorities (Financial Arrangements) Act. T Corp investments are permissible in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposure.

r) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the operating statement.

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

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

s) 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 HAC transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where HAC has not transferred substantially all the risks and rewards if the entity has not retained control.

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

A financial liability is de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

t) Payables

These amounts represent liabilities for goods and services provided to HAC and its controlled entities and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

u) Borrowings

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

v) Budgeted Amounts

The budgeted amounts are drawn from budgets agreed with the NSW Department of Health at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided

w) 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".

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 agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise the asset.

x) Trust Funds

HAC receives monies in a trustee capacity for various trusts as set out in Note 36. As HAC performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of HAC's own objectives, they are not brought to account in the financial statements.

y) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2008 which is then applied to the current period's financial information. In respect of Assets and Liabilities the Department requires that all HAC units take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, eg. depreciation/ amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

3. Employee Related

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Employee related expenses comprise the following:		
-	-	Salaries and Wages	437,374	342,277
-	-	Superannuation – defined benefit plans	13,712	11,006
-	-	Superannuation – defined contribution plans	28,236	20,219
-	-	Long Service Leave	22,129	12,373
-	-	Annual Leave	55,386	35,717
-	-	Redundancies	854	21
-	-	Workers Compensation Insurance	16,722	21,928
-	-	Other Employee Related Expense	6,421	-
-	-	Fringe Benefits Tax	398	382
-	-		581,232	443,923
		The following additional information is provided:		
-	-	Employee Related Expenses Capitalised – Plant and Equipment	7,168	6,022

4. Personnel Services

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Personnel Services comprise the purchase of the following:		
437,374	342,277	Salaries and Wages	–	–
13,712	11,006	Superannuation – defined benefit plans	–	–
28,236	20,219	Superannuation – defined contributions	–	–
22,129	12,373	Long Service Leave	–	–
55,386	35,717	Annual Leave	–	–
854	21	Redundancies	–	–
16,722	21,928	Workers Compensation Insurance	–	–
6,421	–	Other Employee Related Expense	–	–
398	382	Fringe Benefits Tax	–	–
581,232	443,923		–	–
		The following additional information is provided:		
7,168	6,022	Employee Related Expenses Capitalised – Plant and Equipment	–	–

5. Other Operating Expenses

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
12,210	10,740	Domestic Supplies and Services	12,210	10,740
25,481	724	Food Supplies	25,481	724
41	–	Drug Supplies	41	–
5,505	4,901	Fuel, Light and Power	5,505	4,901
74,865	50,261	General Expenses (See (a) below)	74,865	50,261
35,588	46,875	Information Management Expenses	35,588	46,875
2,512	2,557	Insurance	2,512	2,557
		Maintenance (See (b) below)		
3,543	3,129	– Maintenance Contracts	3,543	3,129
27,232	8,826	– New/Replacement Equipment under Capitalisation threshold	27,232	8,826
19,362	15,452	– Repairs	19,362	15,452
59	1	– Maintenance/Non Contract	59	1
4,901	2,016	– Other	4,901	2,016
15,936	8,501	Medical and Surgical Supplies	15,936	8,501
9,021	8,172	Postal and Telephone Costs	9,021	8,172
2,517	1,716	Printing and Stationery	2,517	1,716
4,682	1,642	Rates and Charges	4,682	1,642
3,301	4,209	Rental	3,301	4,209
6,884	1,512	Staff Related Costs	6,884	1,512
56,502	50,011	Ambulance Aircraft Expenses	56,502	50,011
5,481	3,981	Travel Related Costs	5,481	3,981
1,126	262	Special Service Departments	1,126	262
316,749	225,488		316,749	225,488

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(a) General Expenses include:		
837	553	Advertising	837	553
373	278	Auditor's Remuneration – Audit of financial reports	373	278
426	207	Books, Magazines and Journals	426	207
–	53	Catering Costs	–	53
4,414	1,452	Consultancies, Operating Activities	4,414	1,452
1,737	1,207	Courier and Freight	1,737	1,207
339	203	Data Recording and Storage	339	203
479	736	Legal Expenses	479	736
24,690	22,608	Motor Vehicle Operating Lease Expense – minimum lease payments	24,690	22,608
922	391	Other Operating Lease Expense – minimum lease payments	922	391
42	22	Payroll Services	42	22
402	450	Security Services	402	450
7,226	7,094	Vehicle Registration/Other Motor Vehicle Expenses	7,226	7,094
		(b) Reconciliation Total Maintenance		
55,097	29,424	Maintenance expense – contracted labour and other (non employee related), included in Note 5	55,097	29,424
6,822	5,141	Employee related/Personnel Services maintenance expense included in Notes 3 and 4	6,822	5,141
61,919	34,565	Total maintenance expenses included in Notes 3, 4 and 5	61,919	34,565

6. Depreciation and Amortisation

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
6,593	6,777	Depreciation – Buildings	6,593	6,777
31,870	32,741	Depreciation – Plant and Equipment	31,870	32,741
27	20	Amortisation – Leasehold Buildings	27	20
9,002	11,802	Amortisation – Intangible Assets	9,002	11,802
47,492	51,340		47,492	51,340

7. Grants and Subsidies

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
557	588	Non Government Voluntary Organisations	557	588
19,576	17,035	Other	19,576	17,035
20,133	17,623		20,133	17,623

8. Finance Costs

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
3,377	840	Interest	3,377	840
3,377	840		3,377	840

9. Sale of Goods and Services

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
20,361	21,196	Commercial Activities	20,361	21,196
234	246	Fees for Medical Records	234	246
164,312	144,128	Patient Transport Fees	164,312	144,128
2,949	2,489	Use of Ambulance Facilities	2,949	2,489
317	250	Salary Packaging Fee	317	250
117,056	58,993	Shared Corporate Services	117,056	58,993
85,411	78,526	Linen Service Revenues	85,411	78,526
82,256	–	Food/Hotel Services	82,256	–
3,397	–	Other	3,397	–
476,293	305,828		476,293	305,828

10. Investment Revenue

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
4,541	2,330	Interest from financial assets not at fair value through profit or loss	4,541	2,330
652	666	Lease and Rental Revenue	652	666
5,193	2,996		5,193	2,996

11. Grants and Contributions

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
681	102	Industry Contributions/Donations	681	102
14,342	15,649	Other Grants	630	4,643
15,023	15,751		1,311	4,745

12. Other Revenue

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Other Revenue comprises the following:		
53	–	Bad Debts recovered	53	–
–	49	Conference and Training Fees	–	49
–	35	Sale of Merchandise	–	35
1,150	5,352	Treasury Managed Fund Hindsight Adjustment	1,150	5,352
5,793	5,121	Other	5,793	5,121
6,996	10,557		6,996	10,557

13. Gain/(Loss) on Disposal of Non Current Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
25,994	28,633	Property, Plant and Equipment	25,994	28,633
(21,926)	(25,321)	Less Accumulated Depreciation	(21,926)	(25,321)
4,068	3,312	Written Down Value	4,068	3,312
(2,286)	(1,098)	Less Proceeds from Disposal	(2,286)	(1,098)
(1,782)	(2,214)	Loss on Disposal of Property, Plant and Equipment	(1,782)	(2,214)
-	226	Intangibles	-	226
-	-	Less Proceeds from Disposal	-	-
-	(226)	Loss on disposal of Intangible Assets	-	(226)
1,235	705	Assets Held for Sale	1,235	705
(1,108)	(299)	Less Proceeds from Disposal	(1,108)	(299)
(127)	(406)	Loss on Disposal of Assets Held for Sale	(127)	(406)
(1,909)	(2,846)	Loss on Disposal	(1,909)	(2,846)

14. Other Losses

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
(21,679)	(17,358)	Impairment of Receivables	(21,679)	(17,358)
(21,679)	(17,358)		(21,679)	(17,358)

15. Conditions on Contributions

	PARENT AND CONSOLIDATED		
	Purchase of Assets \$000	Other \$000	Total \$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	15	10,544	10,559
Contributions recognised in previous years which were not expended in the current financial year	228	3,392	3,620
Total amount of unexpended contributions as at balance date	243	13,936	14,179

Comment on restricted assets appears in Note 24.

16. Service Groups of the Health Administration Corporation

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people,

particularly in the areas of health promotion, health education and disease prevention. (Note: This Service Group excludes most services for Aboriginal people provided directly by Area Health Services and other general health services which are used by all members of the community).

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Overnight Acute Inpatient Services

Service Description: This service group covers the provision of health care to patients admitted to public hospitals with the intention that their stay will be overnight, including elective surgery and maternity services.

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

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

Service Group 2.3 - Same Day Acute Inpatient Services

Service Description: This service group covers the provision of health care to patients who are admitted to public hospitals with the intention that they will be admitted, treated and discharged on the same day.

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

17. Cash and Cash Equivalents

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
43,711	10,890	Cash at bank and on hand	43,711	10,890
58,386	39,449	Short Term Deposits	58,386	39,449
102,097	50,339		102,097	50,339
		Cash and cash equivalent assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year to the Cash Flow Statement as follows:		
102,097	50,339	Cash and cash equivalents (per Balance Sheet)	102,097	50,339
-	(117)	Bank overdraft *	-	(117)
102,097	50,222	Closing Cash and Cash Equivalents (per Cash Flow Statement)	102,097	50,222

* HAC divisions are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant controlled divisions of HAC are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities is a credit balance which is inclusive of cash at bank and investments.

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

18. Receivables

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
8,297	5,627	(a) Sale of Goods and Services	8,297	5,627
29,744	28,745	Patient Transport fee	29,744	28,745
143	2,726	Leave Mobility	143	2,726
15,461	6,139	Goods and Services Tax	15,461	6,139
27,543	6,088	NSW Department of Health	27,543	6,088
50,412	18,616	Intra Health	50,412	18,616
4,501	2,437	Other Debtors	4,501	2,437
136,101	70,378	Sub Total	136,101	70,378
(22,951)	(20,680)	Less Allowance for impairment	(22,951)	(20,680)
113,150	49,698	Sub Total	113,150	49,698
19,481	11,597	Prepayments	19,481	11,597
132,631	61,295		132,631	61,295

18. Receivables (continued)

		(b) Movement in the allowance for impairment Sale of Goods & Services		
(20,680)	(15,629)	Balance at 1 July	(20,680)	(15,629)
19,408	12,307	Amounts written off during the year	19,408	12,307
437	–	Amounts recovered during the year	437	–
(22,116)	(17,358)	(Increase)/decrease in allowance recognised in Results for the Year	(22,116)	(17,358)
(22,951)	(20,680)	Balance at 30 June	(22,951)	(20,680)
		Non Current		
2,530	3,847	Prepayments	2,530	3,847
2,530	3,847		2,530	3,847

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

19. Inventories

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current – at cost (Held for Distribution)		
789	702	Medical and Surgical Supplies	789	702
4,710	2,788	Motor Vehicle Parts and Other	4,710	2,788
5,499	3,490		5,499	3,490

20. Non-Current Assets or Disposal Groups Held for Sale

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
2,207	2,880	Assets Held for Sale Land and Buildings	2,207	2,880
2,207	2,880		2,207	2,880

21. Other Financial Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
5,062	2,809	Advances Receivable – Intra Health	5,062	2,809
		Non Current		
22,364	6,526	Advances Receivable – Intra Health	22,364	6,526

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

22. Property, Plant and Equipment

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Land and Buildings- Fair value		
392,315	359,396	Gross Carrying Amount	392,315	359,396
(201,805)	(173,690)	Less Accumulated depreciation and impairment	(201,805)	(173,690)
190,510	185,706	Net Carrying Amount	190,510	185,706
		Plant and Equipment- Fair value		
246,944	215,042	Gross Carrying Amount	246,944	215,042
(140,107)	(117,504)	Less Accumulated depreciation and impairment	(140,107)	(117,504)
106,837	97,538	Net Carrying Amount	106,837	97,538
		Infrastructure Systems- Fair value		
180	180	Gross Carrying Amount	180	180
(93)	(84)	Less Accumulated depreciation and impairment	(93)	(84)
87	96	Net Carrying Amount	87	96
297,434	283,340	Total Property, Plant and Equipment Net Carrying Amount at Fair Value	297,434	283,340

PARENT AND CONSOLIDATED						
	Land \$000	Buildings \$000	Leasehold Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2009						
Net Carrying amount at start of year	67,230	118,321	155	97,538	96	283,340
Additions	-	15,614	-	26,638	-	42,252
Asset Held for Sale	(459)	(103)	-	-	-	(562)
Net Revaluation Increment Less Revaluation Decrements Recognised In Reserves	1,477	10,323	-	-	-	11,800
Disposals	-	(1,233)	-	(2,835)	-	(4,068)
Administrative restructures – transfers in (out)	-	326	-	2,836	-	3,162
Reclassifications	571	(15,101)	-	14,530	-	-
Depreciation expense	-	(6,593)	(18)	(31,870)	(9)	(38,490)
Net Carrying amount at end of year	68,819	121,554	137	106,837	87	297,434

PARENT AND CONSOLIDATED						
	Land \$000	Buildings \$000	Leasehold Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2008						
Net Carrying amount at start of year	67,329	116,034	-	109,974	96	293,433
Additions	-	10,115	-	16,848	-	26,963
Asset Held for Sale	457	6,497	-	-	-	6,954
Disposals	(533)	(628)	-	-	-	(1,161)
Administrative restructures – transfers (out)	-	-	-	(3,311)	-	(3,311)
Reclassifications	(23)	(6,921)	175	6,769	-	-
Depreciation expense	-	(6,776)	(20)	(32,742)	-	(39,538)
Net Carrying amount at end of year	67,230	118,321	155	97,538	96	283,340

Land and Buildings for the Ambulance Service of NSW were revalued by the Department of Lands on 31 March 2009.

Land and Buildings for Health Support Services were revalued by the Department of Lands on 31 March 2008.

23. Intangible Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Software		
167,487	116,717	Cost (Gross Carrying Amount)	167,487	116,717
(54,924)	(44,809)	Less Accumulated Amortisation and Impairment	(54,924)	(44,809)
112,563	71,908	Total Intangible Assets	112,563	71,908

23. Intangibles – Reconciliation

PARENT AND CONSOLIDATED		
2009	Software \$000	Total \$000
Net Carrying amount at start of year	71,908	71,908
Additions (from internal development)	48,462	48,462
Disposals	–	–
Acquisitions through administrative restructures	1,195	1,195
Amortisation (recognised in depreciation and amortisation)	(9,002)	(9,002)
Net Carrying amount at end of year	112,563	112,563

PARENT AND CONSOLIDATED		
2008	Software \$000	Total \$000
Net Carrying amount at start of year	51,619	51,619
Additions (from internal development)	32,317	32,317
Disposals	(226)	(226)
Amortisation (recognised in depreciation and amortisation)	(11,802)	(11,802)
Net Carrying amount at end of year	71,908	71,908

24. Restricted Assets

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Category		
14,179	9,967	Specific Purposes	14,179	9,967
14,179	9,967		14,179	9,967

The assets are only available for application in accordance with the terms and conditions of the donor restrictions.

25. Payables

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
–	–	Accrued Salaries, Wages and On-Costs	12,604	9,178
–	–	Taxation and Payroll Deductions	10,945	6,705
62,993	30,256	Creditors	62,993	30,256
		Other Creditors		
36,718	7,044	– Capital Works	36,718	7,044
1,178	4,044	– Intra Health Liability	1,178	4,044
12,979	19,311	– Other	12,979	19,311
23,549	15,883	Personnel Service Liability	–	–
137,417	76,538		137,417	76,538

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

26. Borrowings

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
–	117	Bank Overdraft	–	117
17,946	2,220	Loans and Deposits – NSW Department of Health	17,946	2,220
17,946	2,337		17,946	2,337
		Non Current		
283	6,812	Loans and Deposits – NSW Department of Health	283	6,812
283	6,812		283	6,812
		Repayment of Borrowings - (excluding Finance Leases)		
17,946	1,360	Not later than one year	17,946	1,360
283	977	Between one and five years	283	977
–	6,812	Later than five years	–	6,812
18,229	9,149	Total Borrowings at face value	18,229	9,149

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

27. Provisions

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current Employee benefits and related on-costs		
–	–	Annual Leave – Short Term Benefit	44,920	34,509
–	–	Annual Leave – Long Term Benefit	41,983	25,488
–	–	Long Service Leave – Short Term Benefit	9,493	7,936
–	–	Long Service Leave – Long Term Benefit	89,458	64,217
–	–	Death and Disability Award (Ambulance Service of NSW)	5,450	5,005
191,304	137,155	Provision for Personnel Services Liability	–	–
191,304	137,155	Total Current Provisions	191,304	137,155
		Non Current Employee benefits and related on-costs		
–	–	Long Service Leave – Conditional	12,258	4,433
–	–	Sick Leave	54	50
–	–	Death and Disability Award (Ambulance Service of NSW)	80	–
12,392	4,483	Provision for Personnel Services Liability	–	–
12,392	4,483	Total Non Current Provisions	12,392	4,483
		Aggregate Employee Benefits and Related on-costs		
191,304	137,155	Provisions – current	191,304	137,155
12,392	4,483	Provisions – non-current	12,392	4,483
–	–	Accrued Salaries and Wages and on-costs (Note 25)	23,549	15,883
23,549	15,883	Accrued Liability – Purchase of Personnel Services (Note 25)	–	–
227,245	157,521		227,245	157,521

As indicated in Note 2 a) (i) and (ii) leave is classified as current if the employee has an unconditional right to payment. Short Term/ Long Term Classification is dependent on whether or not payment is anticipated within the next twelve months.

28. Other Liabilities

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		Current		
11,457	1,007	Income in Advance	11,457	1,007
11,457	1,007		11,457	1,007
		Non-Current		
107	–	Income in Advance	107	–
107	–		107	–

29. Parent and Consolidated

CHANGES IN EQUITY	Notes	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		TOTAL EQUITY	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the Financial Year		209,852	208,947	48,250	41,296	258,102	250,243
Changes in equity – transactions with owners as owners							
Increase in Net Assets from Administrative Restructure	38	2,357	1,089	–	–	2,357	1,089
Total		212,209	210,036	48,250	41,296	260,459	251,332
Changes in equity – other than transactions with owners as owners							
Result for the year		39,222	(184)	–	–	39,222	(184)
Other transfers		1,062	–	(1,062)	–	–	–
Increment/(Decrement) on Revaluation of: Land and Buildings	22	–	–	11,800	6,954	11,800	6,954
Total		40,284	(184)	10,738	6,954	51,022	6,770
Balance at the end of the Financial Year		252,493	209,852	58,988	48,250	311,481	258,102

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the NSW Department of Health's policy on the "Revaluation of Physical Non Current Assets" and "Investments", as discussed in Note 2(i).

30. Commitments for Expenditure

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets contracted for at balance date and not provided for :		
29,417	34,962	Not later than one year	29,417	34,962
–	34,265	Later than one year and not later than five years	–	34,265
29,417	69,227	Total Capital Expenditure Commitments (including GST)	29,417	69,227
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for the acquisition of ambulance transports and information technology supplies at balance date but not provided for in the accounts:		
109,534	33,859	Not later than one year	109,534	33,859
84,279	84,039	Later than one year and not later than five years	84,279	84,039
–	19,259	Later than five years	–	19,259
193,813	137,157	Total Other Expenditure Commitments (including GST)	193,813	137,157

30. Commitments for Expenditure (continued)

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
		Not later than one year	35,460	28,974
35,460	28,974	Later than one year and not later than five years	74,291	61,911
74,291	61,911	Later than five years	6,676	1,383
6,676	1,383	Total Operating Lease Commitments (including GST)	116,427	92,268
116,427	92,268			

The above leases predominantly relate to motor vehicles and premises of the Ambulance Service of NSW.

(d) Contingent Asset related to Commitments for Expenditure

The total Commitments for Expenditure above includes input tax credits of \$30.878 million for 2008-09 in relation to both Parent and Consolidated entities that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2007/08 are \$25.895 million for both the Parent and Consolidated entities.

(e) Capital Commitments

The capital commitments above exclude commitments to the value of \$281.904 million that are managed by the Health Infrastructure unit on behalf of Health Services. As the commitments relate to work in progress recognised in Health Services financial reports, the commitments have similarly been disclosed in the Health Services financial reports.

31. Contingent Liabilities

a) Claims on Managed Fund

Since 1 July 1989, the Ambulance Service of NSW (established as a division of HAC with effect from 17 March 2006) has been a member of the NSW Treasury Managed Fund. Other divisions of HAC are also covered from the time of their inception. The Fund will pay to or on behalf of HAC all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by HAC. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against HAC. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against HAC.

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2002/03 fund year and an interim adjustment for the 2004/05 fund year were not calculated until 2008-09. As a result, the 2003/04 final and 2005/06 interim hindsight calculations applicable to the Ambulance Service of NSW will be paid in 2009/10.

c) Contractual Dispute. Health Support Service

Health Support Services, a unit of the Health Administration Corporation, currently carries a contractual dispute for which the estimated total contingent liability is within the range of \$0.5 Million to \$2 Million.

However, legal advice to hand indicates that HAC has no contractual liability in this matter.

32. Reconciliation Of Net Cash Flows from Operating Activities to Net Cost Of Services

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
102,324	74,263	Net Cash Flows from Operating Activities	102,324	74,263
(47,492)	(51,340)	Depreciation	(47,492)	(51,340)
(21,679)	(17,358)	Allowance for Impairment	(21,679)	(17,358)
-	-	Acceptance by the Crown Entity of Employee Superannuation Benefits	(13,712)	(11,006)
(62,058)	(16,408)	(Increase) in Provisions	(62,058)	(16,408)
2,009	1,692	Increase/ (Decrease) in Inventories	2,009	1,692
85,131	18,437	Increase/ (Decrease) in Receivables	85,131	18,437
24,658	8,669	Increase / (Decrease) in Prepayments and Other Assets	24,658	8,669
(41,762)	(15,293)	(Increase) /Decrease in Creditors	(41,762)	(15,293)
(430,061)	(359,667)	NSW Department of Health Recurrent Allocations	(430,061)	(359,667)
(99,574)	(64,435)	NSW Department of Health Capital Allocations	(99,574)	(64,435)
1,347	-	Asset Sales Proceeds Transferred to Department	1,347	-
(1,909)	(2,846)	Net Gain/ (Loss) on Disposal of Non-Current Assets	(1,909)	(2,846)
(489,066)	(424,286)	Net Cost of Services	(502,778)	(435,292)

33. Non Cash Financing and Investing Activities

PARENT			CONSOLIDATED	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
2,357	1,089	Assets Received by Administrative Transfer	2,357	1,089

34. Unclaimed Moneys - Parent and Consolidated

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

35. Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was \$503 million which was 4% less than the budget of \$524 million after offsets between expenses and revenue. Sale of Goods and Services revenue was \$11 million favourable to budget whilst Employee Related Expenses was favourable by \$7 million due to less than expected movements in leave provisions.

Result for the Year

The variation from budget was \$13 million and largely resulted from the reduction in leave provisions against budget expectations.

Assets and Liabilities

Net assets were \$27 million in excess of budget expectation and included an increase of \$57 million in Receivables offset almost entirely by an increase in Payables of \$52 million. This largely reflects the role of Health Infrastructure, a unit of HAC, to effect capital transactions on behalf of Health Services and the year end accrual of monies to be paid to Health Services based on work completed but either not invoiced or not yet due for payment. Cash also increased by \$21 million.

Cash Flows

Cash increased by \$21 million reflecting a combination of Net Cashflows from Operating Activities (\$4 million), Net Cashflows from Financing Activities \$15 million and Net Cashflows from Investing Activities \$10 million.

36. Trust Funds - Parent and Consolidated

HAC holds trust fund moneys of \$0.267million which relate to refundable deposits received for future course attendances. These monies are excluded from the financial statements as

HAC cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

REFUNDABLE DEPOSITS		
	2009 \$000	2008 \$000
Cash Balance at the beginning of the financial reporting period	301	-
Receipts	27	301
Expenditure	(61)	-
Cash Balance at the end of the financial reporting period	267	301

37. Financial Instruments

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

HAC's main risks arising from financial instruments are outlined below, together with HAC's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

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

(a) Financial Instrument Categories

		Total Carrying Amounts as per the Balance Sheet	
		2009 \$000	2008 \$000
PARENT			
Financial Assets			
CLASS	CATEGORY		
Cash and Cash Equivalents (Note 17)	N/A	102,097	50,222
Receivables (Note 18) ¹	Loans & Receivables (at amortised costs)	97,689	43,559
Other Financial Assets (Note 21)	Loans & Receivables (at amortised costs)	27,426	9,335
Total Financial Assets		227,212	103,116
Financial Liabilities			
Borrowings (Note 26)	Financial liability measured at amortised cost	18,229	9,149
Payables (Note 25) ²	Financial liability measured at amortised cost	132,807	75,399
Total Financial Liabilities		151,036	84,548

Notes: 1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7).
2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

CONSOLIDATED		Total Carrying Amounts as per the Balance Sheet	
		2009 \$000	2008 \$000
Financial Assets			
CLASS	CATEGORY		
Cash and Cash Equivalents (note 17)	N/A	102,097	50,222
Receivables (note 18) ¹	Loans & Receivables (at amortised cost)	97,689	43,559
Other Financial Assets (Note 21)	Loans & Receivables (at amortised cost)	27,426	9,335
Total Financial Assets		227,212	103,116
Financial Liabilities			
Borrowings (Note 26)	Financial liability measured at amortised cost	18,229	9,149
Payables (Note 25) ²	Financial liability measured at amortised cost	132,807	75,399
Total Financial Liabilities		151,036	84,548

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

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

(b) Credit Risk

Credit risk arises when there is the possibility of the 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. No collateral is held by HAC nor has it granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates between 4.38 and 5.33% in 2008-09 compared to 6.58 to 7.86% in the previous year. The TCorp Hour Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at

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

HAC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2009: \$68.238M; 2008: \$17.830M) are not considered impaired and these represent 56.6% (33.6% for 2008) of the total trade debtors. In addition Compensables charges are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the debtors relate to Ambulance Transport of private individuals. Ambulance invoices are generally issued under 21 day payment terms.

The only financial assets that are past due or impaired are ‘sales of goods and services’ in the ‘receivables’ category of the balance category of the balance sheet. Ambulance Transports represent the majority of financial assets that are past due or impaired.

2009	TOTAL	PAST DUE BUT NOT IMPAIRED \$000	CONSIDERED IMPAIRED \$000
<3 months overdue	30,865	16,611	14,254
3 months - 6 months overdue	10,725	4,618	6,107
> 6 months overdue	10,813	8,223	2,590
2008			
<3 months overdue	20,370	6,782	13,588
3 months - 6 months overdue	10,343	4,890	5,453
> 6 months overdue	4,445	2,806	1,639

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7.

Authority Deposits

HAC has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits vary. The deposits at balance date were earning an average interest rate of 4.8% (2008- 7.7%), while over the year the weighted average interest rate was 4.48% (2008- 7.3%) on a weighted average balance during the year of \$14.2 million (2008 - \$8.513 million). None of these assets are past due or impaired.

(c) Liquidity Risk

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

HAC has negotiated no loan outside of arrangements with the NSW Department of Health or the Sustainable Energy Development Authority.

During the current and prior year, there were no defaults or breaches on any loans or payable. No assets have been pledged as collateral. HAC's exposure to liquidity risk is considered significant. However the risk is minimised as the NSW Department of Health has indicated its ongoing financial support to HAC (Refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

Maturity Analysis and interest rate exposure of financial liabilities

	INTEREST RATE EXPOSURE				MATURITY DATES		Weighted Average Effective Interest Rate (%)
	Fixed Interest Rate (%)	Variable Interest Rate (%)	Fixed Interest Rate \$000	Non-Interest Bearing \$000	< 1 Yr \$000	1-5 Yrs \$000	
2009							
Payables:							
Accrued Salaries, Wages			-	12,604	12,604	-	
Payroll Deductions			-	6,335	6,335	-	
Creditors			-	113,868	113,868	-	
Borrowings:							
Other Loans and Deposits			-	18,229	17,946	283	-
Total			-	151,036	150,753	283	
2008							
Payables:							
Accrued Salaries, Wages			-	9,178	9,178	-	
Payroll Deductions			-	5,566	5,566	-	
Creditors				60,655	60,655	-	
Borrowings:							
Overdraft			-	117	117	-	
Other Loans and Deposits			-	9,032	2,220	6,812	
Total			-	84,548	77,736	6,812	

Notes: 1 The bank overdraft of \$0.117M was only a cash book overdraft and not an overdraft in the bank account. No interest charge is therefore applicable.

(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which HAC operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based

on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through HAC's cash and cash equivalents.

HAC is not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority(SEDA) loans which are negotiated through Treasury excepted). Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. For financial instruments a reasonably possible change of +/-1% is consistent with trends in interest. HAC's exposure to interest rate risk is set out below.

	Carrying Amount \$000	-1%		+1%	
		Result \$000	Equity \$000	Result \$000	Equity \$000
2009					
Financial assets					
Cash and cash equivalents	102,097	(1,021)	(1,021)	1,021	1,021
Receivables	97,689	-	-	-	-
Other financial assets	27,426	(274)	(274)	274	274
Financial liabilities					
Payables	132,807	-	-	-	-
Borrowings	18,229	182	182	(182)	(182)
2008					
Financial assets					
Cash and cash equivalents	50,222	(502)	(502)	502	502
Receivables	43,559	-	-	-	-
Other financial assets	9,335	(93)	(93)	93	93
Financial liabilities					
Payables	75,399	-	-	-	-
Borrowings	9,149	-	-	-	-

Other price risk - TCorp Hour Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes.

HAC has no direct equity investments. HAC holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2009 \$000	2008 \$000
Cash facility	Cash, money market instruments		14,315	13,533

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

NSW TCorp as trustee for the facility is required to act in the best interest of the unitholders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and

risk of the facility in accordance with a mandate agreed by the parties. However, TCorp, acts as manager for part of the Cash facility. A significant portion of the administration of the facility is outsourced to an external custodian.

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

NSW TCorp provides sensitivity analysis information for the facility, using historically based volatility information. The TCorp Hour Glass Investments are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year. The amount advised by TCorp is 1% thereby not impacting on profit/loss for 2008-09 (\$143,000) and \$135,000 for 2007/08.

38. Increase in Assets from Equity Transfer

In 2008-09 HAC has received the benefit of \$2.357 million in net assets following the transfer of food (\$0.836) million and warehouse services (\$0.326) million from several Health Services. HAC also received the benefit of \$1.195 million in intangible assets transferred from the Department of Health.

Fair Value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour Glass facilities, which are measured at fair value. As discussed, the value of the Hour Glass Investments is based on HAC's share of the value of the underlying assets of the facility, based on the market value. All of the Hour Glass facilities are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value because of the short term nature of many of the financial instruments.

In 2007/08 HAC received the benefit of \$1.089 million in intangible assets transferred from Sydney West Area Health Service

Details are as follows:

	2008-09 \$000	2007/08 \$000
Assets		
Current Assets		
Inventory	635	
Total Current assets	635	
Non Current Assets		
Buildings	326	
Plant and Equipment	2,836	
Intangibles	1,195	1,089
Total Non-Current assets	4,357	1,089
Total Assets	4,992	1,089
Liabilities		
Current liabilities		
Leave Provisions	1,631	
Long Service Leave	1,004	
Total Liabilities	2,635	
Net Assets	2,357	1,089

39. Post Balance Date Events

No post balance date events have occurred which warrant inclusion in this report.

END OF AUDITED FINANCIAL STATEMENTS

Independent Audit Report

FOR THE YEAR ENDED 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Health Administration Corporation Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Health Administration Corporation Special Purpose Service Entity (the Entity), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense, and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Entity as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Director-General's Responsibility for the Financial Report

The Director-General of the Department of Health is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Entity's preparation and fair presentation of the financial report 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 controls. 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 report.

I believe that 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, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 role by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

8 October 2009
SYDNEY



Certification of Accounts

FOR THE YEAR ENDED 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

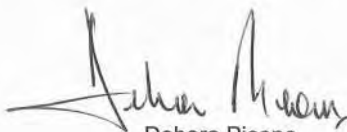
CERTIFICATE OF ACCOUNTS

Pursuant to Section 45(F) of the Public Finance and Audit Act 1983 (the Act), we state that:

- (i) The attached financial statements of the Health Administration Corporation Special Purpose Service Entity for the year ended 30 June 2009 have been prepared in accordance with the requirements of applicable Australian Accounting Standards, the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



John Roach
Chief Financial Officer



Debora Picone
Director-General
7 October 2009

Income Statement

FOR THE YEAR ENDED 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

	2009 \$000	2008 \$000
INCOME		
Personnel Services	567,520	432,917
Acceptance by the Crown Entity of Employee Superannuation Benefits	13,712	11,006
Total Income	581,232	443,923
EXPENSES		
Salaries & Wages	437,374	342,277
Superannuation – Defined Benefit Plans	13,712	11,006
Superannuation – Defined Contributions	28,236	20,219
Long Service Leave	22,129	12,373
Annual Leave	55,386	35,717
Redundancy	854	21
Workers Compensation Insurance	16,722	21,928
Other Employee Related Expenses	6,421	-
Fringe Benefits Tax	398	382
Total Expenses	581,232	443,923
RESULT FOR THE YEAR	-	-

The accompanying notes form part of these Financial Statements.



Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

	2009 \$000	2008 \$000
Total Income and Expense Recognised Directly in Equity	-	-
Result for the year	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-	-

The accompanying notes form part of these Financial Statements.

Balance Sheet

AS AT 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

ASSETS	Notes	2009 \$000	2008 \$000
Current Assets			
Receivables	2	214,853	153,038
Total Current Assets		214,853	153,038
Non-Current Assets			
Receivables	2	12,392	4,483
Total Non-Current Assets		12,392	4,483
Total Assets		227,245	157,521
LIABILITIES			
Current Liabilities			
Payables	3	23,549	15,883
Provisions	4	191,304	137,155
Total Current Liabilities		214,853	153,038
Non-Current Liabilities			
Provisions	4	12,392	4,483
Total Non-Current Liabilities		12,392	4,483
Total Liabilities		227,245	157,521
Net Assets		-	-
EQUITY			
Accumulated Funds		-	-
Total Equity		-	-

The accompanying notes form part of these Financial Statements.



Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

	2009 \$000	2008 \$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 Health Administration Corporation Special Purpose Service Entity 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.

Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY

1. Summary of Significant Accounting Policies

(a) Health Administration Corporation Special Purpose Service Entity

The Health Administration Corporation (HAC) Special Purpose Service Entity "the Entity" is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002* and amendment of the *Health Services Act 1997* in respect of the Ambulance Service of NSW, Health Support Services, the NSW Institute of Medical Education and Training and Health Infrastructure. The Entity is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts.

The Entity's objective is to provide personnel services to HAC.

The Entity commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of HAC.

The financial report was authorised for issue by the Chief Financial Officer and Director General on 7 October 2009.

(b) Basis of Preparation

This is a general purpose financial report 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.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See Note 1(j).

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

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

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 Effected

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 Entity.

Accounting Standard/Interpretation

AASB 127 and AASB 2008-3, Business Combinations, has application in reporting periods beginning on or after 1 July 2009 and determines information to be disclosed in respect of business acquisitions. Its applicability to not for profit entities is yet to be determined.

AASB 8 and AASB 2007-3 Operating Segments, has application in reporting periods beginning on or after 1 January 2009. It relates to for profit entities specifically and is therefore not applicable to the Entity.

AASB 101, Presentation of Financial Statements, effective for reporting periods beginning on 1 July 2009, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities there is no change required.

AASB 123 Borrowing Costs, has application in reporting periods beginning on or after 1 January 2009. The Standard, which requires capitalisation of borrowing costs, has not been adopted in 2008-09 nor is adoption expected prior to 2009/10.

AASB 1039, Concise Financial Reports, responds to changes in Section 314 of the Corporations Law. It is not applicable to the Entity.

AASB 2008-1, Share Based Payments has no applicability to the Entity.

AASB 2008-2, Puttable Financial Instruments and Obligations Arising on Liquidation, effective from 1 July 2009 has no application to the Entity.



AASB 2008-5 and AASB 2008-6, Annual Improvements Project, has application from 1 July 2009 and comprises changes for presentation, recognition or measurement purposes which are currently assessed as having no material impact on the Entity.

AASB 2008-7 Investment in a Subsidiary, Jointly Controlled Entity or Associate, has no impact on the Entity.

AASB 2008-8 Eligible Hedged Items, has application from 1 July 2009 but has no current applicability to the Entity.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, has mandatory application from 1 July 2009 and will not be early adopted by the Entity.

AASB 2008-11 Business Combinations Among Not for Profit, has application from 1 July 2009 and focuses largely on Local Government.

AASB 2008-13, Distribution of Non Cash Assets to Owners, has application in reporting periods beginning on or after 1 July 2009 but is assessed as having no applicability to the Entity.

AASB 2009-2, Improving Disclosures about Financial Instruments, has mandatory application from 1 July 2009. Changes to be advised by NSW Treasury concerning fair value measurement and liquidity risk will be adopted by the Entity.

Interpretation 15 Construction of Real Estate, applies from 1 July 2009 but has no impact on the Entity which is not involved in the construction of real estate for sale.

Interpretation 16, Agreements for the Hedges of a Net Investment in a Foreign Operation, has application from 1 July 2009 but has no relevance to the Entity.

Interpretation 17 & AASB 2008-13 Distributions of Non Cash Assets to Owners, applies from 1 July 2009 and principally addresses share holder distributions. It is not applicable to the Entity.

(e) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(f) Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair

value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the income statement when impaired, derecognised or through the amortisation process.

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

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for impairment and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

(g) Impairment of Financial Assets

As both receivables and payables are measured at fair value through profit and loss there is no need for annual reviews for impairment.

(h) 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.

(i) Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

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.

(j) Employee Benefits

i) Salaries and Wages, Annual Leave, Sick Leave and On-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then classified as "Short Term" and "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next 12 months are reported as "Short Term". On-costs of 17% are applied to the value of leave payable at 30 June 2009, such on-costs being consistent with actuarial assessment (comparable on-costs for 30 June 2008 were also 17%).

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

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

ii) Long Service Leave and Superannuation

Long Service Leave entitlements are dissected as "Current" if there is an unconditional right to payment and "Non-Current" if the entitlements are conditional. Current entitlements are further dissected between "Short Term" and "Long Term" on the basis of anticipated payments for the next 12 months. This in turn is based on past trends and known resignations and retirements.

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 9.8% above the salary rates immediately payable at 30 June 2009 (8.1% at 30 June 2008) for all employees with five or more years of service. The escalation applied is consistent with the actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

The Entity's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Entity accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 3, "Payables".

The superannuation expense for the financial year is determined by using the formulae specified in the NSW Department of Health Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Superannuation Guarantee Charge) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

2. Receivables

	2009 \$000	2008 \$000
Current		
Accrued Income - Personnel Services Provided	214,853	153,038
Non Current		
Accrued Income - Personnel Services Provided	12,392	4,483
Total Receivables	227,245	157,521

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

3. Payables

	2009 \$000	2008 \$000
Current		
Accrued Salaries and Wages and On-costs	12,604	9,178
Payroll Deductions	10,945	6,705
Total Payables	23,549	15,883

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

4. Provisions

	2009 \$000	2008 \$000
Current Employee Benefits and Related On-costs		
Annual Leave - Short Term Benefit	44,920	34,509
Annual Leave - Long Term Benefit	41,983	25,488
Long Service Leave - Short Term Benefit	9,493	7,936
Long Service Leave - Long Term Benefit	89,458	64,217
Death and Disability Award (Ambulance Service of NSW)	5,450	5,005
Total Current Provisions	191,304	137,155
Non Current Employee Benefits and Related On-costs		
Long Service Leave - Conditional	12,258	4,433
Sick leave	54	50
Death and Disability Award (Ambulance Service of NSW)	80	-
Total Non Current Provisions	12,392	4,483
Aggregate Employee Benefits and Related On-costs		
Provisions - Current	191,304	137,155
Provisions - Non-Current	12,392	4,483
Accrued Salaries, Wages and On-costs	23,549	15,883
Total Provisions	227,245	157,521

5. Financial instruments

The Entity's financial instruments are outlined below. These 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 only the value of employee provisions and accrued salaries and wages offset in full by accounts receivable from the Parent Entity. Risk management policies are established by the Parent Entity 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 Committee/ Internal auditors of the Parent Entity on a continuous basis.

(a) Financial Instruments Categories

		Total carrying amounts as per the Balance Sheet	
		2009 \$000	2008 \$000
Financial Assets			
CLASS	CATEGORY		
Receivables at Amortised Cost ¹ (Note 2)	Receivables measured at amortised cost	227,245	157,521
Total Financial Assets		227,245	157,521
Financial Liabilities			
Payables (Note 3) ²	Financial Liabilities measured at amortised cost	23,549	15,883
Total Financial Liabilities		23,549	15,883

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

2 Excludes unearned revenue (i.e. not within the scope of AASB 7).

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. No collateral is held by the Entity nor has it granted any financial guarantees.

Receivables - trade debtors

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The parent entity of the Entity is the sole debtor of the Entity and it is assessed that there is no risk of default. No accounts receivables are classified as "Past Due but not Impaired" or "Considered Impaired".

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. All movements that occur in Payables are fully offset by an increase in Receivables from the Parent Entity.

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 balance sheet approximates fair value because of the short term nature of the financial instruments.

6. Related Parties

The Health Administration Corporation (HAC) is deemed to control the Entity in accordance with Australian Accounting Standards. The controlling entity is incorporated under the *Health Services Act 1997*. Transactions and balances in this financial report relate only to the Entity's function as provider of personnel services to the controlling entity. The Entity's total income is sourced from the HAC. Cash receipts and payments are effected by HAC on the Entity's behalf.

7. Post Balance Date Events

No post balance date events have occurred which warrant inclusion in this report.

END OF AUDITED FINANCIAL STATEMENTS

