



## INDEPENDENT AUDITOR'S REPORT

### Health Administration Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Health Administration Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity, as at 30 June 2012, and of the financial performance and the cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cash flows.

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

### Director-General's Responsibility for the Financial Statements

The Director-General of the Ministry of Health is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Director-General determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial statements.

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

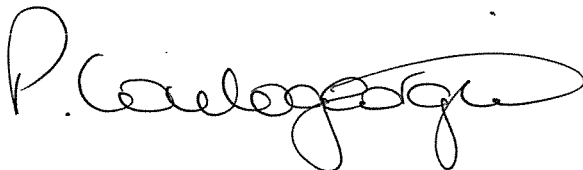
My opinion does *not* provide assurance:

- about the future viability of the Corporation or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## **Independence**

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

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



Peter Coulogeorgiou  
Director, Financial Audit Services

25 October 2012  
SYDNEY

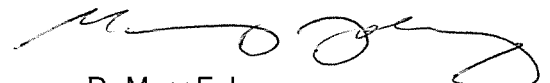
**Health Administration Corporation  
Certification of Financial Statements**

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

- 1) The financial statements of the Health Administration Corporation for the year ended 30 June 2012 have been prepared in accordance with:
  - i) Australian Accounting Standards (which include Australian Accounting Interpretations),
  - ii) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions; and
  - iii) the Financial Reporting Code for NSW General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Health Administration Corporation; and
- 3) There are no circumstances which would render any particulars in the financial statement to be misleading or inaccurate.



John Roach  
Chief Financial Officer



Dr Mary Foley  
Director-General  
24 October 2012

**Health Administration Corporation**  
**Statement of Comprehensive Income for the year ended 30 June 2012**

PARENT			CONSOLIDATION				
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual	
2012	2012	2011		2012	2012	2011	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>Expenses excluding losses</b>							
Operating Expenses							
----	----	----	Employee Related	3	920,858	925,001	823,611
920,858	925,001	823,611	Personnel Services	4	----	----	----
751,249	753,520	670,685	Other Operating Expenses	5	751,249	753,520	670,685
60,140	60,140	55,819	Depreciation and Amortisation	2(h), 6	60,140	60,140	55,819
22,022	23,283	22,669	Grants and Subsidies	7	22,022	23,283	22,669
94	12	660	Finance Costs	8	94	12	660
<b>1,754,363</b>	<b>1,761,956</b>	<b>1,573,444</b>	<b>Total Expenses excluding losses</b>		<b>1,754,363</b>	<b>1,761,956</b>	<b>1,573,444</b>
<b>Revenue</b>							
508,775	508,775	534,789	Ministry of Health Recurrent Allocations	2(d)	508,775	508,775	534,789
141,199	141,199	98,913	Ministry of Health Capital Allocations	2(d)	141,199	141,199	98,913
(1,191)	----	(463)	Asset Sales Proceeds Transferred to the Ministry of Health		(1,191)	----	(463)
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 12	56,826	57,674	29,256
1,070,254	1,064,793	976,488	Sale of Goods and Services	9	1,070,254	1,064,793	976,488
4,303	5,631	4,174	Investment Revenue	10	4,303	5,631	4,174
79,083	78,397	39,237	Grants and Contributions	11	22,257	20,723	9,981
9,014	10,381	8,768	Other Revenue	13	9,014	10,381	8,768
<b>1,811,437</b>	<b>1,809,176</b>	<b>1,661,906</b>	<b>Total Revenue</b>		<b>1,811,437</b>	<b>1,809,176</b>	<b>1,661,906</b>
(823)	----	(1,347)	Loss on Disposal	14	(823)	----	(1,347)
(26,270)	(22,513)	(23,010)	Other Losses	15	(26,270)	(22,513)	(23,010)
<b>29,981</b>	<b>24,707</b>	<b>64,105</b>	<b>Net Result</b>	32	<b>29,981</b>	<b>24,707</b>	<b>64,105</b>
<b>Other Comprehensive Income</b>							
Net Increase in Property, Plant & Equipment							
47,349	47,349	18,818	Asset Revaluation Surplus		47,349	47,349	18,818
<b>47,349</b>	<b>47,349</b>	<b>18,818</b>	<b>Total Other Comprehensive Income for the year</b>		<b>47,349</b>	<b>47,349</b>	<b>18,818</b>
<b>77,330</b>	<b>72,056</b>	<b>82,923</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>77,330</b>	<b>72,056</b>	<b>82,923</b>

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Financial Position as at 30 June 2012**

PARENT							CONSOLIDATION		
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual		
2012	2012	2011			2012	2012	2011		
\$000	\$000	\$000			\$000	\$000	\$000		
<b>ASSETS</b>									
<b>Current Assets</b>									
188,188	192,534	106,565	Cash and Cash Equivalents	18	188,188	192,534	106,565		
283,293	283,931	202,516	Receivables	19	283,293	283,931	202,516		
28,734	23,194	14,288	Inventories	20	28,734	23,194	14,288		
6,494	6,937	6,937	Financial Assets at Fair Value	21	6,494	6,937	6,937		
506,709	506,596	330,306			506,709	506,596	330,306		
3,600	2,044	2,044	Non-Current Assets Held for Sale	24	3,600	2,044	2,044		
<b>510,309</b>	<b>508,640</b>	<b>332,350</b>	<b>Total Current Assets</b>		<b>510,309</b>	<b>508,640</b>	<b>332,350</b>		
<b>Non-Current Assets</b>									
581	3,771	3,771	Receivables	19	581	3,771	3,771		
6,678	13,685	13,685	Financial Assets at Fair Value	21	6,678	13,685	13,685		
<b>Property, Plant and Equipment</b>									
266,804	267,258	208,481	- Land and Buildings	22	266,804	267,258	208,481		
144,737	221,942	117,279	- Plant and Equipment	22	144,737	221,942	117,279		
142	79	79	- Infrastructure Systems	22	142	79	79		
411,683	489,279	325,839	Total Property, Plant and Equipment		411,683	489,279	325,839		
292,519	225,210	204,496	Intangible Assets	23	292,519	225,210	204,496		
<b>711,461</b>	<b>731,945</b>	<b>547,791</b>	<b>Total Non-Current Assets</b>		<b>711,461</b>	<b>731,945</b>	<b>547,791</b>		
<b>1,221,770</b>	<b>1,240,585</b>	<b>880,141</b>	<b>Total Assets</b>		<b>1,221,770</b>	<b>1,240,585</b>	<b>880,141</b>		
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
328,442	347,612	181,644	Payables	26	328,442	347,612	181,644		
7,086	9,378	9,375	Borrowings	27	7,086	9,378	9,375		
208,390	210,147	145,010	Provisions	28	208,390	210,147	145,010		
5	1,700	1,700	Other	29	5	1,700	1,700		
<b>543,923</b>	<b>568,837</b>	<b>337,729</b>	<b>Total Current Liabilities</b>		<b>543,923</b>	<b>568,837</b>	<b>337,729</b>		
<b>Non-Current Liabilities</b>									
401	375	375	Borrowings	27	401	375	375		
1,317	504	645	Provisions	28	1,317	504	645		
143	157	157	Other	29	143	157	157		
<b>1,861</b>	<b>1,036</b>	<b>1,177</b>	<b>Total Non-Current Liabilities</b>		<b>1,861</b>	<b>1,036</b>	<b>1,177</b>		
<b>545,784</b>	<b>569,873</b>	<b>338,906</b>	<b>Total Liabilities</b>		<b>545,784</b>	<b>569,873</b>	<b>338,906</b>		
<b>675,986</b>	<b>670,712</b>	<b>541,235</b>	<b>Net Assets</b>		<b>675,986</b>	<b>670,712</b>	<b>541,235</b>		
<b>EQUITY</b>									
129,301	129,301	81,952	Reserves		129,301	129,301	81,952		
546,685	541,411	459,283	Accumulated Funds		546,685	541,411	459,283		
<b>675,986</b>	<b>670,712</b>	<b>541,235</b>	<b>Total Equity</b>		<b>675,986</b>	<b>670,712</b>	<b>541,235</b>		

The accompanying notes form part of these financial statements.

**Health Administration Corporation**  
**Statement of Changes in Equity for the year ended 30 June 2012**

	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2011</b>	459,283	81,952	-----	541,235
<b>Net Result for the year</b>	29,981	-----	-----	29,981
<b>Other Comprehensive Income:</b>				
Net Increase in Property, Plant & Equipment	-----	47,349	-----	47,349
<b>Total Other Comprehensive Income</b>	-----	47,349	-----	47,349
<b>Total Comprehensive Income for the year</b>	29,981	47,349	-----	77,330
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase in Net Assets From Equity Transfers	57,421	-----	-----	57,421
<b>Balance at 30 June 2012</b>	<b>546,685</b>	<b>129,301</b>	<b>-----</b>	<b>675,986</b>
<b>Balance at 1 July 2010</b>	273,914	63,134	-----	337,048
<b>Balance at 1 July 2010</b>	<b>273,914</b>	<b>63,134</b>	<b>-----</b>	<b>337,048</b>
<b>Net Result for the year</b>	64,105			64,105
<b>Other Comprehensive Income:</b>				
Net Increase in Property, Plant & Equipment	-----	18,818	-----	18,818
<b>Total Other Comprehensive Income</b>	-----	<b>18,818</b>	<b>-----</b>	<b>18,818</b>
<b>Total Comprehensive Income for the year</b>	64,105	18,818	-----	82,923
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase in Net Assets From Equity Transfers	121,264	-----	-----	121,264
<b>Balance at 30 June 2011</b>	<b>459,283</b>	<b>81,952</b>	<b>-----</b>	<b>541,235</b>

Notes

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The accompanying notes form part of these financial statements.

Health Administration Corporation  
Statement of Cash Flows for the year ended 30 June 2012

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2012	2012	2011	Notes	2012	2012	2011
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
—	—	—		(853,396)	(912,331)	(844,621)
(24,628)	(23,283)	(24,861)	Employee Related	(24,628)	(23,283)	(24,861)
(94)	(12)	(980)	Grants and Subsidies	(94)	(12)	(980)
(1,696,518)	(1,689,761)	(1,696,272)	Finance Costs	(786,296)	(777,430)	(851,651)
			Other			
<b>(1,721,240)</b>	<b>(1,713,056)</b>	<b>(1,722,113)</b>	<b>Total Payments</b>	<b>(1,664,414)</b>	<b>(1,713,056)</b>	<b>(1,722,113)</b>
<b>Receipts</b>						
508,775	508,775	534,789	Ministry of Health Recurrent Allocations	508,775	508,775	534,789
141,199	141,199	98,913	Ministry of Health Capital Allocations	141,199	141,199	98,913
(1,191)	—	3,549	Asset Sale Proceeds Transferred to the Ministry of Health	(1,191)	—	3,549
—	—	(463)	Cash Reimbursements from the Crown Entity	396	55,066	(463)
1,134,013	1,144,797	1,028,539	Sale of Goods and Services	1,134,013	1,144,797	1,028,539
4,302	5,631	4,175	Interest Received	4,302	5,631	4,175
81,398	75,789	—	Grants and Contributions	24,176	20,723	—
4,963	10,381	180,268	Other	4,963	10,381	180,268
<b>1,873,459</b>	<b>1,886,572</b>	<b>1,849,770</b>	<b>Total Receipts</b>	<b>1,816,633</b>	<b>1,886,572</b>	<b>1,849,770</b>
<b>152,219</b>	<b>173,516</b>	<b>127,657</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>152,219</b>	<b>173,516</b>	<b>127,657</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(123)	—	1,315	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	(123)	—	1,315
(148,212)	(148,655)	(113,562)	Purchase of Land and Buildings, Plant and Equipment and Infrastructure Systems	(148,212)	(148,655)	(113,562)
16,693	—	—	Purchases of Investments	16,693	—	—
<b>(131,642)</b>	<b>(148,655)</b>	<b>(112,247)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(131,642)</b>	<b>(148,655)</b>	<b>(112,247)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
45,477	3	45,545	Proceeds from Borrowings and Advances	45,477	3	45,545
(47,298)	—	(36,700)	Repayment of Borrowings and Advances	(47,298)	—	(36,700)
<b>(1,821)</b>	<b>3</b>	<b>8,845</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(1,821)</b>	<b>3</b>	<b>8,845</b>
<b>18,756</b>	<b>24,864</b>	<b>24,255</b>	<b>NET INCREASE IN CASH</b>	<b>18,756</b>	<b>24,864</b>	<b>24,255</b>
106,565	106,565	83,983	Opening Cash and Cash Equivalents	106,565	106,565	83,983
61,105	61,105	(1,673)	Cash Transferred In as a Result of Administrative Restructuring	61,105	61,105	(1,673)
<b>186,426</b>	<b>192,534</b>	<b>106,565</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>186,426</b>	<b>192,534</b>	<b>106,565</b>

The accompanying notes form part of these financial statements.

Health Administration Corporation  
Service Group Statements  
for the Year Ended 30 June 2012

HAC EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Total				
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
<b>Expenses excluding losses</b>																							
Operating Expenses																							
Employee Related	10,874	10,347	675	304	17,258	15,017	510,292	475,454	269,024	222,789	44,137	39,392	49,700	44,352	4,517	2,035	14,381	13,921			920,858	823,611	
Other Operating Expenses	28,135	24,722	2,171	1,124	41,650	41,566	214,432	179,122	280,330	260,899	47,034	43,970	104,753	95,071	12,998	6,341	19,744	17,870			751,249	670,685	
Depreciation and Amortisation	2,045	1,695	159	80	3,690	3,514	23,412	22,506	21,317	19,932	3,636	3,194	3,500	3,238	952	424	1,429	1,236			60,140	55,819	
Grants and Subsidies	1,540	1,486	121	70	2,208	2,454	3,190	2,427	9,864	11,288	1,762	1,799	1,666	1,839	714	367	958	939			22,022	22,669	
Finance Costs	5	3	0	0	10	5	8	4	49	473	9	86	9	87	3	1	2	1			94	660	
<b>Total Expenses excluding losses</b>	42,599	38,253	3,126	1,578	64,817	62,556	751,333	679,513	580,584	515,381	96,578	88,441	159,628	144,587	19,184	9,168	36,513	33,967			1,754,363	1,573,444	
<b>Revenue</b>																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Asset Sale Proceeds Transferred to the NSW Ministry of Health																							
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	1,042		81		1,657		31,715		15,905		2,597		2,693		489		647					56,826	29,256
Sale of Goods and Services	30,617	28,317	2,399	1,342	49,708	52,611	249,232	214,006	510,485	467,179	82,032	78,838	112,541	109,497	14,196	6,999	19,045	17,699				1,070,254	976,488
Investment Revenue	161	184	7	5	272	276	2,132	2,596	1,038	1,042	249	219	207	234	97	81	139	151				4,303	4,778
Grants and Contributions	1,334	619	105	29	1,918	1,057	3,937	1,104	8,692	5,019	1,535	800	1,440	809	619	153	2,677	391				22,257	9,981
Other Revenue	91	160	7	8	133	271	6,793	5,077	806	1,399	134	226	923	876	42	40	85	107				9,014	8,164
<b>Total Revenue</b>	33,245	29,280	2,598	1,384	53,688	54,215	292,618	222,773	536,926	474,639	86,548	80,083	117,804	111,416	15,443	7,273	22,593	18,348				1,811,437	1,661,906
Loss on Disposal	(27)	(55)	(2)	(3)	(56)	(116)	(158)	(209)	(435)	(687)	(59)	(109)	(57)	(111)	(13)	(13)	(16)	(44)				(823)	(1,347)
Other Gains / (Losses)	14	(10)	1		20	(19)	(25,823)	(22,812)	(528)	(121)	16	(20)	15	(20)	7	(2)	9	(6)				(26,270)	(23,010)
<b>Net Result</b>	(9,366)	(9,038)	(529)	(197)	(11,165)	(8,476)	(484,697)	(479,761)	(44,621)	(41,550)	(10,073)	(8,487)	(41,866)	(33,302)	(3,747)	(1,910)	(13,928)	(15,669)				29,981	64,105
<b>Result for the Year</b>	(9,366)	(9,038)	(529)	(197)	(11,165)	(8,476)	(484,697)	(479,761)	(44,621)	(41,550)	(10,073)	(8,487)	(41,866)	(33,302)	(3,747)	(1,910)	(13,928)	(15,669)				29,981	64,105
<b>Other Comprehensive Income</b>																							
Increase/(Decrease) in Asset Revaluation Reserve	2	27		1	(90)	515	48,505	12,271	(811)	4,528	(129)	722	(130)	730		7	1	17				47,349	18,818
<b>Total Other Comprehensive Income</b>	2	27		1	(90)	515	48,505	12,271	(811)	4,528	(129)	722	(130)	730		7	1	17				47,349	18,818
<b>Total Comprehensive Income</b>	(9,364)	(9,011)	(529)	(196)	(11,255)	(7,961)	(436,192)	(467,490)	(45,432)	(37,022)	(10,201)	(7,765)	(41,996)	(32,572)	(3,747)	(1,903)	(13,927)	(15,652)				77,330	82,923

Service Group Statements focus on the key measures of service delivery performance.

\* The purpose of each service group is summarised in Note 17.

\*\* Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

The Service Group Statement uses statistical data to 31 December 2011 to allocate the current period's financial information on expenses and revenue to each service group.

No changes have occurred during the period between 1 January 2012 and 30 June 2012 which would materially impact this allocation.



Health Administration Corporation  
Service Group Statements (Continued)  
for the Year Ended 30 June 2012

HAC ASSETS AND LIABILITIES	Service Group 1.1 * Primary and Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2012	2011	2012	2011	2012	2011	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>																								
Current Assets																								
Cash and Cash Equivalents	2,536	2,917	127	99	4,896	5,189	54,885	53,118	109,372	28,659	5,222	4,994	7,571	7,967	1,389	878	2,190	2,744						
Receivables	15,558	13,992	725	320	24,702	19,480	42,101	24,587	134,457	88,792	25,168	18,268	22,450	23,202	9,448	6,319	8,685	7,556						
Inventories	1,136	961	89	46	1,628	1,588	1,657	1,088	18,554	7,388	1,312	1,179	3,124	1,193	527	238	707	607						
Financial Assets at Fair Value	25	22	2	1	36	73	36	75	4,836	4,930	837	880	895	937	12	5	15	14						
Non-Current Assets Held for Sale							3,571	2,030																
<b>Total Current Assets</b>	19,255	17,892	943	466	31,260	26,330	102,251	80,898	267,019	129,769	32,539	25,321	34,040	33,299	11,375	7,440	11,626	10,935						
Non-Current Assets																								
Receivables	6	217	0	10	8	359	509	761	37	1,704	7	263	6	266	3	54	5	137						
Financial Assets at Fair Value	25	46	2	2	36	79	37	56	4,795	9,839	866	1,769	888	1,854	12	11	16	29						
Property, Plant and Equipment																								
- Land and Buildings	16	217	1	10	2,101	2,602	219,961	174,330	35,356	22,625	3,424	3,613	4,149	3,665	8	54	1,769	1,365						
- Plant and Equipment	2,902	2,165	225	100	6,721	5,874	42,450	42,514	72,725	49,967	8,111	6,844	8,163	7,644	1,357	559	2,085	1,612						
- Infrastructure Systems	5		0		12	5	14	13	78	51	13	8	13	8	2		3							
Intangible Assets	21,515	14,416	1,685	683	30,812	23,806	31,380	16,315	136,221	101,498	24,541	17,453	23,007	17,655	9,976	3,563	13,383	9,107						
Other																								
<b>Total Non-Current Assets</b>	24,468	17,061	1,914	805	39,691	32,725	294,350	233,983	249,213	185,684	36,962	29,950	36,225	31,092	11,358	4,241	17,280	12,250						
<b>TOTAL ASSETS</b>	43,723	34,953	2,857	1,271	70,952	59,055	396,601	314,881	516,231	315,453	69,501	55,271	70,266	64,391	22,733	11,681	28,906	23,185						
<b>LIABILITIES</b>																								
Current Liabilities																								
Payables	17,325	12,942	842	274	27,120	17,496	56,599	35,873	157,716	69,030	26,220	15,611	22,159	17,169	10,323	5,993	10,138	7,256						
Borrowings	522	708	41	34	747	1,179	761	815	3,296	4,263	596	872	559	882	242	175	324	447						
Provisions	2,567	2,037	171	64	3,590	2,738	100,525	92,563	84,997	32,927	6,198	5,781	6,136	6,203	1,056	379	3,149	2,318						
Other	0	217	0	1	1	245	1	250	2	370	0	180	0	209	0	131	0	97						
<b>Total Current Liabilities</b>	20,414	15,904	1,055	373	31,458	21,658	157,885	129,501	246,010	106,590	33,015	22,444	28,854	24,463	11,621	6,678	13,612	10,118						
Non-Current Liabilities																								
Borrowings	29		2		42		43		187	375	34		32		14		18							
Provisions	(17)		(1)		(17)		1,037	645	193		8		130		(8)		(8)							
Other	16				27		14		23	157	26		179		13		8							
<b>Total Non-Current Liabilities</b>	28		1		52		1,094	645	403	532	68		179		19		18							
<b>TOTAL LIABILITIES</b>	20,442	15,904	1,055	373	31,509	21,658	158,979	130,146	246,414	107,122	33,083	22,444	29,033	24,463	11,640	6,678	13,630	10,118						
<b>NET ASSETS</b>	23,282	19,049	1,802	898	39,443	37,397	237,622	184,735	269,818	208,331	36,418	32,827	41,232	39,928	11,093	5,003	15,276	13,067						

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

Health Administration Corporation  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

**1. The Health Administration Corporation Reporting Entity**

Under Section 126 B of the *Health Services Act 1997* the Director General is responsible for providing health support services.

The Health Administration Corporation (HAC) is established under Section 9 of the *Health Administration Act 1982*. The Director General has established administrative divisions of HAC to provide services. The Public Health System Support Division of HAC comprises a number of administrative units as follows:

- \* Health Support Services (HSS) established on 24 April 2008 from the merger of the former Health Technology and Health Support units to provide financial, payroll, linen, food, information and other health support services to the health sector.
- \* Health Infrastructure established on 1 July 2007 to provide a broad range of asset services in connection with public health organisations, for example, the management and coordination of Government approved capital works projects.
- \* Policy and Technical Support established on 1 July 2010 to provide support to the Statutory Health Corporations, the Agency for Clinical Innovation and the Clinical Excellence Commission. Up to 30 June 2010 inclusive HAC also included the NSW Institute of Medical Education and Training as established on 1 September 2005. The net assets of the Institute transferred to the control of the Clinical Education and Training Institute on 1 July 2010, per *Health Services Act Amendment Order*.
- \* By way of the Health Services (*Dissolution of Health Reform Transitional Organisations*) Order 2012 the assets, rights and liabilities of the former Health Reform Transitional Organisations were transferred to HAC in a newly created separate Division called, NSW Health Pathology. The transfer of assets and liabilities on 1 June 2012 relates exclusively to pathology cluster services that previously existed in the Health Reform Transitional Organisations.

Under Section 67B of the *Health Services Act 1997* the Director General is responsible for providing Ambulance Services. There is a separate Division of HAC called the Ambulance Service of NSW which transferred to HAC on 17 March 2006 after the *Ambulance Service Act 1990* was repealed.

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

The Public Health System Support Division 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*. The Division is also controlled by HAC and provides personnel services to enable HAC to exercise its functions and, in accordance with Accounting Standards, is consolidated with the financial statements.

As a consequence the values in the annual financial statements presented herein consist of HAC (as the parent entity) and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with Notes 3, 4, 26 and 28 being especially relevant.

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

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

The consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Financial Officer and Director General on 24 October 2012.

Health Administration Corporation  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

Notwithstanding the consolidated entity has a working capital deficiency of \$45.6 million and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of HAC have been prepared on a going concern basis.

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

Other mitigating circumstances why the going concern is appropriate include:

- \* HAC has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- \* The units within HAC have developed Efficiency and Improvement Plans (EIP) which identify revenue improvement and cost saving strategies. Benefit from the EIP are retained by the HAC entities and assist in meeting overall budget targets. The EIP is monitored and evaluated by the Ministry throughout the financial year.

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

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

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

### Comparative Information

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

### Statement of Compliance

The financial statements comply with Australian Accounting Standards which include Australian Accounting Interpretations.

Health Administration Corporation  
Notes to and forming part of the Financial Statements  
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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 ranging between 17% and 21.1% are applied to the value of leave payable at 30 June 2012, such on-costs being based on actuarial assessment (comparable on-costs for 30 June 2011 were also between 17% and 21.1%) and the rate of leave accrued applicable within each Health entity.

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

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

**ii) Long Service Leave and Superannuation**

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by HAC as shown in Note 28.

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

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

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 26, 'Payables'.

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

**iii) Other Provisions**

Other provisions exist when HAC 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.

Health Administration Corporation  
Notes to and forming part of the Financial Statements  
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**b) Insurance**

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

**c) Finance Costs**

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit general government sector agencies.

**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 HAC transfers the significant risks and rewards of ownership of the assets.

*Rendering of Services*

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

*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.

*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 Ministry of Health. Charges consist of two components:

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

*Grants and Contributions*

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

Health Administration Corporation  
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*Ministry of Health Allocations*

Payments are made by the Ministry of Health on the basis of the allocation for HAC as adjusted for approved supplementations mostly for salary agreements, computer hardware / software acquisitions and approved enhancement projects.

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

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

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

\* the amount of GST incurred by HAC as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and

\* receivables and payables are stated with the amount of GST included.

Cash flows are included in the 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) Acquisition of Assets**

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

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

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

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

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

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

**g) Capitalisation Thresholds**

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

**h) 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 HAC. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

Health Administration Corporation  
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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.

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

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

Investment property is separately discussed at Note 2(n).

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

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

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

To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from valuers external to HAC 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.

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.

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

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

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 surplus in respect of that asset is transferred to accumulated funds.

**j) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, HAC 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.

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

HAC may at times hold certain assets that are not recognised in the Statement of Financial Position because HAC is unable to measure reliably the value of the assets.

**l) Restoration Costs**

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

**m) Non-Current Assets Held for Sale**

HAC has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use.

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

**n) Investment Properties**

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

HAC does not have any property that meets the definition of Investment Property.



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**o) Intangible Assets**

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

Computer software developed or acquired by HAC is recognised as intangible assets and is amortised over three to 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.

**p) 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.

**q) 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.

**r) Inventories**

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable, for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

**s) Loans and Receivables**

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

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

Health Administration Corporation  
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**t) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. HAC determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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

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

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

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

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

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

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

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

Health Administration Corporation  
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**u) Impairment of financial assets**

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

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

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

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

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

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

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

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

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

**w) Payables**

These amounts represent liabilities for goods and services provided to HAC 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 HAC.

**x) Borrowings**

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

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

Health Administration Corporation  
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**y) Equity Transfers**

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

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

**z) Equity and Reserves**

**(i) Asset Revaluation Surplus**

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

**(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.

**aa) Budgeted Amounts**

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

**ab) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2011 which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

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

Health Administration Corporation  
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**ac) New Australian Accounting Standards Issued but not Effective**

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

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

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

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

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

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement.

It is not expected that the changes will have material impact on HAC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AASB 2011-12, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

AASB 2011-13, Amendments to Australian Accounting Standard - Improvements to AASB 1049, has application from 1 July 2013 and relates to the Whole of Government General Purpose Financial Statements and General Government Sector Financial Statements. Any change will be dependent on the mandate of NSW Treasury.

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	484,641	433,347
----	----	Overtime	78,404	81,158
----	----	Penalties	84,131	77,201
----	----	Superannuation - Defined Benefit Plans	19,329	17,979
----	----	Superannuation - Defined Contribution Plans	50,839	44,265
----	----	Long Service Leave *	42,606	25,947
----	----	Annual Leave	74,701	72,016
----	----	Sick Leave and Other Leave	25,219	21,542
----	----	Redundancies	3,510	2,227
----	----	Workers' Compensation Insurance	57,131	47,479
----	----	Fringe Benefits Tax	347	450
-----	-----		<b>920,858</b>	<b>823,611</b>
The following additional information is provided:				
		Employee Related Expenses Capitalised - Land and Buildings	6,524	5,493
* Long Service Leave costs increased significantly in 2011/12 due principally to changes in the actuarial factors applied to determine net present value. The factor increased from 11.1% to 22.0%.				
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
484,641	433,347	Salaries and Wages	----	----
78,404	81,158	Overtime	----	----
84,131	77,201	Penalties	----	----
19,329	17,979	Superannuation - Defined Benefit Plans	----	----
50,839	44,265	Superannuation - Defined Contribution Plans	----	----
42,606	25,947	Long Service Leave	----	----
74,701	72,016	Annual Leave	----	----
25,219	21,542	Sick Leave and Other Leave	----	----
3,510	2,227	Redundancies	----	----
57,131	47,479	Workers' Compensation Insurance	----	----
347	450	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<b>920,858</b>	<b>823,611</b>		<b>-----</b>	<b>-----</b>
The following additional information is provided:				
6,524	5,493	Personnel Services Expenses Capitalised - Land and Buildings		
<b>5. Other Operating Expenses</b>				
23,975	20,850	Domestic Supplies and Services	23,975	20,850
8,390	7,177	Drug Supplies	8,390	7,177
69,063	62,587	Food Supplies	69,063	62,587
7,380	6,499	Fuel, Light and Power	7,380	6,499
202,206	235,659	General Expenses (See (b) below)	202,206	235,659
1,169	916	Hospital Ambulance Transport Costs	1,169	916
191,207	126,776	Information Management Expenses	191,207	126,776
4,279	3,715	Insurance	4,279	3,715
Maintenance (See (c) below)				
8,102	7,040	Maintenance Contracts	8,102	7,040
43,060	37,272	New/Replacement Equipment under \$10,000	43,060	37,272
11,735	12,127	Repairs Maintenance/Non Contract	11,735	12,127
72	281	Other	72	281
25,891	20,723	Medical and Surgical Supplies	25,891	20,723
14,832	14,271	Motor Vehicle Expenses	14,832	14,271
5,601	5,161	Postal and Telephone Costs	5,601	5,161
4,159	3,705	Printing and Stationery	4,159	3,705
2,602	2,641	Rates and Charges	2,602	2,641
10,630	9,271	Rental	10,630	9,271
9,648	286	Special Service Departments	9,648	286
36,311	28,236	Staff Related Costs	36,311	28,236
67,196	62,231	Sundry Operating Expenses (See (a) below)	67,196	62,231
3,741	3,261	Travel Related Costs	3,741	3,261
-----	-----		-----	-----
<b>751,249</b>	<b>670,685</b>		<b>751,249</b>	<b>670,685</b>

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		<b>(a) Sundry Operating Expenses comprise :</b>		
66,905	62,074	Aircraft Expenses (Ambulance)	66,905	62,074
288	157	Contract for Patient Services	288	157
3	----	Isolated Patient Travel and Accommodation Assistance Scheme	3	----
<u>67,196</u>	<u>62,231</u>		<u>67,196</u>	<u>62,231</u>
		<b>(b) General Expenses include :-</b>		
346	425	Advertising	346	425
568	540	Auditor's Remuneration - Audit of Financial Statements	568	540
501	441	Books, Magazines and Journals	501	441
		Consultancies		
1,369	1,631	- Capital Works	1,369	1,631
1,021	3,553	- Operating Activities	1,021	3,553
130,606	210,012	Corporate Support and Management Services	130,606	210,012
3,248	3,071	Courier and Freight	3,248	3,071
364	291	Data Recording and Storage	364	291
1,172	639	Legal Services	1,172	639
769	175	Membership/Professional Fees	769	175
21,416	22,067	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	21,416	22,067
522	525	Other Operating Lease Expense - Minimum Lease Payments	522	525
557	193	Quality Assurance/Accreditation	557	193
670	498	Security Services	670	498
		<b>(c) Reconciliation of Total Maintenance</b>		
62,969	56,720	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	62,969	56,720
4,345	4,535	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	4,345	4,535
<u>67,314</u>	<u>61,255</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>67,314</u>	<u>61,255</u>
		<b>6. Depreciation and Amortisation</b>		
9,190	8,201	Depreciation - Buildings	9,190	8,201
493	255	Amortisation - Leased Buildings	493	255
33,385	32,638	Depreciation - Plant and Equipment	33,385	32,638
5	5	Depreciation - Infrastructure Systems	5	5
----	----	Amortisation - Other Leased Assets	----	----
17,067	14,720	Amortisation - Intangible Assets	17,067	14,720
<u>60,140</u>	<u>55,819</u>		<u>60,140</u>	<u>55,819</u>
		<b>7. Grants and Subsidies</b>		
955	764	Non-Government Organisations	955	764
20,920	20,955	Community Aged Care Packages	20,920	20,955
147	950	Other Grants	147	950
<u>22,022</u>	<u>22,669</u>		<u>22,022</u>	<u>22,669</u>
		<b>8. Finance Costs</b>		
----	613	Interest on Bank Overdrafts and Loans	----	613
94	47	Other Interest Charges	94	47
<u>94</u>	<u>660</u>	Total Finance Costs	<u>94</u>	<u>660</u>



Health Administration Corporation  
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>9. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
506	5	Other	506	5
(b) Rendering of Services comprise the following:-				
756	866	Staff-Meals and Accommodation	756	866
7,463	-----	Infrastructure Fees * - Monthly Facility Charge [see note 2(d)]	7,463	-----
8,624	-----	- Annual Charge	8,624	-----
11,855	11,711	Cafeteria/Kiosk	11,855	11,711
116	67	Car Parking	116	67
20	13	Child Care Fees	20	13
48,687	24,267	Commercial Activities	48,687	24,267
81	5	Fees for Medical Records	81	5
137	282	Information Retrieval	137	282
6,737	9,117	Linen Service Revenues - Non Health Services	6,737	9,117
76,873	73,609	Linen Service Revenues - Other Health Services	76,873	73,609
1,040	1,293	Meals on Wheels	1,040	1,293
29,843	33,613	Motor Accident Authority Third Party	29,843	33,613
142	16	PADP Patient Copayments	142	16
163,287	150,708	Patient Transport Fees	163,287	150,708
1,118	371	Salary Packaging Fee	1,118	371
3,706	4,175	Services Provided to Non NSW Health Organisations	3,706	4,175
696,468	658,928	Shared Corporate Services	696,468	658,928
3,853	3,772	Use of Ambulance Facilities	3,853	3,772
8,942	3,670	Other	8,942	3,670
<u>1,070,254</u>	<u>976,488</u>		<u>1,070,254</u>	<u>976,488</u>

\* The increase in infrastructure fees (\$16.087 million) reflects that NSW Health Pathology was only transferred as part of the HAC entity from 1 June 2012.

**10. Investment Revenue**

Interest				
745	1,153	- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	745	1,153
3,558	3,021	- Other	3,558	3,021
<u>4,303</u>	<u>4,174</u>		<u>4,303</u>	<u>4,174</u>

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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>11. Grants and Contributions</b>				
16,637	1,625	Commonwealth Government Grants	16,637	1,625
1,991	119	Industry Contributions/Donations	1,991	119
1,903	----	NSW Government Grants	1,903	----
19,329	16,520	Personnel Services - Superannuation Defined Benefit Plans	----	----
37,497	6,610	Personnel Services - Long Service Leave	----	----
48	----	Research Grants	48	----
1,678	14,363	Other Grants	1,678	8,237
<u>79,083</u>	<u>39,237</u>		<u>22,257</u>	<u>9,981</u>
 <b>12. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	19,329	17,979
----	----	Long Service Leave	37,497	11,277
<u>-----</u>	<u>-----</u>		<u>56,826</u>	<u>29,256</u>
 * The significant increase includes the impact of the actuarial assessment of Long Service Leave.				
 <b>13. Other Revenue</b>				
Other Revenue comprises the following:-				
----	47	Bad Debts Recovered	----	47
55	98	Commissions	55	98
41	309	Conference and Training Fees	41	309
112	160	Discounts	112	160
18	21	Insurance Refunds	18	21
579	604	Lease and Rental Income	579	604
56	111	Sale of Merchandise, Old Wares and Books	56	111
177	345	Sponsorship Income	177	345
52	128	Treasury Managed Fund Hindsight Adjustment	52	128
4,412	4,087	Death & Disability Employee Contributions (Ambulance)	4,412	4,087
213	----	Property not previously recognised	213	----
3,299	2,858	Other	3,299	2,858
<u>9,014</u>	<u>8,768</u>		<u>9,014</u>	<u>8,768</u>

Health Administration Corporation  
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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>14. Loss on Disposal</b>				
52,589	16,515	Property, Plant and Equipment	52,589	16,515
51,887	15,235	Less: Accumulated Depreciation	51,887	15,235
<b>702</b>	<b>1,280</b>	<b>Written Down Value</b>	<b>702</b>	<b>1,280</b>
45	206	Less: Proceeds from Disposal	45	206
<b>(657)</b>	<b>(1,074)</b>	<b>Loss on Disposal of Property, Plant and Equipment</b>	<b>(657)</b>	<b>(1,074)</b>
----	----	Financial Assets at Fair Value	----	----
(166)	----	Less: Proceeds from Disposal	(166)	----
<b>(166)</b>	----	<b>Loss on Disposal of Financial Assets at Fair Value</b>	<b>(166)</b>	----
----	761	Assets Held for Sale	----	761
----	488	Less: Proceeds from Disposal	----	488
----	<b>(273)</b>	<b>Loss on Disposal of Assets Held for Sale</b>	----	<b>(273)</b>
<b>(823)</b>	<b>(1,347)</b>	<b>Total Loss on Disposal</b>	<b>(823)</b>	<b>(1,347)</b>
<b>15. Other Losses</b>				
(26,270)	(23,010)	Impairment of Receivables	(26,270)	(23,010)
<b>(26,270)</b>	<b>(23,010)</b>		<b>(26,270)</b>	<b>(23,010)</b>

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**PARENT AND CONSOLIDATED**

**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	1,906	----	17,404	19,310
Contributions recognised in amalgamated balance as at 30 June 2011 which were not expended in the current reporting period	2,996	----	5,378	8,374
Total amount of unexpended contributions as at balance date	4,902	----	22,782	27,684

Comment on restricted assets appears in Note 25.

Health Administration Corporation  
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**17. Service Groups of HAC**

**Service Group 1.1 - Primary and Community Based Services**

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

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

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

**Service Group 1.2 - Aboriginal Health Services**

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

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

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

**Service Group 1.3 - Outpatient Services**

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

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

**Service Group 2.1 - Emergency Services**

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

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

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**Service Group 2.2 - Inpatient Hospital Services**

Service Description: This service group covers the provision of health care to patients admitted to public hospitals.

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

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

**Service Group 3.1 - Mental Health Services**

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

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

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

**Service Group 4.1 - Rehabilitation and Extended Care Services**

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

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

**Service Group 5.1 - Population Health Services**

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

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

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

**Service Group 6.1 - Teaching and Research**

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

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

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

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>18. Cash and Cash Equivalents</b>				
113,531	58,451	Cash at Bank and On Hand	113,531	58,451
74,657	48,114	Short Term Deposits	74,657	48,114
<u>188,188</u>	<u>106,565</u>		<u>188,188</u>	<u>106,565</u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
188,188	106,565	Cash and Cash Equivalents (per Statement of Financial Position)	188,188	106,565
<u>188,188</u>	<u>106,565</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>188,188</u>	<u>106,565</u>
<i>Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.</i>				
<b>19. Receivables</b>				
<b>Current</b>				
13,984	4,010	Sale of Goods and Services	13,984	4,010
40,708	38,800	Patient Transport Fee	40,708	38,800
166,251	134,833	Intra Health Receivables	166,251	134,833
31,352	19,613	Goods and Services Tax	31,352	19,613
14,708	14,740	Other Debtors	14,708	14,740
267,003	211,996	<b>Sub Total</b>	267,003	211,996
(28,010)	(26,636)	Less Allowance for Impairment	(28,010)	(26,636)
238,993	185,360	<b>Sub Total</b>	238,993	185,360
44,300	17,156	Prepayments	44,300	17,156
<u>283,293</u>	<u>202,516</u>		<u>283,293</u>	<u>202,516</u>
<b>(a) Movement in the Allowance for Impairment</b>				
Sale of Goods and Services				
(26,636)	(27,060)	Balance at Commencement of Reporting Period	(26,636)	(27,060)
24,896	23,260	Amounts written off during the year	24,896	23,260
-----	174	Amounts recovered during the year	-----	174
(26,270)	(23,010)	Increase in Allowance Recognised in Result for the Year	(26,270)	(23,010)
<u>(28,010)</u>	<u>(26,636)</u>	<b>Balance at 30 June</b>	<u>(28,010)</u>	<u>(26,636)</u>
<b>Non-Current</b>				
-----	54	Other Debtors	-----	54
-----	54	<b>Sub Total</b>	-----	54
581	3,717	Prepayments	581	3,717
<u>581</u>	<u>3,771</u>		<u>581</u>	<u>3,771</u>

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

Health Administration Corporation  
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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>20. Inventories - Current - Held for Distribution</b>				
28,628	14,171	Medical and Surgical Supplies *	28,628	14,171
106	117	Food and Hotel Supplies	106	117
<u>28,734</u>	<u>14,288</u>		<u>28,734</u>	<u>14,288</u>
<p>* The 2011/12 value includes NSW Health Pathology stock of \$11.297 million.</p>				
<b>21. Financial Assets at Fair Value</b>				
<b>Current</b>				
6,494	6,937	Other	6,494	6,937
<u>6,494</u>	<u>6,937</u>		<u>6,494</u>	<u>6,937</u>
<b>Non Current</b>				
6,678	13,685	Other	6,678	13,685
<u>6,678</u>	<u>13,685</u>		<u>6,678</u>	<u>13,685</u>
<p>Refer to Note 37 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.</p>				
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
460,794	427,943	Gross Carrying Amount	460,794	427,943
193,990	219,462	Less Accumulated Depreciation and Impairment	193,990	219,462
<u>266,804</u>	<u>208,481</u>	Net Carrying Amount	<u>266,804</u>	<u>208,481</u>
<b>Plant and Equipment - Fair Value</b>				
331,266	266,009	Gross Carrying Amount	331,266	266,009
186,529	148,730	Less Accumulated Depreciation and Impairment	186,529	148,730
<u>144,737</u>	<u>117,279</u>	Net Carrying Amount	<u>144,737</u>	<u>117,279</u>
<b>Infrastructure Systems - Fair Value</b>				
250	180	Gross Carrying Amount	250	180
108	101	Less Accumulated Depreciation and Impairment	108	101
<u>142</u>	<u>79</u>	Net Carrying Amount	<u>142</u>	<u>79</u>
<u>411,683</u>	<u>325,839</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>411,683</u>	<u>325,839</u>



Health Administration Corporation  
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**22. Property, Plant and Equipment - Reconciliation**

	Land	Buildings	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2012</b>						
Net Carrying Amount at Start of Year	81,214	125,711	1,556	117,279	79	325,839
Additions	1,025	6,661	1,489	35,843	----	45,018
Reclassifications to Intangibles	----	----	----	(607)	----	(607)
Recognition of Assets Held for Sale	(1,391)	(165)	----	----	----	(1,556)
Disposals	(702)	----	----	----	----	(702)
Administrative Restructures - Transfers In/(Out)	----	13,997	----	25,419	----	39,416
Net Revaluation Increment Less						
Revaluation Decrements	21,685	25,664	----	----	----	47,349
Depreciation Expense	----	(9,190)	(493)	(33,385)	(4)	(43,073)
Reclassifications	----	102	(359)	188	69	----
Net Carrying Amount at End of Year	<b>101,831</b>	<b>162,780</b>	<b>2,193</b>	<b>144,737</b>	<b>142</b>	<b>411,683</b>

	Land	Buildings	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>						
Net Carrying Amount at Start of Reporting Period	73,574	115,409	1,811	90,361	83	281,238
Additions	----	3,027	----	60,491	----	63,518
Reclassifications to Intangibles	----	----	----	(50)	----	(50)
Recognition of Assets Held for Sale	(213)	(734)	----	----	----	(947)
Disposals	----	----	----	(1,413)	----	(1,413)
Administrative Restructures - Transfers In/(Out)	1,700	3,545	----	528	----	5,773
Net Revaluation Increment Less						
Revaluation Decrements	6,153	12,665	----	----	----	18,818
Depreciation Expense	----	(8,201)	(255)	(32,638)	(5)	(41,098)
Reclassifications	----	----	----	----	----	----
Net Carrying Amount at End of Year	<b>81,214</b>	<b>125,711</b>	<b>1,556</b>	<b>117,279</b>	<b>78</b>	<b>325,839</b>

- (i) Land and Buildings for the Health Support Services were revalued by the Department of Finance and Services on 30 June 2011.
- (ii) Land and Buildings for the Ambulance Service of NSW were last revalued by the Australian Valuation Office as at 30 June 2012.

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>23. Intangible Assets</b>				
<b>Software</b>				
396,147	290,307	Cost (Gross Carrying Amount)	396,147	290,307
103,628	85,811	Less Accumulated Amortisation and Impairment	103,628	85,811
<u>292,519</u>	<u>204,496</u>	<b>Net Carrying Amount</b>	<u>292,519</u>	<u>204,496</u>
<u>292,519</u>	<u>204,496</u>	<b>Total Intangible Assets at Net Carrying Amount</b>	<u>292,519</u>	<u>204,496</u>

**PARENT AND CONSOLIDATED**

**23. Intangibles - Reconciliation**

	Software \$000	Total \$000
<b>2012</b>		
Net Carrying Amount at Start of Year	204,496	204,496
Additions from Internal Development or Acquired Separately	104,483	104,483
Reclassification from Plant & Equipment	607	607
Amortisation (Recognised in Depreciation and Amortisation)	(17,067)	(17,067)
<b>Net Carrying Amount at End of Year</b>	<b>292,519</b>	<b>292,519</b>
	Other \$000	Total \$000
<b>2011</b>		
Net Carrying Amount at Start of Reporting Period	159,914	159,914
Additions from Internal Development or Acquired Separately	59,252	59,252
Reclassification From Plant & Equipment	50	50
Amortisation (Recognised in Depreciation and Amortisation)	(14,720)	(14,720)
<b>Net Carrying Amount at End of Year</b>	<b>204,496</b>	<b>204,496</b>

**24. Non-Current Assets Held for Sale**

Assets Held for Sale			
3,600	2,044	Land and Buildings	2,044
<u>3,600</u>	<u>2,044</u>		<u>2,044</u>

The non-current assets held for resale constitute assets that are surplus to requirements and will be actively marketed for sale in the next twelve months with an expectation that the sale will be effected by 30 June 2013.

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>25. Restricted Assets</b>				
<p>HAC's financial statements include the following assets which are restricted by externally imposed conditions, for example, donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
6,984	6,206	Specific Purposes	6,984	6,206
9,049	3,047	Research Grants	9,049	3,047
17,125	11,351	Death and Disability Award (Ambulance)	17,125	11,351
47,241	-----	Private Practice Funds	47,241	-----
<u>80,399</u>	<u>20,604</u>		<u>80,399</u>	<u>20,604</u>

Details of Conditions on Contributions appear in Note 16.  
Major categories included in the Consolidation are:

Category	Brief Details of Externally Imposed Conditions
Specific Purposes Trust Funds	Donations, contributions and fundraisings held for the benefit of specific patient, District and/or staff groups.
Perpetually Invested Trust Funds	Funds invested in perpetuity. The income, therefrom used in accordance with donors' or trustees' instructions for the benefit of patients and/or in support of hospital services.
Research Grants	Specific research grants.
Private Practice Funds	Annual Infrastructure Charges raised in respect of Salaried Medical Officers Rights of Private Practice arrangements.

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
		<b>26. Payables</b>		
		<b>Current</b>		
-----	-----	Accrued Salaries, Wages and On-Costs	30,997	19,378
-----	-----	Taxation and Payroll Deductions	5,015	3,599
36,012	22,977	Accrued Liability - Purchase of Personnel Services		
101,741	44,115	Creditors *	101,741	44,115
		Other Creditors		
12,190	59,110	- Capital Works	12,190	59,110
47,555	8,656	- Intra Health Liability	47,555	8,656
112,552	30,962	- Other	112,552	30,962
18,392	15,824	- Taxation	18,392	15,824
<u>328,442</u>	<u>181,644</u>		<u>328,442</u>	<u>181,644</u>

\* The increase in Payables at 30 June 2012 includes \$63 million for NSW Health Pathology. The amount also includes significant accruals at year end to ensure that the requirements of the Australian Accounting Standards are observed, for example, the accrual of construction work performed or services delivered but not yet invoiced.

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

**27. Borrowings**

<u>7,086</u>	<u>9,375</u>	<b>Current</b>		
		Loans and Deposits, Ministry of Health	<u>7,086</u>	<u>9,375</u>
		<b>Non-Current</b>		
<u>401</u>	<u>375</u>	Loans and Deposits, Ministry of Health	<u>401</u>	<u>375</u>

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

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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>28. Provisions</b>				
-----	-----	Annual Leave - Short Term Benefit *	86,896	47,826
-----	-----	Annual Leave - Long Term Benefit *	87,261	73,189
-----	-----	Death and Disability (Ambulance Officers)	12,291	10,592
-----	-----	Sick Leave	40	37
-----	-----	Long Service Leave On-Costs	21,902	13,366
209,940	145,010	Provision for Personnel Services Liability	-----	-----
<u>209,940</u>	<u>145,010</u>	<b>Total Current Provisions</b>	<u>208,390</u>	<u>145,010</u>
* The increase in annual leave results from equity transfers (Note 36 refers).				
<b>Non-Current Employee Benefits and Related On-Costs</b>				
-----	-----	Long Service Leave On-Costs	1,317	645
1,317	645	Provision for Personnel Services Liability	-----	-----
<u>1,317</u>	<u>645</u>	<b>Total Non-Current Provisions</b>	<u>1,317</u>	<u>645</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
209,940	145,010	Provisions - Current	208,390	145,010
1,317	645	Provisions - Non-Current	1,317	645
-----	-----	Accrued Salaries, Wages and On-Costs (Note 26)	36,012	22,977
36,012	22,977	Accrued Liability - Purchase of Personnel Services (Note 26)	-----	-----
<u>247,269</u>	<u>168,632</u>		<u>245,719</u>	<u>168,632</u>
<b>29. Other Liabilities</b>				
<b>Current</b>				
5	1,700	Income in Advance	5	1,700
<u>5</u>	<u>1,700</u>		<u>5</u>	<u>1,700</u>
<b>Non-Current</b>				
143	157	Other	143	157
<u>143</u>	<u>157</u>		<u>143</u>	<u>157</u>

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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		<b>30. 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:		
		Not later than one year	40,680	31,555
40,680	31,555			
<u>40,680</u>	<u>31,555</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>40,680</u>	<u>31,555</u>
		<b>(b) Operating Lease Commitments</b>		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
		Not later than one year	77,835	87,448
77,835	87,448	Later than one year and not later than five years	157,829	190,146
157,829	190,146	Later than five years	138,534	96,741
138,534	96,741			
<u>374,198</u>	<u>374,335</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>374,198</u>	<u>374,335</u>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

**(c) Contingent Asset Related to Commitments for Expenditure**

The total of 'Commitments for Expenditure' above, i.e. \$411.1 million as at 30 June 2012 includes input tax credits of \$37.4 million that are expected to be recoverable from the Australian Taxation Office (2011: \$ 36.9 million).

**31. Contingent Liabilities and Assets**

**Workers Compensation Hindsight Adjustment**

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

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

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PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>32. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
152,219	127,657	Net Cash Flows from Operating Activities	152,219	127,657
(60,140)	(55,819)	Depreciation	(60,140)	(55,819)
(26,270)	(23,010)	Allowance for Impairment	(26,270)	(23,010)
(1,709)	-----	Decrease in Income in advance	(1,709)	-----
64,052	116,465	Decrease in Provisions	64,052	116,465
96,370	2,490	Increase in Prepayments and Other Assets	96,370	2,490
(193,718)	(102,331)	(Increase) in Creditors	(193,718)	(102,331)
(823)	(1,347)	Net (Loss) on Sale of Property, Plant and Equipment	(823)	(1,347)
<b>29,981</b>	<b>64,105</b>	<b>Net Result</b>	<b>29,981</b>	<b>64,105</b>
<b>33. Non-Cash Financing and Investing Activities</b>				
-----	<b>4,886</b>	Assets Received by Administrative Transfer	-----	<b>4,886</b>

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**34. Unclaimed Monies**

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

**35. Budget Reviews - Parent and Consolidated**

**Net Result**

The variation from HAC's Net Result budget is \$6.7 million only and relates principally to unexpected losses in the impairment of receivables (\$3.8 million) and in respect of the disposal of Property, Plant and Equipment (\$0.8 million).

**Assets and Liabilities**

The variation is not significant at only 1% of net assets.

**Cash Flows**

The variation in the net cashflows from operating activities was \$19.5 million as a result of reduced receipts. The reduction is largely matched by a decrease in cashflows from investing activities.

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

**2011/12 Transfers**

In 2011/12 the following transfers occurred:

- \* \$0.694 million in inventory transferred in to Health Support Services from Northern Sydney Local Health District.
- \* \$56.726 million in net assets transferred in to the newly established NSW Health Pathology on 1 June 2012. Assets were previously recognised by the Health Reform Transitional Organisations.

**2010/11 Transfers**

In 2010/11 the following transfers occurred:

- \* \$150.964 million in Long Service Leave values transferred to the Crown Entity with effect on 31 December 2010.
- \* \$31.652 million in leave related loans were then waived via a reduction in Health Service loan indebtedness as it was acknowledged that future funding needs would be met by the Crown Entity.
- \* \$1.206 million of net assets available to the former Institute of Medical Education & Training was transferred on 1 July 2010. The net assets transferred to the Clinical Education and Training Institute which was established as a Statutory Health Corporation with effect from 1 July 2010.
- \* \$0.613 million was received as benefits from warehouse services transfers from Health Entities.
- \* \$2.545 million was received as benefit in net assets following the transfer of the Logistic Food Centre.

Details of the assets and liabilities classifications are as follows:

	2012	2011
	\$000	\$000
<b>Assets</b>		
<b>Current Assets</b>		
Cash	61,105	(1,673)
Receivables	13,642	(71)
Inventory	12,326	2,368
Financial Assets at Fair Value	9,686	-----
<b>Total Current Assets</b>	<b>96,759</b>	<b>624</b>
<b>Non-Current Assets</b>		
Non Current Receivables	10	-----
Land & Buildings	14,218	5,245
Plant & Equipment	25,198	528
Other Financial Assets	-----	(29,844)
Intangible Assets	488	-----
<b>Total Non-Current Assets</b>	<b>39,914</b>	<b>(24,071)</b>
<b>Total Assets</b>	<b>136,673</b>	<b>(23,447)</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables	29,089	(479)
Provisions	48,918	(144,200)
Other Current Liabilities	9	-----
<b>Total Current Liabilities</b>	<b>78,016</b>	<b>(144,679)</b>
<b>Non-Current Liabilities</b>		
Provisions	1,236	(32)
<b>Total Non-Current Liabilities</b>	<b>1,236</b>	<b>(32)</b>
<b>Total Liabilities</b>	<b>79,252</b>	<b>(144,711)</b>
<b>Increase in Net Assets From Equity Transfers</b>	<b>57,421</b>	<b>121,264</b>



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**37. Financial Instruments**

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

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

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

**(a) Financial Instrument Categories**

**PARENT**

Financial Assets Class:	Category	Carrying	Carrying
		Amount	Amount
		2012	2011
		\$000	\$000
Cash and Cash Equivalents (note 18)	N/A	188,188	106,565
Receivables (note 19) <sup>1</sup>	Loans and receivables (at amortised cost)	207,641	165,801
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	13,172	20,622
Total Financial Assets		409,001	292,988
<b>Financial Liabilities</b>			
Borrowings (note 27)	Financial liabilities	7,487	9,750
Payables (note 26) <sup>2</sup>	measured at amortised cost	310,050	163,616
Total Financial Liabilities		317,537	173,366

Notes

1 Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

**(b) Credit Risk**

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

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

Credit risk associated with HAC's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Authority deposits held with NSW TCorp are guaranteed by the State.

**Cash**

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.24% to 4.50% in 2011/12 compared to 4.56% to 5.70% in the previous year. The TCorp Hour-Glass cash facility is discussed in para (d) below.

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Ministry of Health Accounting Manual for Public Health Organisations and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that HAC 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.

Although intra health debt accounts for approximately 80% of the receivable value it is considered that HAC is not materially exposed to credit risk due to the recovery mechanisms employed by the Ministry of Health. Based on past experience, debtors that are not past due (2012:\$103.3 M; 2011: \$132.4 M) and not more than 3 months past due (2012: \$45.5 M; 2011:\$44.6 M) are not considered impaired and together these represent 71.7% of the total trade debtors. In addition, Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the debtors relate to Ambulance transport of private individuals, pathology accounts and charges within NSW Health for services provided by HSS. Ambulance invoices are generally issued under 21 day payment terms whilst HSS accounts are settled monthly. Ambulance Patient Transport debtors represent the majority of financial assets that are past due or impaired.

	\$000		
2012	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
<3 months overdue	45,511	30,904	14,607
3 months - 6 months overdue	22,048	12,181	9,867
> 6 months overdue	36,782	33,246	3,536
<b>2011</b>			
<3 months overdue	31,303	16,528	14,765
3 months - 6 months overdue	15,595	7,663	7,784
> 6 months overdue	22,086	17,999	4,087

**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.

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## **PARENT AND CONSOLIDATED**

### **Authority Deposits**

HAC has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 4.88% (2011 - 4.77%); while over the year the weighted average interest rate was 5.36% (2011 - 5.24%) on a weighted average balance during the year of \$16.6 million (2011 - \$15.8 million). None of these assets are past due or impaired.

### **(c) Liquidity Risk**

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

HAC has negotiated no loan outside of arrangements with the Ministry of Health or Treasury.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. HAC's exposure to liquidity risk is not significant.

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 Ministry of Health. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise.

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

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

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*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure			Maturity Dates			Weighted Average Effective Int. Rate %	
	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr		> 5Yr
		\$000	\$000		\$000	\$000		\$000
<b>2012</b>								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions	36,012	-----	-----	36,012	36,012	-----	-----	
Creditors	214,293	-----	-----	214,293	214,293	-----	-----	
Borrowings:								
Other Loans and Deposits	7,487	-----	-----	7,487	7,086	401	-----	
	<u>257,792</u>	<u>-----</u>	<u>-----</u>	<u>257,792</u>	<u>257,391</u>	<u>401</u>	<u>-----</u>	
<b>2011</b>								
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions	19,378	-----	-----	19,378	19,378	-----	-----	
Creditors	144,238	-----	-----	144,238	144,238	-----	-----	
Borrowings:								
Other Loans and Deposits	9,750	-----	-----	9,750	9,375	375	-----	
	<u>173,366</u>	<u>-----</u>	<u>-----</u>	<u>173,366</u>	<u>172,991</u>	<u>375</u>	<u>-----</u>	

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which HAC 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.

2. Of the \$7.49 million disclosed in the 2012 'other loans and deposits' time band 1-5 yrs, HAC has no intention to effect payments in advance of maturity dates on or prior to 30 September 2012.

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**d) Market Risk**

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

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

*Interest rate risk*

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

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

Both Treasury and the Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. HAC 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. HAC's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1%		+1%	
		Profit	Equity	Profit	Equity
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	188,188	(1,882)	(1,882)	1,882	1,882
Receivables	207,641	-----	-----	-----	-----
Financial Assets at Fair Value	13,172	(132)	(132)	132	132
<b>Financial Liabilities</b>					
Payables	310,050	-----	-----	-----	-----
Borrowings	7,487	-----	-----	-----	-----
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	106,565	(1,066)	(1,066)	1,066	1,066
Receivables	165,801	-----	-----	-----	-----
Financial Assets at Fair Value	20,622	(206)	(206)	206	206
<b>Financial Liabilities</b>					
Payables	155,248	-----	-----	-----	-----
Borrowings	9,750	-----	-----	-----	-----

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*Other price risk - TCorp Hour-Glass facilities*

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. HAC has no direct equity investments. HAC holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2012	2011
			\$'000	\$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	16,556	15,786

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

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

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

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

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

	Change in unit price	Impact on profit/loss	
		2012 \$'000	2011 \$'000
Hour-Glass Investment - Cash facility	4.77%	770	1,153

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**(e) Fair Value compared to Carrying Amount**

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

Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount:

	2012 \$'000	2012 \$'000	2011 \$'000	2011 \$'000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets T-Corp Hour Glass Investment Facility	16,556	16,556	15,786	15,786

**(f) Fair Value recognised in the Statement of Financial Position**

The HAC uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 - derived from quoted prices in active markets for identical assets/liabilities.
- Level 2- derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2012 Total \$'000
TCorp Hour-Glass Invt.Facility	-----	16,556	-----	16,556

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position).

There were no transfers between level 1 and 2 during the period ended 30 June 2012.

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**Note 38 Events after the Reporting Period**

Policy and Technical Support ceased on 1 July 2012. The net assets of \$0.3 million available at that time will be disclosed as an equity transfer in the 2012/13 financial statements of both HAC and the Agency for Clinical Innovation.

In 2012/13 changes have been / will be made within the internal structure of HAC.

\* Health Support Services has been renamed HealthShare NSW and will operate within the Public Health System Support Division.

\* The Health System Support Group has been established to replace the former Health System Support Unit and will operate within the Public Health System Support Division.

\* The Health Infrastructure Employment Division has been established separately from the Public Health System Support Employment Division.

\* The NSW Health Pathology Employment Division has been established separately from the Public Health System Support Employment Division.

\* The Ambulance Service of NSW will assume responsibility in 2012/13 for Special Purpose Service Entity reporting.

The above changes have no impact on HAC's overall financial reporting but will affect the 2012/13 reporting by the Public Health System Support Special Service Entity.

END OF AUDITED FINANCIAL STATEMENTS