



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Hunter New England Area Health Service

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Hunter New England Area Health Service (the Service), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements, a summary of significant accounting policies and other explanatory notes for both the Service and the consolidated entity. The consolidated entity comprises the Service 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 statements:

- present fairly, in all material respects, the financial position of the Service and the consolidated entity as at 30 June 2010, and of the financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

#### Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements 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 statements that are 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 statements 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 statements are free from material misstatement.

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

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

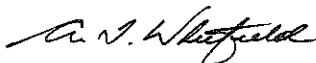
My opinion does *not* provide assurance:

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

### 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
- 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

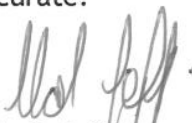
29 September 2010  
SYDNEY

**Certification of Parent/Consolidated Financial Statements  
For Period Ended 30 June 2010**

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

- 1) The financial report has been prepared in accordance with:
  - Australian Accounting Standards
  - *Public Finance and Audit Act 1983*
  - *Public Finance and Audit Regulations 2010*
  - *Health Services Act 1997 and its Regulations*
  - the Accounts and Audit Determination
- 2) The financial report exhibits a true and fair view of the financial position and the financial performance of the Hunter New England Area Health Service.
- 3) There are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

  
Nigel Lyons  
Chief Executive

  
Mark Jeffrey  
Director, Financial Services

Date

Monday 20<sup>th</sup> September 2010



**Hunter New England Area Health Service**  
**Statement of Financial Position as at 30 June 2010**

PARENT							CONSOLIDATION		
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000		Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000		
<b>ASSETS</b>									
<b>Current Assets</b>									
117,861	111,453	108,153	Cash and Cash Equivalents	18	117,861	111,453	108,153		
44,000	40,406	43,677	Receivables	19	44,000	40,406	43,677		
6,639	6,014	7,203	Inventories	20	6,639	6,014	7,203		
2,139	4,431	2,070	Other Financial Assets	21	2,139	4,431	2,070		
2,234	2,527	2,527	Non-Current Assets Held for Sale	23	2,234	2,527	2,527		
<b>172,873</b>	<b>164,831</b>	<b>163,630</b>	<b>Total Current Assets</b>		<b>172,873</b>	<b>164,831</b>	<b>163,630</b>		
<b>Non-Current Assets</b>									
259	217	217	Receivables	19	259	217	217		
11,245	13,384	13,384	Other Financial Assets	21	11,245	13,384	13,384		
Property, Plant and Equipment									
1,024,133	950,093	958,504	- Land and Buildings	22	1,024,133	950,093	958,504		
99,437	93,459	84,393	- Plant and Equipment	22	99,437	93,459	84,393		
76,498	69,021	71,260	- Infrastructure Systems	22	76,498	69,021	71,260		
<b>1,200,068</b>	<b>1,112,573</b>	<b>1,114,157</b>	<b>Total Property, Plant and Equipment</b>		<b>1,200,068</b>	<b>1,112,573</b>	<b>1,114,157</b>		
<b>1,211,572</b>	<b>1,126,174</b>	<b>1,127,758</b>	<b>Total Non-Current Assets</b>		<b>1,211,572</b>	<b>1,126,174</b>	<b>1,127,758</b>		
<b>1,384,445</b>	<b>1,291,005</b>	<b>1,291,388</b>	<b>Total Assets</b>		<b>1,384,445</b>	<b>1,291,005</b>	<b>1,291,388</b>		
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
94,605	109,036	102,173	Payables	25	94,605	109,036	102,173		
11,828	2,893	3,079	Borrowings	26	11,828	2,893	3,079		
342,171	327,288	319,424	Provisions	27	342,171	327,288	319,424		
2,985	1,713	1,713	Other	28	2,985	1,713	1,713		
<b>451,589</b>	<b>440,930</b>	<b>426,389</b>	<b>Total Current Liabilities</b>		<b>451,589</b>	<b>440,930</b>	<b>426,389</b>		
<b>Non-Current Liabilities</b>									
156,847	165,464	156,169	Borrowings	26	156,847	165,464	156,169		
7,490	11,607	6,990	Provisions	27	7,490	11,607	6,990		
375	405	405	Other	28	375	405	405		
<b>164,712</b>	<b>177,476</b>	<b>163,564</b>	<b>Total Non-Current Liabilities</b>		<b>164,712</b>	<b>177,476</b>	<b>163,564</b>		
<b>616,301</b>	<b>618,406</b>	<b>589,953</b>	<b>Total Liabilities</b>		<b>616,301</b>	<b>618,406</b>	<b>589,953</b>		
<b>768,144</b>	<b>672,599</b>	<b>701,435</b>	<b>Net Assets</b>		<b>768,144</b>	<b>672,599</b>	<b>701,435</b>		
<b>EQUITY</b>									
306,469	222,645	222,645	Reserves		306,469	222,645	222,645		
461,140	449,491	478,327	Accumulated Funds		461,140	449,491	478,327		
<b>767,609</b>	<b>672,136</b>	<b>700,972</b>			<b>767,609</b>	<b>672,136</b>	<b>700,972</b>		
Amounts Recognised in Equity Relating to Assets									
535	463	463	Held for Sale	23	535	463	463		
<b>768,144</b>	<b>672,599</b>	<b>701,435</b>	<b>Total Equity</b>		<b>768,144</b>	<b>672,599</b>	<b>701,435</b>		

The accompanying notes form part of these financial statements.

**Hunter New England Area Health Service**  
**Statement of Changes in Equity for the year ended 30 June 2010**

	Notes	Accumulated Funds	Asset Revaluation Surplus	Assets Held for Sale	Total
		\$000	\$000	\$000	\$000
<b>Balance at 1 July 2009</b>		478,327	222,645	463	701,435
<b>Result For The Year</b>		(17,417)	-	-	(17,417)
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment Available for Sale Financial Assets:					
-Valuation Gains/(Losses)		-	83,845	-	83,845
-Transfers on Disposal		(51)	(21)	72	-
<b>Total Other Comprehensive Income</b>		(51)	83,824	72	83,845
<b>Total Comprehensive Income For The Year</b>		<b>(17,468)</b>	<b>83,824</b>	<b>72</b>	<b>66,428</b>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	37	281	-	-	281
<b>Balance at 30 June 2010</b>		<b>461,140</b>	<b>306,469</b>	<b>535</b>	<b>768,144</b>
<b>Balance at 1 July 2008</b>		515,486	223,048	425	738,959
<b>Result For The Year</b>		(51,958)	-	-	(51,958)
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment Available for Sale Financial Assets:					
-Valuation Gains/(Losses)		-	-	-	-
-Transfers on Disposal		365	(403)	38	-
<b>Total Other Comprehensive Income</b>		365	(403)	38	0
<b>Total Comprehensive Income For The Year</b>		<b>(51,593)</b>	<b>(403)</b>	<b>38</b>	<b>(51,958)</b>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers		14,434	-	-	14,434
<b>Balance at 30 June 2009</b>		<b>478,327</b>	<b>222,645</b>	<b>463</b>	<b>701,435</b>

The accompanying notes form part of these financial statements.

**Hunter New England Area Health Service**  
Statement of Cash Flows for the year ended 30 June 2010

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
				(982,933)	(977,055)	(921,066)
(117,214)	(117,221)	(120,964)	Employee Related			
(17,931)	(17,936)	(9,760)	Grants and Subsidies	(117,214)	(117,221)	(120,964)
(1,632,061)	(1,623,616)	(1,461,602)	Finance Costs	(17,931)	(17,936)	(9,760)
			Other	(649,128)	(646,561)	(540,536)
<b>(1,767,206)</b>	<b>(1,758,773)</b>	<b>(1,592,326)</b>	<b>Total Payments</b>	<b>(1,767,206)</b>	<b>(1,758,773)</b>	<b>(1,592,326)</b>
<b>Receipts</b>						
352,373	331,845	274,028	Sale of Goods and Services	352,373	331,845	274,028
4,634	5,091	5,185	Interest Received	4,634	5,091	5,185
83,680	85,289	80,393	Other	83,680	85,289	80,393
<b>440,687</b>	<b>422,225</b>	<b>359,606</b>	<b>Total Receipts</b>	<b>440,687</b>	<b>422,225</b>	<b>359,606</b>
<b>Cash Flows From Government</b>						
1,362,755	1,362,755	1,291,014	NSW Department of Health Recurrent Allocations	1,362,755	1,362,755	1,291,014
38,715	39,382	47,606	NSW Department of Health Capital Allocations	38,715	39,382	47,606
-	-	-	Asset Sale Proceeds Transferred to the			
-	-	-	- NSW Department of Health	-	-	-
-	-	-	- Cash Reimbursements from the Crown Entity	-	-	-
<b>1,401,470</b>	<b>1,402,137</b>	<b>1,338,620</b>	<b>Net Cash Flows From Government</b>	<b>1,401,470</b>	<b>1,402,137</b>	<b>1,338,620</b>
<b>74,951</b>	<b>65,589</b>	<b>105,900</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>74,951</b>	<b>65,589</b>	<b>105,900</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
2,855	1,612	2,308	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	2,855	1,612	2,308
-	-	-	- Proceeds from Sale of Investments	-	-	-
(67,836)	(63,639)	(106,298)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(67,836)	(63,639)	(106,298)
-	-	-	- Purchases of Investments	-	-	-
<b>(64,981)</b>	<b>(62,027)</b>	<b>(103,990)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(64,981)</b>	<b>(62,027)</b>	<b>(103,990)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
2,502	2,502	34,125	Proceeds from Borrowings and Advances	2,502	2,502	34,125
(2,764)	(2,764)	(4,230)	Repayment of Borrowings and Advances	(2,764)	(2,764)	(4,230)
<b>(262)</b>	<b>(262)</b>	<b>29,895</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(262)</b>	<b>(262)</b>	<b>29,895</b>
<b>9,708</b>	<b>3,300</b>	<b>31,805</b>	<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>9,708</b>	<b>3,300</b>	<b>31,805</b>
<b>108,153</b>	<b>108,153</b>	<b>66,156</b>	Opening Cash and Cash Equivalents	<b>108,153</b>	<b>108,153</b>	<b>66,156</b>
-	-	10,192	Cash Transferred In/(Out) as a Result of Administrative Restructuring	-	-	10,192
<b>117,861</b>	<b>111,453</b>	<b>108,153</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>117,861</b>	<b>111,453</b>	<b>108,153</b>

The accompanying notes form part of these financial statements.





**Hunter New England Area Health Service**  
**Service Group Statements (Continued)**  
**for the Year Ended 30 June 2010**

SERVICE'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 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Non Attributable		Total				
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	\$000	\$000			
<b>ASSETS</b>																									
<b>Current Assets</b>																									
Cash and Cash Equivalents	9,133	8,517	618	572	11,457	11,164	9,106	8,503	56,687	49,618	5,350	4,920	10,217	9,542	11,507	10,723	1,673	1,563	3,112	3,033	-	-	117,861	108,153	
Receivables	2,290	2,442	78	94	2,896	3,141	2,562	2,670	24,528	22,618	1,608	1,798	854	929	5,980	6,560	1,264	1,231	1,930	2,195	-	-	44,000	43,677	
Inventories	342	367	26	28	550	601	506	560	3,797	4,077	439	502	298	324	541	589	64	70	76	85	-	-	6,639	7,203	
Other Financial Assets	166	163	11	11	208	214	165	163	1,011	950	97	94	185	183	209	205	30	30	56	58	-	-	2,139	2,070	
Non-Current Assets Held for Sale	149	170	9	10	246	280	233	265	1,009	1,134	132	150	202	230	239	273	11	13	3	4	-	-	2,234	2,527	
<b>Total Current Assets</b>	12,081	11,658	742	714	15,357	15,400	12,572	12,160	86,031	78,396	7,626	7,463	11,757	11,207	18,467	18,350	3,043	2,906	5,177	5,375	-	-	172,873	163,630	
<b>Non-Current Assets</b>																									
Receivables	13	12	0	0	17	16	15	13	144	112	9	9	5	5	35	33	7	6	11	11	-	-	259	217	
Other Financial Assets	871	1,054	59	71	1,093	1,382	869	1,052	5,313	6,140	510	609	975	1,181	1,098	1,327	160	193	297	375	-	-	11,245	13,384	
Property, Plant and Equipment																									
- Land and Buildings	68,473	64,469	4,174	3,927	112,725	106,140	106,691	100,444	462,736	429,965	60,377	56,836	92,510	87,098	109,792	103,368	5,062	4,760	1,582	1,496	-	-	1,024,133	988,504	
- Plant and Equipment	6,648	5,676	405	346	10,945	9,345	10,359	8,844	44,929	37,857	5,862	5,004	8,982	7,669	10,660	9,101	492	419	155	132	-	-	99,437	84,393	
- Infrastructure Systems	5,115	4,793	312	292	8,420	7,891	7,969	7,468	34,564	31,986	4,510	4,225	6,910	6,475	8,201	7,685	378	354	119	111	-	-	76,498	71,260	
<b>Total Non-Current Assets</b>	81,121	76,005	4,950	4,636	133,201	124,773	125,903	117,821	547,686	506,040	71,269	66,683	109,382	102,428	129,786	121,514	6,099	5,733	2,174	2,125	-	-	1,211,572	1,127,758	
<b>TOTAL ASSETS</b>	93,202	87,663	5,693	5,350	148,558	140,173	138,475	129,981	633,717	584,436	78,895	74,146	121,139	113,634	148,273	139,865	9,141	8,639	7,352	7,500	-	-	1,384,445	1,291,388	
<b>LIABILITIES</b>																									
<b>Current Liabilities</b>																									
Payables	4,876	5,205	366	391	7,840	8,526	7,216	7,946	54,101	57,835	6,260	7,117	4,243	4,592	7,710	8,352	915	997	1,078	1,212	-	-	94,605	102,173	
Borrowings	917	242	62	16	1,150	318	914	242	5,588	1,413	537	140	1,025	272	1,155	305	168	44	312	86	-	-	11,828	3,079	
Provisions	33,098	31,729	2,258	2,166	30,943	29,682	25,212	24,184	142,717	128,218	11,158	10,704	40,109	38,474	37,890	36,323	6,287	6,025	12,498	11,919	-	-	342,171	319,424	
Other	231	135	16	9	290	177	231	135	1,410	786	135	78	259	151	291	170	42	25	79	48	-	-	2,985	1,713	
<b>Total Current Liabilities</b>	39,121	37,311	2,702	2,592	40,224	38,702	33,573	32,507	203,817	186,252	18,091	18,039	45,636	43,489	47,046	45,151	7,412	7,091	13,968	13,265	-	-	451,589	426,389	
<b>Non-Current Liabilities</b>																									
Borrowings	12,154	12,298	823	825	15,247	16,121	12,118	12,277	74,107	71,646	7,119	7,104	13,597	13,778	15,313	15,484	2,226	2,257	4,142	4,379	-	-	156,847	156,169	
Provisions	724	694	49	47	677	650	552	529	3,124	2,806	244	234	878	842	829	795	138	132	274	261	-	-	7,490	6,890	
Other	29	32	2	2	36	42	29	32	177	186	17	18	33	36	37	40	5	6	10	11	-	-	375	405	
<b>Total Non-Current Liabilities</b>	12,908	13,024	874	875	15,961	16,812	12,689	12,839	77,408	74,638	7,380	7,356	14,507	14,656	16,179	16,319	2,369	2,394	4,425	4,651	-	-	164,712	163,564	
<b>TOTAL LIABILITIES</b>	52,029	50,335	3,576	3,467	56,185	55,514	46,272	45,345	281,225	262,890	25,471	25,395	60,143	58,145	63,225	61,470	9,781	9,485	18,393	17,916	-	-	616,301	589,953	
<b>NET ASSETS</b>	41,173	37,327	2,116	1,893	92,373	84,659	92,204	84,636	352,492	321,546	53,424	48,751	60,996	55,490	85,048	78,394	(640)	(846)	(11,041)	(10,416)	-	-	768,144	701,435	

The name and purpose of each service group is summarised in Note 17

Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ae), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**1 The Health Service Reporting Entity**

The Hunter New England Area Health Service was established under the provisions of the Health Services Act with effect from 1 January 2005.

The Health Service, as a reporting entity, comprises all the operating activities of the Hospital facilities and the Community Health Centres under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the Health Service. The Health Service is a not-for-profit entity (as profit is not its principal objective).

The Hunter New England Area Health Service 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 1997. These Divisions provide personnel services to enable a Health Service to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Health Service (as the parent entity), the financial statements of the special purpose entity division and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 12, 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 accounts are presented in \$000 and as such rounding errors may occur.

The reporting entity is consolidated as part of the financial statements prepared for both the NSW Department of Health and the NSW Total State Sector Accounts.

These consolidated financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive on 20th September 2010.

**2 Summary of Significant Accounting Policies**

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

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

The consolidated entity has a deficiency of working capital of \$278.7M (2009 \$262.8M). Notwithstanding this deficiency the financial statements have been prepared on a going concern basis because the entity has the support of the New South Wales Department of Health.

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

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

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

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

**Accounting Standard/Interpretation**

AASB 9, Financial Instruments and AASB 2009-11, Amendments to Australian Accounting Standards arising from AASB 9, have application from 1 July 2013 and focus on simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value. They also simplify the requirements for embedded derivatives and remove the tainting rules associated with held-to-maturity assets. They have been assessed as having no material impact on the Health Service.

AASB 1053, Application of tiers of Australian Accounting Standards, has application from 1 July 2013 and establishes a differential reporting framework consisting of two tiers of reporting requirements. Tier 1 entities will continue to apply existing Australian Accounting Standards. Tier 2 entities will apply the same recognition, measurement and presentation requirements but reduced disclosure requirements. Tier 2 entities include the majority of public sector entities. This standard has been assessed as having no material impact on the Health Service.

AASB 2009-5, Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project, has application from 1 July 2010 and comprises accounting changes for presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Health Service.

AASB 2009-8, Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions, has application from 1 July 2010 and makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This standard has been assessed as having no impact on the Health Service.

AASB 2009-9, Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters, has application from 1 July 2010 and makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations. This standard has been assessed as having no impact on the Health Service.

AASB 2009-10, Amendments to Australian Accounting Standards- Classification of Rights Issues, has application from 1 July 2010 and provides clarification concerning equity instruments. This standard has been assessed as having no material impact on the Health Service.

AASB 124, Related Party Disclosures and AASB 2009-12, Amendments to Australian Accounting Standards, have application from 1 July 2011 and simplify the definition of a related party. They have been assessed as having no impact on the Health Service.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13, Amendments to Australian Accounting Standards arising from Interpretation 19, have application from 1 July 2010 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. They have been assessed as having no impact on the Health Service.

AASB 2009-14, Amendments to Australian Interpretation- Prepayments of a Minimum Funding Requirement, has application from 1 July 2011 and makes limited-application amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This standard has been assessed as having no impact on the Health Service.

AASB 2010-1, Amendments to Australian Accounting Standards- Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters, has application from 1 July 2010 and provides additional exemption on IFRS transition in relation to AASB 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers. This standard has been assessed as having no impact on the Health Service.

AASB 2010-2, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, has application from 1 July 2013 and determines disclosures in Australian Accounting Standards from which Tier 2 entities are exempt. This standard has been assessed as having no material impact on the Health Service.

AASB 2010-3 and AASB 2010-4, Amendments to Australian Accounting Standards arising from the Annual Improvements Project, have application from 1 January 2011 and amend a number of different Australian Accounting Standards. These standards have been assessed as having no material impact on the Health Service.

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

**a) Employee Benefits and Other Provisions**

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

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

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On-costs of 17% are applied to the value of leave payable at 30 June 2010, such on-costs being consistent with actuarial assessment (Comparable on-costs for 30 June 2009 were also 17%).

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

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**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 18.3% (9.8% at 30 June 2009) for all employees with five or more years of service. The escalation applied is consistent with 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 Health Service's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Health Service 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.

**iii) Other Provisions**

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

**c) Finance Costs**

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with the Department's mandate to not-for-profit 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*

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

*Rendering of Services*

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

*Patient Fees*

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health from time to time.

*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 Health Service's right to receive payment is established.

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

- \* a monthly charge raised by the Health Service based on a percentage of receipts generated
- \* the residue of the Private Practice Trust Fund at the end of each financial year, such sum being credited for Health Service use in the advancement of the Health Service or individuals within it.

*Use of Outside Facilities*

The Health Service uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. The cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

*Grants and Contributions*

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

*NSW Department of Health Allocations*

Payments are made by the NSW Department of Health on the basis of the allocation for the Health Service as adjusted for approved supplementations mostly for salary agreements, patient flows between Health Services and approved enhancement projects. This allocation is included in the Statement of Comprehensive Income 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.

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

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

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

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

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

**f) Inter Area and Interstate Patient Flows**

*Inter Area Patient Flows*

Health Services recognise patient flows for patients they have treated that live outside the Service's regional area. The flows recognised are for acute inpatients (other than Mental Health Services), emergency and rehabilitation and extended care.

Patient flows have been calculated using benchmarks for the cost of services for each of the categories identified and deducting estimated revenue, based on the payment category of the patient. The flow information is based on activity for the last completed calendar year. The NSW Department of Health accepts that category identification for various surgical and medical procedures is impacted by the complexities of the coding process and the interpretation of the coding staff when coding a patient's medical records. The Department reviews the flow information extracted from Health Service records and once it has accepted it, requires each Health Service and the Children's Hospital at Westmead to bring to account the value of patient flows in accordance with the Department's assessment.

The adjustments have no effect on equity values as the movement in Net Cost of Services is matched by a corresponding adjustment to the value of the NSW Department of Health Recurrent Allocation.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

Inter State Patient Flows

Health Services recognise the outflow of acute inpatients that are treated by other States and Territories within Australia who normally reside in the Service's residential area. The Health Services also recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The expense and revenue values reported within the financial statements have been based on 2008/09 activity data using standard cost weighted separation values to reflect estimated costs in 2009/10 for acute weighted inpatient separations. Where treatment is obtained outside the home health service, the State/Territory providing the service is reimbursed by the benefiting Area.

The reporting adopted for both inter area and interstate patient flows aims to provide a greater accuracy of the cost of service provision to the Area's resident population and disclose the extent to which service is provided to non-residents.

The composition of patient flow expense/revenue is disclosed in Notes 5 and 10.

**g) Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Health Service. 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, ie the deferred payment amount is effectively discounted at an asset-specific rate.

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

**h) Capitalisation Thresholds**

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



**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**i) Depreciation of Property, Plant and Equipment**

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

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

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

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

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

**j) Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the NSW 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 and Equipment* and AASB140, *Investment Property*. Investment property is separately discussed at Note 2(o).

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

The Health Service revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Area as at 1st July 2007 was completed on 30 June 2008 and was based on an independent assessment. To ensure that the carrying amount for 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 made in the period between revaluations.

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.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

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 and Equipment**

As a not-for-profit entity with no cash generating units, the Health Service is effectively exempt from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

**l) Assets Not Able to be Reliably Measured**

The Health Service may at times hold certain assets that are not recognised in the Balance Sheet because the Health Service is unable to measure reliably the value for the assets. An example of an asset that may not be capable of reliable measurement is land under roads.

**m) Restoration Costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

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

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

**o) Investment Properties**

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**p) Intangible Assets**

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

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

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

**q) Maintenance**

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

**r) Leased Assets**

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

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

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

**s) Inventories**

Inventories are stated at cost, adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount.

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**t) Loans and Receivables**

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

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

**u) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Hunter New England Area Health Service 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 Hunter New England Area Health Service 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 Result for the Year.

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

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

\* *Held-to-maturity investments* – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Hunter New England Area Health Service has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Result for the Year when impaired, derecognised or through the amortisation process.

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

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

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**v) Impairment of financial assets**

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

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

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

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

**w) De-recognition of financial assets and financial liabilities**

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Health Service transfers the financial asset:

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

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

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

**x) Payables**

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

**y) Borrowings**

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

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

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**z) Equity Transfers**

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

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government 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 that asset.

**aa) Equity and Reserves**

**(i) Asset Revaluation Reserve**

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

**(ii) Accumulated Funds**

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

**(iii) Separate Reserves**

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

**ab) Trust Funds**

The Health Service receives monies in a trustee capacity for various trusts as set out in Note 30. As the Health Service performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Health Service's own objectives, they are not brought to account in the financial statements.

**ac) Budgeted Amounts**

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

**ad) Emerging Asset**

The Health Service's emerging interest in the Mater Public Private Partnership Funding has been valued in accordance with the Department of Health's policy for *Accounting for Privately Financed Projects*. This policy required the Health Service to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 5.63% at commencement of the concession period.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**ae) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 30 June 2009 which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the 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 NSW Department of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
-	-	Salaries and Wages	731,438	718,272
-	-	Awards	38,849	30,966
-	-	Superannuation - Defined Benefit Plans	19,849	19,668
-	-	Superannuation - Defined Contribution Plans	65,320	61,864
-	-	Long Service Leave	47,076	33,132
-	-	Annual Leave	84,019	84,922
-	-	Sick Leave and Other Leave	31,719	28,549
-	-	Redundancies	98	633
-	-	Workers' Compensation Insurance	12,638	16,105
-	-	Fringe Benefits Tax	260	270
<u>-</u>	<u>-</u>		<u><b>1,031,266</b></u>	<u><b>994,381</b></u>
The following additional information is provided:				
-	-	Employee Related Expenses Capitalised - Land and Buildings	-	24
-	-	Employee Related Expenses Capitalised - Plant and Equipment	-	-
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
731,438	718,272	Salaries and Wages	-	-
38,849	30,966	Awards	-	-
19,849	19,668	Superannuation - Defined Benefit Plans	-	-
65,320	61,864	Superannuation - Defined Contribution Plans	-	-
47,076	33,132	Long Service Leave	-	-
84,019	84,922	Annual Leave	-	-
31,719	28,549	Sick Leave and Other Leave	-	-
98	633	Redundancies	-	-
12,638	16,105	Workers' Compensation Insurance	-	-
260	270	Fringe Benefits Tax	-	-
<u><b>1,031,266</b></u>	<u><b>994,381</b></u>		<u>-</u>	<u>-</u>
The following additional information is provided:				
-	24	Personnel Services Expenses Capitalised - Land and Buildings	-	-
-	-	Personnel Services Expenses Capitalised - Plant and Equipment	-	-
<b>5. Other Operating Expenses</b>				
90,765	88,478	Allocations towards Inter Area Patient Outflows, NSW (see (d) below)	<b>90,765</b>	88,478
6,038	5,963	Blood and Blood Products	6,038	5,963
21,362	22,863	Domestic Supplies and Services	21,362	22,863
46,115	43,967	Drug Supplies	46,115	43,967
61,267	13,366	Food Supplies	61,267	13,366
12,692	10,757	Fuel, Light and Power	12,692	10,757
28,588	26,767	General Expenses (See (b) below)	28,588	26,767
16,205	17,362	Hospital Ambulance Transport Costs	16,205	17,362
11,165	9,906	Information Management Expenses	11,165	9,906
3,146	1,444	Insurance	3,146	1,444
11,870	8,786	Interstate Patient Outflows (see (e) below)	11,870	8,786
Maintenance (See (c) below)				
15,433	11,608	Maintenance Contracts	15,433	11,608
18,817	13,488	New/Replacement Equipment under \$10,000	18,817	13,488
10,369	10,402	Repairs	10,369	10,402
Maintenance/Non Contract				
62,225	58,938	Medical and Surgical Supplies	62,225	58,938
6,008	5,937	Postal and Telephone Costs	6,008	5,937
4,590	4,074	Printing and Stationery	4,590	4,074
2,137	1,934	Rates and Charges	2,137	1,934
7,559	7,356	Rental	7,559	7,356
65,752	52,775	Special Service Departments	65,752	52,775
7,624	8,333	Staff Related Costs	7,624	8,333
7,239	6,714	Health Support Services- Financial Services	7,239	6,714
2,501	1,985	Sundry Operating Expenses (See (a) below)	2,501	1,985
11,187	6,619	Travel Related Costs	11,187	6,619
<u><b>530,654</b></u>	<u><b>439,822</b></u>		<u><b>530,654</b></u>	<u><b>439,822</b></u>



**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

	PARENT		CONSOLIDATION	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
	2,501	1,985	2,501	1,985
	<b>2,501</b>	<b>1,985</b>	<b>2,501</b>	<b>1,985</b>
(a) Sundry Operating Expenses comprise: Isolated Patient Travel and Accommodation Assistance Scheme				
(b) General Expenses include:-				
Advertising	845	1,152	845	1,152
Books, Magazines and Journals	694	674	694	674
Consultancies				
- Operating Activities	2,237	2,082	2,237	2,082
- Capital Works	37	41	37	41
Courier and Freight	2,598	2,047	2,598	2,047
Auditor's Remuneration - Audit of Financial Statements	162	150	162	150
Auditor's Remuneration - Other Services	37	12	37	12
Data Recording and Storage	52	30	52	30
Legal Services	543	887	543	887
Membership/Professional Fees	964	1,179	964	1,179
Motor Vehicle Operating Lease Expense - Minimum Lease Payments	6,124	6,823	6,124	6,823
Other Operating Lease Expense - Minimum Lease Payments	1,921	1,965	1,921	1,965
Other Motor vehicle Expenses	4,561	4,607	4,561	4,607
Payroll Services	-	-	-	-
Quality Assurance/Accreditation	949	640	949	640
Security Services	789	855	789	855
Translator Services	24	34	24	34
	<b>55,748</b>	<b>46,291</b>	<b>55,748</b>	<b>46,291</b>
(c) Reconciliation Total Maintenance Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5 Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	44,619	35,498	44,619	35,498
	11,129	10,793	11,129	10,793
Total Maintenance Expenses included in Notes 3, 4 and 5	<b>55,748</b>	<b>46,291</b>	<b>55,748</b>	<b>46,291</b>
(d) Details of the allocations applied to Inter Area Patient Out Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:-				
Children's Hospital Westmead	8,753	10,777	8,753	10,777
Greater Southern	418	528	418	528
Greater Western	1,547	1,404	1,547	1,404
North Coast	9,540	7,864	9,540	7,864
Northern Sydney Central Coast	27,139	26,856	27,139	26,856
South East Illawarra	22,425	21,597	22,425	21,597
Sydney South West	12,484	11,911	12,484	11,911
Sydney West	8,459	7,541	8,459	7,541
	<b>90,765</b>	<b>88,478</b>	<b>90,765</b>	<b>88,478</b>
(e) Expenses for Interstate Patient Flows are as follows:-				
Australian Capital Territory	370	622	370	622
Northern Territory	-	218	-	218
Queensland	9,370	5,512	9,370	5,512
South Australia	439	56	439	56
Tasmania	302	-	302	-
Victoria	1,153	1,228	1,153	1,228
Western Australia	236	1,150	236	1,150
	<b>11,870</b>	<b>8,786</b>	<b>11,870</b>	<b>8,786</b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>6. Depreciation and Amortisation</b>				
37,801	35,082	Depreciation - Buildings	37,801	35,082
243	115	Amortisation - Leased Buildings	243	115
20,116	18,257	Depreciation - Plant and Equipment	20,116	18,257
<u>2,938</u>	<u>2,924</u>	Depreciation - Infrastructure Systems	<u>2,938</u>	<u>2,924</u>
<b><u>61,098</u></b>	<b><u>56,378</u></b>		<b><u>61,098</u></b>	<b><u>56,378</u></b>
<b>7. Grants and Subsidies</b>				
8,449	9,013	Non-Government Voluntary Organisations	8,449	9,013
45	62	Grants to Community Aged Care Packages	45	62
434	389	Research grants	434	389
<u>307</u>	<u>418</u>	Other	<u>307</u>	<u>418</u>
<b><u>9,235</u></b>	<b><u>9,882</u></b>		<b><u>9,235</u></b>	<b><u>9,882</u></b>
<b>8. Finance Costs</b>				
1,260	2,275	Interest on Intra Health loans	1,260	2,275
<u>17,931</u>	<u>9,760</u>	Other Interest Charges	<u>17,931</u>	<u>9,760</u>
<b><u>19,191</u></b>	<b><u>12,035</u></b>	Total Finance Costs	<b><u>19,191</u></b>	<b><u>12,035</u></b>
<b>9. Payments to Affiliated Health Organisations</b>				
<u>92,982</u>	<u>91,835</u>	(a) Recurrent Sourced Calvary Mater Newcastle	<u>92,982</u>	<u>91,835</u>
<b><u>92,982</u></b>	<b><u>91,835</u></b>		<b><u>92,982</u></b>	<b><u>91,835</u></b>
<u>3,121</u>	<u>7,928</u>	(b) Capital Sourced Calvary Mater Newcastle	<u>3,121</u>	<u>7,928</u>
<b><u>3,121</u></b>	<b><u>7,928</u></b>		<b><u>3,121</u></b>	<b><u>7,928</u></b>
<u>-</u>	<u>35,478</u>	(c) Non Recurrent Calvary Mater Newcastle	<u>-</u>	<u>35,478</u>
<u>-</u>	<b><u>35,478</u></b>		<u>-</u>	<b><u>35,478</u></b>
<b><u>96,103</u></b>	<b><u>135,241</u></b>	Total Payments to Affiliated Health Organisations	<b><u>96,103</u></b>	<b><u>135,241</u></b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>10. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
5,045	4,592	Sale of Prosthesis	5,045	4,592
825	542	Pharmacy Sales	825	542
(b) Rendering of Services comprise the following:-				
101,172	98,651	Patient Fees [see note 2(d)]	101,172	98,651
661	1,173	Staff-Meals and Accommodation	661	1,173
59,121	44,987	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	59,121	44,987
8,274	7,193	- Annual Charge	8,274	7,193
33,890	34,675	Allocation from Inter Area Patient Inflows, NSW [see note (c) below]	33,890	34,675
575	1,141	Cafeteria/Kiosk	575	1,141
4,194	3,783	Car Parking	4,194	3,783
807	775	Child Care Fees	807	775
8,496	4,612	Clinical Services (excluding Clinical Drug Trials)	8,496	4,612
72,968	40,189	Commercial Activities	72,968	40,189
232	214	Fees for Medical Records	232	214
6	7	Information Retrieval	6	7
-	3	Linen Service Revenues - Non Health Services	-	3
270	780	Meals on Wheels	270	780
194	280	PADP Patient Copayments	194	280
3,176	2,850	Patient Inflows from Interstate [see note (d) below]	3,176	2,850
5,070	4,824	Services Provided to Non NSW Health Organisations	5,070	4,824
15,890	-	Highly Specialised Drugs*	15,890	-
12,111	10,568	Other	12,111	10,568
<b>332,977</b>	<b>261,839</b>		<b>332,977</b>	<b>261,839</b>
*The Commonwealth Highly Specialised Drug program was varied from 1 July 2009. The State now claims on a recovery basis the cost of highly specialised drugs through Medicare (Commonwealth).				
In previous years these funds were received within annual Government Allocation from the NSW Department of Health.				
(c) Details of the Allocations received for Inter Area Patient Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:				
460	458	Greater Southern	460	458
4,497	4,691	Greater Western	4,497	4,691
11,348	12,446	North Coast	11,348	12,446
12,817	12,959	Northern Sydney Central Coast	12,817	12,959
1,563	1,084	South East Illawarra	1,563	1,084
1,322	1,513	Sydney South West	1,322	1,513
1,883	1,524	Sydney West	1,883	1,524
<b>33,890</b>	<b>34,675</b>		<b>33,890</b>	<b>34,675</b>
(d) Revenues from Patient Inflows from Interstate are as follows:-				
89	-	Australian Capital Territory	89	-
461	3	Northern Territory	461	3
1,761	1,517	Queensland	1,761	1,517
149	110	South Australia	149	110
28	219	Tasmania	28	219
531	866	Victoria	531	866
157	135	Western Australia	157	135
<b>3,176</b>	<b>2,850</b>		<b>3,176</b>	<b>2,850</b>
<b>11. Investment Revenue</b>				
4,635	5,143	Interest	4,635	5,143
6,549	92	Interest Intra Health loans	6,549	92
1,510	1,251	Lease and Rental Income	1,510	1,251
1	-	Royalties	1	-
<b>12,695</b>	<b>6,486</b>		<b>12,695</b>	<b>6,486</b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2010</b>	<b>2009</b>		<b>2010</b>	<b>2009</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>12. Grants and Contributions</b>				
610	505	Clinical Drug Trials	610	505
8,190	9,746	Commonwealth Government Grants	8,190	9,746
157	144	Commonwealth Teaching Hospital Grants	157	144
5,963	3,614	Industry Contributions/Donations	5,963	3,614
8,127	7,421	Cancer Institute Grants	8,127	7,421
8,154	6,903	NSW Government Grants	8,154	6,903
19,849	19,667	Personnel Services - Superannuation Defined Benefit Plans	-	-
1,676	1,345	Research Grants	1,676	1,345
738	2,744	Other Grants	738	2,744
<b>53,464</b>	<b>52,089</b>		<b>33,615</b>	<b>32,422</b>
<b>13. Other Revenue</b>				
Other Revenue comprises the following:-				
-	2	Bad Debts Recovered	-	2
269	196	Commissions	269	196
1,012	906	Conference and Training Fees	1,012	906
46	31	Sale of Merchandise, Old Wares and Books	46	31
17	120	Sponsorship Income	17	120
1,436	1,275	Treasury Managed Fund Hindsight Adjustment	1,436	1,275
3,832	3,131	Other	3,832	3,131
<b>6,612</b>	<b>5,661</b>		<b>6,612</b>	<b>5,661</b>
<b>14. Gain/(Loss) on Disposal</b>				
16,015	25,533	Property, Plant and Equipment	16,015	25,533
11,858	23,162	Less Accumulated Depreciation	11,858	23,162
<b>4,157</b>	<b>2,371</b>	<b>Written Down Value</b>	<b>4,157</b>	<b>2,371</b>
2,455	2,075	Less Proceeds from Disposal	2,455	2,075
<b>(1,702)</b>	<b>(296)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(1,702)</b>	<b>(296)</b>
270	217	Assets Held for Sale	270	217
400	233	Less Proceeds from Disposal	400	233
<b>130</b>	<b>16</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>130</b>	<b>16</b>
<b>(1,572)</b>	<b>(280)</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(1,572)</b>	<b>(280)</b>
<b>15. Other Gains/(Losses)</b>				
(2,640)	47	Impairment of Receivables	(2,640)	47
<b>(2,640)</b>	<b>47</b>		<b>(2,640)</b>	<b>47</b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**PARENT AND CONSOLIDATION**

**16. Conditions on Contributions**

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	3,459	14,947	3,335	21,741
Contributions recognised in amalgamated balance as at 30 June 2009 which were not expended in the current reporting period	4,777	39,252	7,705	51,734
Total amount of unexpended contributions as at balance date	8,236	54,199	11,040	73,475
Comment on restricted assets appears in Note 24				

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**17 Service Groups of the Health Service**

**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.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**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.

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

PARENT

2010 \$000	2009 \$000
48,261	56,151
69,600	52,002
<u>117,861</u>	<u>108,153</u>

18. Cash and Cash Equivalents

Cash at Bank and On Hand	56,151
Short Term Deposits	52,002

Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

117,861	108,153
<u>117,861</u>	<u>108,153</u>

Cash and Cash Equivalents (per Statement of Financial Position)

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

CONSOLIDATION	
2010 \$000	2009 \$000
48,261	56,151
69,600	52,002
<u>117,861</u>	<u>108,153</u>
117,861	108,153
<u>117,861</u>	<u>108,153</u>

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



**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		<b>19. Receivables</b>		
		<b>Current</b>		
17,308	18,681	(a) Sale of Goods and Services	17,308	18,681
159	312	Leave Mobility	159	312
636	791	NSW Health Department	636	791
10,885	9,900	Goods and Services Tax	10,885	9,900
3,372	2,929	Expense/Payments	3,372	2,929
12,638	9,710	Other Debtors	12,638	9,710
44,998	42,323	<b>Sub Total</b>	44,998	42,323
(2,737)	(574)	Less Allowance for Impairment	(2,737)	(574)
42,261	41,749	<b>Sub Total</b>	42,261	41,749
1,739	1,928	Prepayments	1,739	1,928
44,000	43,677		44,000	43,677
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(485)	(357)	Balance at 1 July	(485)	(357)
97	151	Amounts written off during the year	97	151
762	128	Amounts recovered during the year	762	128
859	279	Increase/(decrease) in Allowance Recognised in	859	279
-	-	Result for the Year	-	-
(1,247)	(485)	Balance at 30 June	(1,247)	(485)
		(c) Movement in the Allowance for Impairment		
		Other Debtors		
(89)	(473)	Balance at 1 July	(89)	(473)
343	58	Amounts written off during the year	343	58
1,401	(384)	Amounts recovered during the year	1,401	(384)
1,744	(326)	Increase/(decrease) in Allowance Recognised in	1,744	(326)
-	-	Result for the Year	-	-
(1,490)	(89)	Balance at 30 June	(1,490)	(89)
(2,737)	(574)		(2,737)	(574)
		<b>Non-Current</b>		
		(a) Sale of Goods and Services		
226	263	Other Debtors	226	263
115	-		115	-
341	263	<b>Sub Total</b>	341	263
(82)	(46)	Less Allowance for Impairment	(82)	(46)
259	217	<b>Sub Total</b>	259	217
		Prepayments		
259	217		259	217
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(46)	(90)	Balance at 1 July	(46)	(90)
-	44	Amounts written off during the year	-	44
36	-	Amounts recovered during the year	36	-
36	-	Increase/(decrease) in Allowance Recognised in	36	-
-	-	Result for the Year	-	-
(82)	(46)	Balance at 30 June	(82)	(46)
		(d) Sale of Goods and Services Receivables		
		(Current and Non-Current) include:		
1,313	1,533	Patient Fees - Compensable	1,313	1,533
967	518	Patient Fees - Ineligible	967	518
9,445	9,832	Patient Fees - Other	9,445	9,832
11,725	11,883		11,725	11,883

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

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

PARENT	2010	2009	CONSOLIDATION	
	\$000	\$000	2010	2009
			\$000	\$000
20. Inventories				
<b>Current - Held for Distribution</b>				
Drugs	2,564	2,448	2,564	2,448
Medical and Surgical Supplies	4,075	4,500	4,075	4,500
Food and Hotel Supplies	-	225	-	225
Engineering Supplies	-	30	-	30
Other Including Goods in Transit	-	-	-	-
	<u>6,639</u>	<u>7,203</u>	<u>6,639</u>	<u>7,203</u>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

	<b>PARENT</b>	<b>CONSOLIDATION</b>
	<b>2010</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>21. Other Financial Assets</b>		
<b>Current</b>		
Loans (Other Area Health Services)	2,139	2,070
	<u><b>2,139</b></u>	<u><b>2,070</b></u>
<b>Non-Current</b>		
Loans (Other Area Health Services)	11,245	13,384
	<u><b>11,245</b></u>	<u><b>13,384</b></u>

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

Loans represent monies outstanding from other Area Health Services, transfer of leave liability. Debt to be extinguished in 2015/16.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
1,829,552	1,656,134	Gross Carrying Amount	1,829,552	1,656,134
805,419	697,630	Less Accumulated Depreciation and Impairment	805,419	697,630
<u><b>1,024,133</b></u>	<u><b>958,504</b></u>	Net Carrying Amount	<u><b>1,024,133</b></u>	<u><b>958,504</b></u>
<b>Plant and Equipment - Fair Value</b>				
234,479	212,709	Gross Carrying Amount	234,479	212,709
135,042	128,316	Less Accumulated Depreciation and Impairment	135,042	128,316
<u><b>99,437</b></u>	<u><b>84,393</b></u>	Net Carrying Amount	<u><b>99,437</b></u>	<u><b>84,393</b></u>
<b>Infrastructure Systems - Fair Value</b>				
130,235	117,508	Gross Carrying Amount	130,235	117,508
53,737	46,248	Less Accumulated Depreciation and Impairment	53,737	46,248
<u><b>76,498</b></u>	<u><b>71,260</b></u>	Net Carrying Amount	<u><b>76,498</b></u>	<u><b>71,260</b></u>
<u><b>1,200,068</b></u>	<u><b>1,114,157</b></u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u><b>1,200,068</b></u>	<u><b>1,114,157</b></u>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**PARENT AND CONSOLIDATED**

**22. Property, Plant and Equipment - Reconciliation**

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2010</b>							
Net Carrying Amount at Start of Year	109,503	802,474	42,377	4,150	84,393	71,260	1,114,157
Additions	-	154	40,331	156	27,106	89	67,836
Reclassifications to Intangibles	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	2	20	-	-	-	-	22
Disposals	-	-	-	-	(4,157)	-	(4,157)
Administrative Restructures - Transfers In/(Out)	-	-	-	-	(537)	-	(537)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(6,097)	82,508	-	-	-	7,434	83,845
Impairment Losses (Recognised in "Other Gains/Losses")	-	-	-	-	-	-	-
Depreciation Expense	-	(37,801)	-	(243)	(20,116)	(2,938)	(61,098)
Reclassifications	1,301	22,526	(37,269)	41	12,748	653	-
Net Carrying Amount at End of Year	104,709	869,881	45,439	4,104	99,437	76,498	1,200,068

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2009</b>							
Net Carrying Amount at Start of Year	110,208	761,016	35,174	-	81,844	73,895	1,062,137
Additions	-	50,436	39,807	-	16,055	-	106,298
Reclassifications to Intangibles	-	-	-	-	-	-	0
Recognition of Assets Held for Sale	(480)	(22)	-	-	-	-	(502)
Disposals	(225)	(146)	-	-	(2,000)	-	(2,371)
Administrative Restructures - Transfers In/(Out)	-	-	-	-	4,973	-	4,973
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	-	-	-	-	-	-	-
Impairment Losses (Recognised in "Other Gains/Losses")	-	-	-	-	-	-	-
Depreciation Expense	-	(35,082)	-	(115)	(18,257)	(2,924)	(56,378)
Reclassifications	-	26,272	(32,604)	4,265	1,778	289	-
Net Carrying Amount at End of Year	109,503	802,474	42,377	4,150	84,393	71,260	1,114,157

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

(i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Health Service [see note 2(g)].

(ii) Land and Buildings were valued by **Global Valuation Services Pty Ltd (FRICS, FVLE Val & Econ Registered Number 27)** on 1 July 2007 [see note 2(j)]. **Global Valuations** is not an employee of the Health Service.

(iii) 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. Indices applied to Non Current Assets are determined by the Department of Lands.

**Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010**

**PARENT**

	<b>2010</b>	<b>2009</b>	
	<b>\$000</b>	<b>\$000</b>	
2,107	2,400		
127	127		
<b>2,234</b>	<b>2,527</b>		

**CONSOLIDATION**

	<b>2010</b>	<b>2009</b>	
	<b>\$000</b>	<b>\$000</b>	
2,107	2,400		
127	127		
<b>2,234</b>	<b>2,527</b>		

**23. Non-Current Assets (or Disposal Groups) Held for Sale**

**Assets Held for Sale**

Land and Buildings  
Infrastructure Systems

**Amounts Recognised in Equity Relating to Assets Held for Sale**

Property, Plant and Equipment Asset Revaluation Increments/Decrements

	535	463
<b>535</b>	<b>463</b>	

	535	463
<b>535</b>	<b>463</b>	

Land, Buildings And Infrastructure held for Sale are:

Land, Lot 1 Kanagra Drive Taree  
Land, Building and Infrastructure Walcha Hospital  
Land, Gibbon & Cameron Sts-Campus Narrabri

These Assets are surplus to health services requirements and it is expected that the sale will occur within the next 12 months. The sale has management and Department of Health approval and assets are available for immediate sale.

Changes to asset held for sale from prior year:

Land & Building 13 William St New Lambton sold June 2010  
Land & Building 82 George Street Mungindi no longer an impending sale, withdrawn from market, asset currently leased.

**Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010**

	PARENT	CONSOLIDATION
	2010	2010
	\$000	\$000
<b>24. Restricted Assets</b>	<b>2009</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>

The Health Service'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.

		<b>Brief Details of Externally Imposed Conditions including Asset Category affected</b>		
8,237	8,657	Specific Purposes	Condition Imposed by Donor	8,657
15	15	Perpetually Invested Funds	Original Principal not to be spent	15
19,539	18,185	Research Grants	Condition imposed by granting body	18,185
34,644	31,209	Private Practice Funds	Trust Deeds	31,209
11,040	12,239	Other	Condition Imposed by Donor	12,239
<b>73,475</b>	<b>70,305</b>			<b>70,305</b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT	2010	2009	2010	2009	CONSolidATION
25. Payables	\$000	\$000	\$000	\$000	\$000
Current	-	-	18,840	26,587	26,587
Accrued Salaries, Wages and On-Costs Taxation and Payroll Deductions	-	-	1,306	5,771	5,771
Accrued Liability - Purchase of Personnel Services	20,146	32,358	-	-	-
Creditors - <b>Trade Creditors Only</b>	30,937	33,739	30,937	33,739	33,739
Taxation Payables - Goods & Services Tax	2,453	2,818	2,453	2,818	2,818
Other Creditors	-	-	-	-	-
- Capital Works	889	4,166	889	4,166	4,166
- Intra Health Liability	10,335	3,430	10,335	3,430	3,430
- Other	29,845	25,662	29,845	25,662	25,662
<b>94,605</b>	<b>94,605</b>	<b>102,173</b>	<b>94,605</b>	<b>102,173</b>	<b>102,173</b>

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



**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>26. Borrowings</b>				
<b>Current</b>				
5,894	1,815	Other Loans and Deposits	5,894	1,815
<u>5,934</u>	<u>1,264</u>	Novacare - Calvary Mater Newcastle PPP	<u>5,934</u>	<u>1,264</u>
<b><u>11,828</u></b>	<b><u>3,079</u></b>		<b><u>11,828</u></b>	<b><u>3,079</u></b>
<b>Non-Current</b>				
10,010	3,398	Other Loans and Deposits	10,010	3,398
<u>146,837</u>	<u>152,771</u>	Novacare - Calvary Mater Newcastle PPP	<u>146,837</u>	<u>152,771</u>
<b><u>156,847</u></b>	<b><u>156,169</u></b>		<b><u>156,847</u></b>	<b><u>156,169</u></b>

**Other loans still to be extinguished represent monies to be repaid to NSW Health & other Area Health Services, leave liabilities.**  
**Final repayment of the loans is scheduled for 2016/17.**

**Liability to Novacare, \$153m**  
**Final repayment to Novacare for Calvary Mater Newcastle Hospital PPP**  
**Liability is scheduled for 2033/34**

		<b>Repayment of Borrowings</b>		
11,829	3,079	Not later than one year	11,829	3,079
39,348	31,670	Between one and five years	39,348	31,670
<u>117,498</u>	<u>124,499</u>	Later than five years	<u>117,498</u>	<u>124,499</u>
<b><u>168,675</u></b>	<b><u>159,248</u></b>	Total Borrowings at face value	<b><u>168,675</u></b>	<b><u>159,248</u></b>

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

		<b>Mater PPP</b>		
5,934	1,264	Not later than one year	5,934	1,264
31,664	28,272	Between one and five years	31,664	28,272
<u>115,173</u>	<u>124,499</u>	Later than five years	<u>115,173</u>	<u>124,499</u>
<b><u>152,771</u></b>	<b><u>154,035</u></b>	Total Borrowings at face value	<b><u>152,771</u></b>	<b><u>154,035</u></b>
<b>Loans NSW Health</b>				
5,895	1,815	Not later than one year	5,895	1,815
7,684	3,398	Between one and five years	7,684	3,398
<u>2,325</u>	<u>-</u>	Later than five years	<u>2,325</u>	<u>-</u>
<b><u>15,904</u></b>	<b><u>5,213</u></b>	Total Borrowings at face value	<b><u>15,904</u></b>	<b><u>5,213</u></b>

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

	PARENT		CONSOLIDATION	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>27. Provisions</b>				
<b>Current Employee Benefits and Related On-Costs</b>				
Annual Leave - Short Term Benefit	-	-	73,140	69,951
Annual Leave - Long Term Benefit	-	-	59,323	58,734
Long Service Leave - Short Term Benefit	-	-	15,651	15,745
Long Service Leave - Long Term Benefit	-	-	194,057	174,994
Sick Leave	-	-	-	-
Other	-	-	-	-
Provision for Personnel Services Liability	342,171	319,424	-	-
<b>Total Current Provisions</b>	<b>342,171</b>	<b>319,424</b>	<b>342,171</b>	<b>319,424</b>
<b>Non-Current Employee Benefits and Related On-Costs</b>				
Long Service Leave - Conditional	-	-	7,490	6,990
Sick Leave	-	-	-	-
Other	-	-	-	-
Provision for Personnel Services Liability	7,490	6,990	-	-
<b>Total Non-Current Provisions</b>	<b>7,490</b>	<b>6,990</b>	<b>7,490</b>	<b>6,990</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
Provisions - Current	342,171	319,424	342,171	319,424
Provisions - Non-Current	7,490	6,990	7,490	6,990
Accrued Salaries, Wages and On-Costs (Note 25)	-	-	20,146	32,358
Accrued Liability - Purchase of Personnel Services (Note 25)	20,146	32,358	-	-
	<b>369,807</b>	<b>358,772</b>	<b>369,807</b>	<b>358,772</b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

	<b>PARENT</b>		<b>CONSOLIDATION</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>28. Other Liabilities</b>			
<b>Current</b>			
Income in Advance	2,985	1,713	1,713
	<u>2,985</u>	<u>1,713</u>	<u>1,713</u>
<b>Non-Current</b>			
Income in Advance	375	405	405
	<u>375</u>	<u>405</u>	<u>405</u>

The major components of Income in advance as at the 30th June 2010 relates to rent in advance received from Armidale Private Hospital \$0.4million, deposit on the sale of David Maddison building \$0.6million, Mater PPP-Funding Volume Adjustment \$0.6 million, Cancer institute funding \$0.3 million, Compacts - HAH \$0.3million, SHIP research project \$0.3million, Aboriginal Employment Outcomes \$0.2million, Rural Health Service Program Grant \$0.1million, Others \$0.5million.

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

PARENT	CONSOLIDATION		
2010 \$000	2009 \$000	2010 \$000	2009 \$000
	<b>29. Commitments for Expenditure</b>		
	<b>(a) Capital Commitments</b>		
	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:		
39,844	Not later than one year	39,844	15,613
3,064	Later than one year and not later than five years	3,064	1,699
	Later than five years		
<b>42,908</b>	<b>Total Capital Expenditure Commitments (including GST)</b>	<b>42,908</b>	<b>17,312</b>
	Of the commitments reported at 30 June 2010 it is expected that <b>NIL</b> will be met from locally generated moneys.		
	<b>(b) Operating Lease Commitments</b>		
	Commitments in relation to non-cancellable operating leases are payable as follows:		
9,040	Not later than one year	9,040	9,192
13,450	Later than one year and not later than five years	13,450	14,128
32,133	Later than five years	32,133	34,223
<b>54,622</b>	<b>Total Operating Lease Commitments (including GST)</b>	<b>54,622</b>	<b>57,543</b>
	<b>(c) Contingent Asset related to Commitments for Expenditure</b>		
	The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment		
	The total of "Commitments for Expenditure" above, i.e. <b>\$97.5m</b> million as at 30 June 2010 includes input tax credits of \$8.9m that are expected to be recoverable from the Australian Taxation Office.		

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**(d) Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)**

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

When Stage 1 construction was completed in January 2008, the 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 the these facilities until November 2033.

In addition, the Hunter New England Area Health Service recognised the liability to Novacare, payable over the period to 2033, for the construction of both hospitals.

An estimate of the commitments is as follows:

	<b>2010</b>	<b>2009</b>		<b>2010</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>(e) (i) Commitments – Repayment of PPP Liability (Borrowings )</b>					
Not later than one year	6,527	1,390		6,527	1,390
Later than one year and not later than five years	34,831	31,099		34,831	31,099
Later than five years	126,690	136,949		126,690	136,949
<b>Total Capital Expenditure Commitments (including GST)</b>	<b>168,048</b>	<b>169,438</b>		<b>168,048</b>	<b>169,438</b>

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

	2010 \$000	2009 \$000
<b>(ii) Capital Commitments – New Mental Health Building and Refurbished Buildings</b>		
Not later than one year	4,637	6,847
Later than one year and not later than five years	18,788	19,756
Later than five years	33,921	38,209
<b>Total Capital Expenditure Commitments (including GST)</b>	<b>57,346</b>	<b>64,812</b>

**(iii) Other Expenditure Commitments – Redevelopment of Mater Hospital (which will be recognised as a grant after completion of construction) and provision of facilities management and other non-clinical services to both hospitals.**

Not later than one year	26,414	29,341
Later than one year and not later than five years	107,059	106,895
Later than five years	565,643	592,220
<b>Total Other Expenditure Commitments (including GST)</b>	<b>699,115</b>	<b>728,456</b>

**The expenditure commitments include Goods and Services Tax. Related input tax credits of \$84M (2009: \$87M) are**

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.

**Total Other Commitments**

Aggregate other expenditure Calvary Mater Newcastle Hospital Public, Private Partnership (PPP)		
Not later than one year	37,578	37,578
Later than one year and not later than five years	160,678	157,750
Later than five years	726,254	767,378
<b>Total Other Commitments (including GST)</b>	<b>924,509</b>	<b>962,706</b>

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

**PARENT AND CONSOLIDATED**

**30 Trust Funds**

The Health Service holds trust fund moneys of \$2.5 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 Health Service cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust	Refundable Deposits	Private Practice Trust Funds	Total
	2010	2010	2010	2010
	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial reporting period	1,316	685	962	2,963
Receipts	370	398	85,205	86,674
Expenditure	(529)	(755)	(85,141)	(66,302)
Cash Balance at the end of the financial reporting period	1,157	328	1,026	2,963
	2009	2009	2009	2009
	\$000	\$000	\$000	\$000
	1,430	442	719	2,591
	408	1,131	65,135	66,674
	(522)	(888)	(64,892)	(66,302)
	1,316	685	1,026	2,963

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**PARENT AND CONSOLIDATED**

**31 Contingent Liabilities**

**a) Claims on Managed Fund**

Since 1 July 1989, the Health Service has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of the Health Service 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 Health Service. Open public liability claims against the Health Service at 30 June 2010 numbered 113 with an estimate value of \$68m (84 claims with an estimate value of \$73m at 30 June 2009). As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the Health Service. 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 Health Service.

**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 2003/04 fund year and an interim adjustment for the 2005/06 fund year were not calculated until 2009/10. As a result, the 2004/05 final and 2006/07 interim hindsight calculations will be paid in 2010/11.

It is not possible for the Health Service to reliably quantify the benefit to be received.

**c) Affiliated Health Organisations**

Based on the definition of control in Australian Accounting Standard AASB127, *Consolidated and Separate Financial Statements*, Affiliated Health Organisations listed in Schedule 3 of the Health Services Act, 1997 are only recognised in the Health Service'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, the Health Service and the NSW Department of Health.

**d) Contingent Liabilities include Bank Guarantee - Fisher & Paykel Australia for sublease of Belford Place Cardiff, \$126k.**



**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

	<b>PARENT</b>		<b>CONSOLIDATION</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>32. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services</b>			
Net Cash Flows from Operating Activities	74,951	105,900	105,900
Depreciation	(61,098)	(56,378)	(56,378)
Allowance for Impairment	(2,199)	300	300
Acceptance by the Crown Entity of Employee Superannuation Benefits	-	-	-
Decrease/(Increase) in Provisions	(42,305)	(47,935)	(19,667)
Increase / (Decrease) in Prepayments and Other Assets	9,739	(5,507)	(47,935)
(Increase)/ Decrease in Creditors	5,067	(48,058)	(5,507)
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(1,572)	(280)	(48,058)
NSW Health Department Recurrent Allocations	(1,362,755)	(1,291,014)	(1,291,014)
NSW Health Department Capital Allocations	(38,715)	(47,606)	(47,606)
Asset Sale Proceeds Transferred to the NSW Department of Health	-	-	-
Cash Reimbursements from the Government	-	-	-
	<b>(1,418,887)</b>	<b>(1,390,578)</b>	<b>(1,410,245)</b>
	<b>5,414</b>	<b>3,404</b>	<b>3,404</b>
	<b>5,414</b>	<b>3,404</b>	<b>3,404</b>
<b>33. Non-Cash Financing and Investing Activities</b>			
Assets Received by Donation	5,414	3,404	3,404
	<b>5,414</b>	<b>3,404</b>	<b>3,404</b>
<b>34. 2009/10 Voluntary Services</b>			
It is considered impracticable to quantify the monetary value of voluntary services provided to the Health Service. Services provided include:			
· Chaplaincies and Pastoral Care -			Patient & Family Support
· Pink Ladies/Hospital Auxiliaries -			Patient Services, Fund Raising
· Patient Support Groups -			Practical Support to Patients and Relative
· Community Organisations -			Counselling, Health Education, Transport, Home Help & Patient Activities

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**PARENT AND CONSOLIDATED**

**35 Unclaimed Moneys**

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

All money and personal effects of patients which are left in the custody of 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.

**36 Budget Review - Parent and Consolidated**

**Net Cost of Services**

The actual Net Cost of Services was favourable to budget by \$(13.28)M. This was primarily due to higher than budgeted income from infrastructure fees and User Charge income for Pathology North, lower than budgeted Goods and Services and Employee Related costs, partially offset by unfavourability in VMO and RMR costs.

**Result for the Year**

The actual result for the year was \$(11.70)m favourable. The result for the year was due to favourable Net Cost of Services of \$(13.28)m as detailed above, and unfavourable Government Contributions of \$(1.58)m.

**Assets and Liabilities**

Current Assets were higher than budget by \$(8.04)m due to higher than budgeted Cash at Bank balance (including cash investments)

Non Current Assets were higher than budget by \$(85.40)m due to asset revaluations.

Current Liabilities were higher than budget by \$(10.66)m due to higher than budgeted salaries and wages accrual.

Non Current Liabilities are favourable to budget by \$(12.76)m due to repayment of loans.

**Cash Flows**

Cash flow was favourable to budget by \$6.4m due to higher than anticipated receipts offset by additional capital expenditure.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on **1st July 2009** are as follows:

**Hunter New England Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2010**

**PARENT AND CONSOLIDATED**

	\$'000	
Initial Allocation		1,189,247
Award Increases (Including Special Project Award Increases)		39,582
Special Projects: -		
Aboriginal Health	1,331	
Drug and Alcohol	2,453	
IDNS	333	
Other	446	4,563
Other: -		
Interstate Area Patient Flows	56,875	
Mater PPP	24,205	
Mental Health	6,940	
Planned Surgery	4,837	
Keep Them Safe	3,309	
TMF	2,814	
Calvary Mater Newcastle PET / Linear Accelerator	2,799	
Nurse Midwife Strategy	2,690	
Caring Together Initiatives	2,504	
VMO	2,353	
Pathology North - Capital	1,842	
COAG National Partnerships Sub Acute Reform	1,700	
Severe Chronic Disease-Connected Care	1,406	
Building Strong Foundations	1,382	
MAA	1,000	
Renal Services	950	
Interventional Cardiology Services	900	
SASS/SSS Superannuation Adjustment	817	
Regional Medical Retrieval Services	810	
Organ & Tissue Donation	661	
Emergency Department Equipment	635	
2009_10 Compacts Funding	579	
Sustained Home Health Visiting Pilot	434	
Child Health Networks	353	
Obesity funding	345	
NSW GP Procedural Training	329	
Other	5,894	129,363
Balance as per Statement of Comprehensive Income		1,362,755

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

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

Net assets of \$0.5 Million were transferred from Hunter New England Area Health Service with effect from 1st Nov 2009 from which time Health Support Services assumed responsibility for the provision of Patient Support Services. Assets and liabilities transferred are as follows:

	<b>\$000</b>
<b>Assets</b>	
Inventories	(1,189)
Plant & Equipment	(537)
<b>Liabilities</b>	
Employee Leave Provisions Uplift Factor	2,007
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>281</b>

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

**Note 38 Financial Instruments**

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Health Service, 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 AND CONSOLIDATED**

Class:	Category	Carrying Amount	Carrying Amount
		2010 \$000	2009 \$000
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 18)	N/A	117,861	108,153
Receivables (note 19) <sup>1</sup>	Loans and receivables (at amortised cost)	31,635	32,066
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	13,384	15,454
Total Financial Assets		<u>162,880</u>	<u>155,673</u>
<b>Financial Liabilities</b>			
Borrowings (note 26)	Financial liabilities measured at amortised cost	168,675	159,248
Payables (note 25) <sup>2</sup>		92,152	99,355
Total Financial Liabilities		<u>260,827</u>	<u>258,603</u>

**Notes**

<sup>1</sup> Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

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

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

**(b) Credit Risk**

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

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

**Cash**

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.9% in 2009/10 compared to 4.84% in the previous year.

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW 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 Health Service will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Health Service is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtors balance at year-end, \$25.875M (\$2009: \$24.825M) related to debtors that were not past due and not considered impaired and debtors of \$5.760M (2009: \$7.235M) were past due but not considered impaired. Together these represent 91.8% (2009: 98.1%) of total trade debtors. Increase in provision from \$0.620M in 0809 to \$2.819M in 0910 was due to several one off items of both contractual obligations and patient fees. The Receivables include Patient Fees Compensables which 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 Health Services' debtors 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.

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

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

	\$000		
<b>2010</b>	<b>Total</b> <sup>1,2</sup>	<b>Past due but not impaired</b> <sup>1,2</sup>	<b>Considered impaired</b> <sup>1,2</sup>
<3 months overdue	4479	2832	1647
3 months - 6 months overdue	762	621	141
> 6 months overdue	3338	2307	1031
<b>2009</b>			
<3 months overdue	4116	3938	178
3 months - 6 months overdue	1014	969	45
> 6 months overdue	2725	2328	397

**Notes**

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

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

**(c) Liquidity Risk**

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

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

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW 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.

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

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

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Int. Rate	Interest Rate Exposure \$'000				Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
<b>2010</b>	%	\$000	\$000	\$000	\$000	\$000	\$000	
Payables:								
Accrued Salaries								
Wages, On-Costs and Payroll Deductions		20,146			20,146			
Creditors		72,006			72,006			
Borrowings:								
Non Interest Loans Intra Health	8%	15,904			15,904	7,684	2,325	
Other Loans and deposits		152,771		152,771	5,895	31,664	115,173	
		260,827	-	152,771	103,981	39,348	117,498	
<b>2009</b>								
Payables:								
Accrued Salaries								
Wages, On-Costs and Payroll Deductions		32,358			32,358			
Creditors		66,997			66,997			
Borrowings:								
Non-Interest Loans		5,213			5,213	3,398		
Other Loans and deposits	8%	154,035		154,035	1,264	28,272	124,499	
		258,603	-	154,035	104,568	31,670	124,499	

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Health Service can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.
- Of the \$152.8M disclosed in the 2010 'other loans and deposits' time band 1-5 yrs, the Health Service has no intent to effect payments in advance of maturity dates on or prior to 30 September 2010.



Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Health Service operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

		\$'000			
		-1%		+1%	
		Carrying Amount			
		Profit	Equity	Profit	Equity
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	117,861	(1,179)	(1,179)	1,179	1,179
Other Financial Assets	13,384	-	-	-	-
<b>Financial Liabilities</b>					
Borrowings;					
Non Interest Loans Intra Health	15,904	-	-	-	-
Other Loans and deposits	152,771	(1,528)	(1,528)	1,528	1,528
<b>2009</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	108,153	(1,082)	(1,082)	1,082	1,082
Other Financial Assets	15,454	-	-	-	-
<b>Financial Liabilities</b>					
Borrowings;					
Non Interest Loans Intra Health	5,213	-	-	-	-
Other Loans and deposits	154,035	(1,540)	(1,540)	1,540	1,540

Hunter New England Area Health Service  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2010

**Note 39 Post Balance Date Events**

On 20 April 2010 the State of NSW and the Commonwealth agreed on national health reforms to establish Local Health Networks in NSW and to introduce national standards for timely access to emergency care and elective surgery.

Under the Agreement, NSW will remain responsible for system-wide planning, performance and purchasing of public hospital services and supporting the transition process for the Commonwealth to assume full funding and policy responsibility for general practice, primary health care and the national aged care system.

This agreement will result in structural and corporate changes including the establishment of these Local Health Networks in 2010-11. A professional Governing Council will be constituted for each Local Health Network. It is expected that these reforms will significantly change this reporting entity.

END OF AUDITED FINANCIAL STATEMENTS