

Financials

Performance against 2005/06 Budget Allocation	77
2005/06 Major Funding Initiatives	79
Consolidated Financial Statements	80
2006/07 and Forward Years	81
Department of Health	
Independent Audit Report	82
Certification of Accounts	84
Operating Statement	85
Statement of Changes in Equity	86
Balance Sheet	87
Cash Flow Statement	88
Program Statement – Expenses and Revenues	89
Summary of Compliance with Financial Directives	90
Notes to and forming part of the Financial Statements	91
Health Administration Corporation	
Independent Audit Report	130
Certification of Accounts	131
Operating Statement	133
Statement of Changes in Equity	134
Balance Sheet	135
Cash Flow Statement	136
Program Statement – Expenses and Revenues	137
Notes to and forming part of the Financial Statements	138
Health Administration Corporation Special Purpose Entity	
Independent Audit Report	167
Certification of Accounts	169
Income Statement	170
Statement of Change in Equity	171
Balance Sheet	172
Cash Flow Statement	173
Notes to and forming part of the Financial Statements	174

Performance against 2005/06 Budget Allocation

NSW Health is the major provider of health services to the NSW public and comprises around 28 per cent of NSW General Government Sector expenditures.

The Statement of Financial Performance identifies that total expenses for 2005–06 amounted to \$11.26 billion which is a 8.6 per cent increase over 2004–05. An average of \$30.85 million is expended each day.

User charges, where applied, are not based on full cost recovery or on commercial returns and instead reflect a contribution to the operating costs of health services. Because of these financial arrangements, the Department's performance measurement is best reflected in the net cost of providing those services. For the year ending 30 June 2006, this net cost was \$9.79 billion compared with \$9.04 billion in 2004–05.

The NSW Government increased its funding for operating (including superannuation) and capital needs to the NSW Department of Health from the Consolidated Fund by \$860 million or 9.6 per cent to \$9.858 billion in 2005–06.

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

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

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

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

- \$6.95 billion for salaries and employee related expenses (\$6.38 billion in 2004–05)
- \$81 million for food (\$75 million in 2004–05)
- \$918 million for drugs, medical and surgical supplies (\$842 million in 2004–05)
- \$72 million for fuel, light and power (\$64 million in 2004–05)
- \$441 million for visiting medical staff (\$402 million in 2004–05)

The financial statements identify that, whilst \$411 million was charged for depreciation and amortisation on Property, Plant and Equipment and Intangibles, an amount of \$606 million was incurred in capital expenditure. This constitutes a real increase in the value of health assets and reflects the significant capital works program to improve NSW health infrastructure.

Since 30 June 2001 the total assets of NSW Health have increased by \$3.088 billion or over 44 per cent. The most significant movement has been the increase in Property, Plant and Equipment and Intangible Assets of \$2.535 billion or 40.6 per cent which, reflects the injection of Capital funding referenced above and the independent revaluations of assets.

Cash and Other Financial Assets have also increased by \$413 million since 30 June 2001 flowing from factors such as increased monies held as restricted assets (eg donations) \$228 million, increased Salaries and Wages accruals \$76 million, increased superannuation liability \$32 million and increased capital/creditors \$38 million and increases in other creditors/balance sheet movements. The cash movement in 2005/06 was only \$3 million.

Total Liabilities since June 2002 have increased by some \$999 million or 58 per cent. This generally comprises:

- an increase in Payables of \$359 million stemming from the introduction of the Goods and Services Tax, the reclassification of Salary Accruals and salary related payments from Provisions to Payables in accordance with revised Australian Accounting Standards and the accrual at 30 June 2006 for awards which were subsequently paid in July 2006.
- an increase in Employee entitlements or Provisions of \$654 million due to various Award movements that have occurred together with changes in the measurement of leave values to accord with revised Australian Accounting Standards.

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

The NSW Department of Health monitors creditor performance on a regular basis and, where liquidity management is found to be deficient, requires relevant health services to improve performance, and implement strategies. The Department monitors progress, both in the short term and on a long term basis to achieve acceptable payment terms to suppliers.

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

	30 June 2004	30 June 2005	30 June 2006
Value of General Accounts not paid within 45 days, \$M	7.5	13.2	1.3
Number of Health Services reporting General Creditors > 45 days	3	4	1

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

In 2005/06 ten of the eleven major Health Services monitored achieved the 45 day requirement at 30 June 2006. The Department continues to work with Health Services to effect improvements in creditor payment and management.

2005/06 Major Funding Initiatives

The 2005/06 State Expenditure Budget was \$10.875 billion, ie a 9 per cent increase over the initial budget for 2004/05.

The Government focus in the 2005/06 health budget was directed towards addressing a number of demand pressures including a growing and ageing population, changing and improved health technology plus increasing consumer expectations.

Key features of the 2005/06 recurrent expenditure on health care in NSW included:

- Quarantining \$1.5 billion for emergency and elective surgery including an additional \$15 million in 2005/06.
- A mental health program totalling \$854 million including an extra \$45 million of new initiatives in 2005/06 (\$22 million for PEC and Community Mental Health and a further \$23 million on top of the \$25 million announced in 2004/05).
- 387 extra beds (Stage 1) and a further 345 acute and non acute beds (Stage 2) to increase the bed base across NSW at a cost of some \$200 million.
- \$25 million for 57 new adult, paediatric and neo-natal intensive care beds and services.
- \$19.7 million to initiate a major new clinical services redesign program, to ensure that administrators work closely with clinicians and patients to smooth patient treatment and create better working environments.
- \$10 million for the Ambulance Service of NSW to provide more than 100 new staff and lease 22 new vehicles in the metropolitan area.
- \$10.5 million in additional funding for Statewide services, including Interventional Neuroradiology at

RPA and RNS, severe burn services at Concord and RNS, improved genetic services, paediatric emergency assistance at non specialist paediatric hospitals and improved aeronautical medical retrieval services.

- \$80 million in general growth funding across the eight new Area Health Services with a further \$8 million distributed to the non RDF hospitals and Justice Health.

2005/06 was the second year of the \$241 million four-year mental health package of enhancements to a range of services including additional beds in acute settings as well as extensive community involvement. In 2005/06 major initiatives included:

- \$1.4 million for the commissioning of a new 20 bed non-acute unit at Campbelltown Hospital (construction commenced in January 2005)
- \$2.5 million for a 15 bed psychiatric intensive care unit at Hornsby Hospital
- \$2.5 million for 16 acute beds at Dubbo (increasing to \$3.2 million in 2006/07)
- \$8 million to expand the Housing Accommodation Support Initiative (HASI) to provide a range of medium-high accommodation support places operated by non-Government organisations (NGOs)
- \$4 million for an integrated statewide child and adolescent mental health service encompassing emergency assessment, supported beds in local hospitals, and step up/step down day centres linked to tertiary hospitals and community facilities
- \$1.9 million for workforce development programs including support to Universities for mental health nursing development.

Initial cash allocations in 2005/06 to health services were increased by over \$600 million or on average by 8.3 per cent compared to 2004/05 as follows:

Health Services	2005/06 \$M	2004/05 \$M	Increase	
			\$M	%
Sydney South West Area Health Service	1,493.4	1,361.9	131.5	9.7
South Eastern Sydney/Illawarra Area Health Service	1,420.6	1,321.8	98.8	7.5
Sydney West Area Health Service	1,062.9	978.4	84.5	8.6
Northern Sydney/Central Coast Area Health Service	1,008.3	929.1	79.2	8.5
Hunter/New England Area Health Service	919.3	854.8	64.5	7.5
North Coast Area Health Service	541.8	497.9	43.9	8.8
Greater Southern Area Health Service	447.2	414.5	32.7	7.9
Greater Western Area Health Service	398.4	376.3	22.1	5.9
The Children's Hospital at Westmead	163.2	153.6	9.6	6.3
Ambulance Service	262.4	232.8	29.6	12.7
Justice Health	68.0	61.5	6.5	10.6
Total	7,785.5	7,182.6	602.9	8.3

Note: These figures reflect initial Net Cash Allocations for 2004/05 and 2005/06 and have been adjusted for 1 January 2005 amalgamations and boundary changes.

Consolidated Financial Statements

The Department is required under the Annual Reports (Departments) Act to present the annual financial statements of each of its controlled entities.

This has been achieved by tabling the 2005/06 annual reports of each Health Service before Parliament. For these purposes the report of each Health Service should be viewed as a volume of the Department of Health's overall report.

Key indicators and comparatives at a Consolidated NSW Health level are:

NSW Health Key Financial Indicators

	2005/06 \$M	2004/05 \$M	Increase on Previous Year \$M	%
Expenses	11,260	10,370	+890	+8.6
Revenue	1,489	1,349	+140	+10.4
Net Cost of Service	9,794	9,037	+757	+8.4
Recurrent Appropriation	9,226	8,027	+1,199	+14.9
Capital Appropriation	481	453	+28	+6.2
Net Assets	7,328	7,056	+272	+3.9
Total Assets	10,051	9,592	+459	+4.8
Total Liabilities	2,723	2,536	+187	+7.4

Source: Audited Financial Statements

2005/06 Total Expenses Comparisons

Expenses Include	2005/06 \$M	2004/05 \$M	2003/04 \$M	2002/03 \$M	2001/02 \$M
Salaries and employee related expenses	6,946	6,381	5,893	5,339	4,822
Food	81	75	76	73	69
Drugs, medical and surgical supplies	918	842	766	699	623
Fuel, light and power	72	64	61	59	56
Visiting medical staff	441	402	381	361	320

Source: Audited Financial Statements

Movement in Key Financial Indicators Over Last 6 Years

	June 2006 \$M	June 2005 \$M	June 2004 \$M	June 2003 \$M	June 2002 \$M	June 2001 \$M
Assets						
Property, Plant and Equipment and Intangibles	8,781	8,408	7,426	6,926	6,612	6,246
Inventories	76	72	66	68	64	62
Cash and Investments	871	868	683	666	504	458
Receivables	295	192	162	165	183	190
Other	28	52	42	35	40	7
Total	10,051	9,592	8,380	7,860	7,403	6,963
Liabilities						
Payables	708	690	543	525	470	349
Provisions	1,877	1,700	1,507	1,391	1,181	1,223
Interest Bearing Liabilities	48	82	109	105	105	105
Other	90	64	65	77	75	47
Total	2,723	2,536	2,224	2,098	1,831	1,724
Equity	7,328	7,056	6,156	5,762	5,572	5,239

Source: Audited Financial Statements

2006/07 and Forward Years

The 2006/07 Expense budget of \$11.7 billion represents an increase of \$828 million or 7.6 per cent over that provided in 2005/06.

Key initiatives, 2006/07

The 2006/07 health budget continues to focus on addressing a number of demand pressures including a growing and ageing population, changing and improved health technology, mental health plus increasing consumer expectations.

Key features of the 2006/07 recurrent expenditure budget for NSW Health includes:

- Growing available bed capacity with funding to operate the equivalent of 426 beds on top of the 800 beds announced with the 2005/06 Budget and the 563 beds and places announced with the 2004/05 Budget.
- Over \$10 million for 13.5 new intensive care beds and cots to help people recovering from major surgery or illness.
- Integrating GP services with hospital care to give people access to the right medical care, in the right place, at the right time including:
 - Funding for ten new After-Hours GP Services co-located with Emergency Departments
 - Progressing ten Integrated Primary Health and Community Care Services with four to eight established in 2006/07.
- An additional \$15 million for elective surgery to continue our innovative waiting list reduction strategy.
- \$4.8 million for statewide services including stroke, spinal injury, NSW newborn and paediatric emergency transport and children requiring long term ventilation.
- \$7.9 million for 93 new ambulance officers to improve emergency care in Sydney and rural areas.
- \$10 million for a new anti-tobacco campaign to reduce smoking prevalence by a further 1 per cent or 50,000 additional smokers quitting;
- \$5.5 million in recurrent funding for five new linear accelerators, including one each at Coffs Harbour and Port Macquarie as part of the Government's Cancer Plan.
- \$4 million (\$40 million over 4 years) to address dental waiting lists.
- Mental health funding of \$946 million, an increase of \$93 million or 10.9 per cent on last year. Funding enhancements of \$300 million over five years including \$38 million in 2006/07 that includes:
 - \$3 million per annum for the ongoing provision of 14 mental health beds at Liverpool.
 - \$6.8 million for out of hours community and acute community response for psychiatric emergencies.
 - \$5.6 million to treat people with both mental health and substance use disorders.
 - \$5 million to expand Stage Four of the Housing and Accommodation and Support Initiative (HASI) to provide at least a further 234 support packages.
 - \$4 million for additional community based mental health services for older people
 - \$1.3 million for specialist support for treating people in contact with the justice system
 - \$1.4 million for enhanced mental health support specifically for youth

Independent Audit Report



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Department Of Health

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Department of Health (the Department):

- presents fairly the Department's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 45E of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

Scope

The Financial Report and the Director General's Responsibility

The financial report comprises the operating statements, statements of changes in equity, balance sheets, cash flow statements, the program statement - expenses and revenues, the summary of compliance with financial directives and accompanying notes to the financial statements for the Department and Consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises of the Department and the entities it controlled during the financial year.

The Director-General is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express opinions on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Director-General in preparing the financial report,
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director General had not fulfilled her reporting obligations.

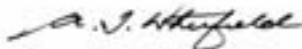
My opinion does not provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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



A T Whitfield
Deputy Auditor General

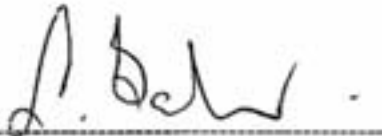
SYDNEY
5 December 2006

Certification of Accounts

CERTIFICATE OF ACCOUNTS

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

- (i) The financial statements of the NSW Health Department (parent entity) and the consolidated entity comprising the Department and its controlled activities for the year ended 30 June 2006 have been prepared in accordance with the requirements of applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AEIFRS), the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Ken Barker
Chief Financial Officer



Robyn Kruk
Director-General

21 November 2006

Statement of Changes in Equity

for the year ended 30 June 2006

PARENT			CONSOLIDATED				
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	
-----	-----	40,415	Net increase/(decrease) in Property, Plant and Equipment Asset Reserve	32	214,574	(140,700)	940,565
-----	-----	-----	Available for Sale Financial Assets Revaluation Reserve transfer to "Result for Year" on disposal	32	(784)	-----	1,855
-----	-----	40,415	TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	32	213,790	(140,700)	942,420
97,703	34,040	27,719	Result for the Year		63,193	152,426	(39,320)
97,703	34,040	68,134	TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		276,983	11,726	903,100

The accompanying notes form part of these Financial Statements

Balance Sheet

as at 30 June 2006

PARENT			CONSOLIDATED				
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	
			ASSETS				
			Current Assets				
131,796	130,835	173,711	Cash and Cash Equivalents	18	630,096	649,120	588,681
56,313	35,102	34,984	Receivables	19	289,166	225,041	226,794
----	----	----	Inventories	20	76,359	73,182	72,178
----	----	----	Financial Assets at fair value	21	151,386	102,078	102,078
41,648	30,081	23,031	Other Financial Assets	22	54,064	141,870	141,870
----	----	----	Non Current Assets Held for Sale	24	15,943	26,379	17,739
229,757	196,018	231,726	Total Current Assets		1,217,014	1,217,670	1,149,340
			Non-Current Assets				
----	----	----	Receivables	19	6,064	7,002	7,002
2,661	3,061	3,061	Financial Assets at fair value	21	35,269	35,716	35,716
46,748	46,748	52,372	Other Financial Assets	22	----	19	19
			Property, Plant and Equipment				
101,152	101,152	100,724	– Land and Buildings	25	7,691,619	7,433,956	7,428,485
10,505	12,727	12,875	– Plant and Equipment	25	714,169	673,231	632,564
----	----	----	– Infrastructure Systems	25	322,072	264,753	287,109
111,657	113,879	113,599	Total Property, Plant and Equipment		8,727,860	8,371,940	8,348,158
4,056	29,580	40,685	Intangible Assets	26	53,286	64,653	42,297
----	----	----	Other	23	11,350	9,347	9,347
165,122	193,268	209,717	Total Non-Current Assets		8,833,829	8,488,677	8,442,539
394,879	389,286	441,443	Total Assets		10,050,843	9,706,347	9,591,879
			LIABILITIES				
			Current Liabilities				
95,304	110,508	171,314	Payables	28	708,205	655,026	689,557
----	----	5,577	Borrowings	29	13,258	28,458	17,137
14,304	11,577	11,132	Provisions	30	1,780,056	1,724,900	1,585,900
24,683	21,913	21,913	Other	31	57,462	33,126	33,126
134,291	143,998	209,936	Total Current Liabilities		2,558,981	2,441,510	2,325,720
			Non-Current Liabilities				
----	----	28,023	Borrowings	29	34,629	52,148	64,439
----	----	----	Provisions	30	96,839	114,142	114,142
2,796	6,081	6,081	Other	31	32,778	30,695	31,452
2,796	6,081	34,104	Total Non-Current Liabilities		164,246	196,985	210,033
137,087	150,079	244,040	Total Liabilities		2,723,227	2,638,495	2,535,753
257,792	239,207	197,403	Net Assets		7,327,616	7,067,852	7,056,126
			EQUITY	32			
59,732	58,820	58,820	Reserves		1,387,101	1,049,691	1,190,391
198,060	180,387	138,583	Accumulated Funds		5,939,444	6,016,306	5,863,880
----	----	----	Amounts Recognised in Equity Relating to Assets Held for Sale	24	1,071	1,855	1,855
257,792	239,207	197,403	Total Equity		7,327,616	7,067,852	7,056,126

The accompanying notes form part of these Financial Statements

Cash Flow Statement

for the year ended 30 June 2006

PARENT			CONSOLIDATED			Notes
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	
			CASH FLOWS FROM OPERATING ACTIVITIES			
			Payments			
(99,546)	(95,289)	(474,483)	Employee Related	(6,650,146)	(6,422,968)	(6,001,285)
(9,381,631)	(9,219,636)	(7,989,206)	Grants and Subsidies	(768,725)	(611,952)	(643,774)
(1,649)	(1,649)	(2,609)	Finance Costs	(4,890)	(6,573)	(6,590)
(498,373)	(504,593)	(503,974)	Other	(3,648,199)	(3,439,929)	(3,489,260)
(9,981,199)	(9,821,167)	(8,970,272)	Total Payments	(11,071,960)	(10,481,422)	(10,140,909)
			Receipts			
135,481	117,421	87,892	Sale of Goods and Services	1,047,309	1,019,315	1,020,784
8,409	6,292	6,616	Interest Received	59,033	51,172	60,121
147,623	102,695	149,147	Other	858,863	506,036	801,092
291,513	226,408	243,655	Total Receipts	1,965,205	1,576,523	1,881,997
			CASH FLOWS FROM GOVERNMENT			
9,226,042	9,124,833	8,027,362	Recurrent Appropriation	9,226,042	9,124,833	8,027,362
481,079	455,503	453,230	Capital Appropriation	481,079	455,503	453,230
3,024	-----	2,958	Asset Sale Proceeds transferred to Department	-----	-----	-----
-----	-----	413,124	Cash Reimbursements from the Crown Entity	-----	-----	413,124
9,710,145	9,580,336	8,896,674	NET CASH FLOWS FROM GOVERNMENT	9,707,121	9,580,336	8,893,716
20,459	(14,423)	170,057	NET CASH FLOWS FROM OPERATING ACTIVITIES	37	600,366	675,437
			CASH FLOWS FROM INVESTING ACTIVITIES			
54	-----	29	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	15,641	32,350	44,972
23,283	5,624	32,827	Proceeds from Sale of Investments	74,686	-----	214,364
(3,714)	(3,734)	(24,501)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(576,853)	(646,378)	(470,686)
(48,397)	-----	(40,327)	Purchases of Investments	(32,540)	-----	(223,536)
-----	-----	-----	Other	-----	-----	60
(28,774)	1,890	(31,972)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(519,066)	(614,028)	(434,826)
			CASH FLOWS FROM FINANCING ACTIVITIES			
-----	-----	39,681	Proceeds from Borrowings and Advances	25,136	7,305	83,044
(33,600)	(33,600)	(54,380)	Repayment of Borrowings and Advances	(60,102)	(8,275)	(97,924)
(33,600)	(33,600)	(14,699)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(34,966)	(970)	(14,880)
(41,915)	(46,133)	123,386	NET INCREASE/(DECREASE) IN CASH	46,334	60,439	185,098
173,711	176,968	50,325	Opening Cash and Cash Equivalents	581,108	581,108	396,010
-----	-----	-----	Cash transferred in/(out) as a result of administrative restructuring	43 (6,196)	-----	-----
131,796	130,835	173,711	CLOSING CASH AND CASH EQUIVALENTS	18	621,246	641,547
					581,108	581,108

The accompanying notes form part of these Financial Statements

Program Statement – Expenses and Revenues

for the year ended 30 June 2006

Supplementary Financial Statement

	Program 1.1 *	Program 1.1 *	Program 1.2 *	Program 1.3 *	Program 2.1 *	Program 2.2 *	Program 2.3 *	Program 3.1 *	Program 4.1 *	Program 5.1 *	Program 6.1 *	Total											
	Primary and Community Based Services	Aboriginal Health Services	Outpatient Services	Emergency Services	Overnight Acute Inpatient Services	Same Day Acute Inpatient Services	Mental Health Services	Rehabilitation and Extended Care Services	Population Health Services	Teaching and Research	Not Attributable	Total											
	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006											
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000											
EXPENSES AND REVENUES																							
Expenses excluding losses																							
Operating Expenses																							
Employee Related	559,853	514,360	21,726	24,221	818,398	759,947	2,754,234	2,500,302	367,352	345,355	638,458	601,424	597,301	566,817	159,993	129,939	353,717	305,428	-----	6,946,213	6,380,846		
Other Operating Expenses	179,915	173,351	11,391	11,237	279,852	258,596	1,424,742	1,320,253	237,129	269,473	172,133	179,517	202,292	189,528	145,561	132,955	102,764	107,631	-----	3,128,366	2,973,401		
Depreciation and Amortisation	27,085	21,837	812	898	45,312	45,106	180,812	169,774	26,821	24,776	27,437	27,075	32,913	32,417	7,093	5,509	13,410	12,470	-----	411,447	388,612		
Grants and Subsidies	98,780	85,462	13,343	12,863	27,214	20,250	177,406	170,590	14,738	8,774	71,894	32,659	141,548	137,810	50,974	37,087	94,932	61,455	-----	768,725	621,096		
Finance Costs	-----	239	-----	8	-----	333	4,391	4,237	-----	391	499	144	-----	274	-----	77	-----	154	-----	4,890	6,241		
Total Expenses	865,633	795,249	47,272	49,227	1,170,776	1,084,232	4,541,585	4,165,156	646,040	648,769	910,421	840,819	974,054	926,846	363,621	305,567	564,823	487,138	-----	11,259,641	10,370,196		
Revenue																							
Sale of Goods and Services	21,943	29,507	2,945	2,519	84,530	70,547	570,001	517,897	51,543	52,505	43,048	42,567	157,474	140,544	16,600	13,007	65,331	71,117	-----	1,086,264	1,009,238		
Investment Income	3,952	3,569	136	65	3,211	5,398	24,804	17,919	3,052	2,533	2,125	2,261	5,538	5,006	1,938	1,425	13,449	16,419	-----	62,136	59,285		
Grants and Contributions	32,297	26,430	1,234	2,181	10,582	9,467	49,697	29,558	6,385	7,963	8,081	6,991	38,313	32,860	21,798	3,940	68,999	71,588	-----	246,213	201,670		
Other Revenue	7,084	4,433	505	240	13,422	8,972	28,870	23,238	5,064	4,187	3,210	2,935	10,087	8,902	4,141	4,317	14,983	13,278	-----	94,112	78,614		
Total Revenue	65,276	63,939	4,820	5,005	111,745	94,384	673,372	588,612	66,044	67,188	56,464	54,754	211,412	187,312	44,477	22,689	162,762	172,402	-----	1,488,725	1,348,807		
Gain/(Loss) on Disposal	(829)	(474)	3	(13)	153	64	(3,080)	9,538	162	(62)	541	57	(4,211)	6	(263)	(50)	(4,526)	140	-----	(4,526)	4,469		
Other Gains/(Losses)	233	-----	(8)	(8)	(9,810)	(9,341)	(9,589)	(9,131)	(391)	(372)	(365)	(348)	(225)	(214)	270	-----	1,178	-----	-----	(18,963)	(19,658)		
Net Cost of Services	800,953	731,784	42,457	44,243	1,068,688	999,125	3,880,882	3,576,137	580,225	582,015	853,781	786,356	762,791	743,959	318,868	283,141	400,933	314,596	-----	9,794,405	9,036,578		
Government Contributions **	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	9,857,598	8,997,258		
RESULT FOR THE YEAR	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	63,193	(39,320)		
Administered Revenues	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
Consolidated Fund	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
- Taxes, Fees and Fines	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
Total Administered Revenues	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	614	605	614	605

* The name and purpose of each program is summarised in Note 17. The program statement uses statistical data to 31 December 2005 to allocate current year's financial information to each program.

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

Summary of Compliance with Financial Directives

Supplementary Financial Statement

	2006			2005			
	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Recurrent Appropriation \$000	Expenditure/ Net Claim on Consolidated Fund \$000	Capital Appropriation \$000
Original Budget Appropriation/ Expenditure							
Appropriation Act	9,102,306	9,091,835	455,503	455,503	7,941,601	431,950	431,950
Additional Appropriations	16,433	12,543					
S24 PF&AA – Transfers of functions between departments	7,984	7,984					
	9,126,723	9,112,362	455,503	455,503	7,941,601	431,950	431,950
Other Appropriations/Expenditure							
Treasurer's Advance	5,000	5,000	33,282	25,576	11,863	2,854	2,854
Section 22 – expenditure for certain works and services **	83,339	83,339	-----	-----	79,100	45,000	-----
Transfers to/from another agency (\$28 of the Appropriation Act)	25,341	25,341	6,186	-----	39,083	18,426	18,426
	113,680	113,680	39,468	25,576	130,046	66,280	21,280
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	9,240,403	9,226,042	494,971	481,079	8,071,647	498,230	453,230
Amount drawn down against Appropriation		9,226,042		481,079		8,027,362	453,230
Liability to Consolidated Fund *		-----		-----		-----	-----

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

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

** The Section 22 Appropriation in 2004/05 included \$7.4 million which was subsequently drawn down by the Crown Entity and paid to the NSW Department of Health as an interest bearing loan. Note 29 reports the remaining indebtedness of \$33.6 million on this loan as at 30 June 2005 (since fully extinguished).

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

1. The NSW Department of Health Reporting Entity

- (a) The NSW Department of Health economic entity comprises all the operating activities of Area Health Services constituted under the *Health Services Act, 1997*; the Royal Alexandra Hospital for Children, the Justice Health Service, the Clinical Excellence Commission, HealthQuest, and the Health Administration Corporation (which includes the operations of the Ambulance Service of NSW, HealthTechnology and the NSW Institute of Medical Education and Training, the latter two being established on 1 April 2005 and 1 September 2005 respectively). All of these entities are reporting entities which produce financial statements in their own right. The Ambulance Service of NSW also produces a separate financial report.
- The reporting economic entity is based on the control exercised by the Department, and, accordingly, encompasses Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or donor, are nevertheless controlled by the entities referenced above.
- (b) The Department's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Department.
- (c) The consolidated accounts are those of the consolidated entity comprising the Department of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.
- (d) The reporting entity is a NSW Government Department. NSW Health is a not for profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW Total State Sector Accounts.
- (e) These consolidated financial statements have been authorised by the Chief Financial Officer and Director General on 21 November 2006.

2. Summary of Significant Accounting Policies

The NSW Department of Health's financial statements are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS), the requirements of the *Public Finance and Audit Act 1983* and Regulation, and the Financial Reporting Directions published in the

Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the *Act*.

Property, plant and equipment and other assets held for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AIFRS. This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, except as stated below.

In accordance with AASB1, "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" and Treasury Mandates, the date of transition to AASB132, "Financial Instruments: Disclosure and Presentation" and AASB139, "Financial Instruments: Recognition and Measurement" was deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005. The basis used to prepare the 2004/05 comparative information for financial instruments under previous Australian Accounting Standards is discussed in Note 2(s).

Reconciliations of AIFRS equity and surplus or deficit for 30 June 2005 to the balances reported in the previous AGAAP 2004/05 financial report are detailed in Note 2(w). This note also includes separate disclosure of the 1 July 2005 equity adjustments arising from the adoption of AASB132 and AASB139.

The following Accounting Standards are being early adopted from 1 July 2005:

- AASB 2005-04 regarding the revised AAS139 fair value option
- UIG 9 regarding the reassessment of embedded derivatives
- AASB 2005-06, which excludes from the scope of AASB3, business combinations involving entities or businesses under common control.

Any initial impacts on first time adoption are discussed as part of the AIFRS first time adoption note disclosure (refer Note (2w)) along with the other AIFRS impacts.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

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

(a) Employee Benefits and Other Provisions

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

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

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current Liabilities are then further classified as "Short Term" and "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".

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

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

ii) *Long Service Leave and Superannuation Benefits*

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

Long Service Leave provisions are measured for all controlled entities on a short hand basis at an escalated rate of 17.4 per cent for short term entitlements and 7.6 per cent for long term entitlements above the salary rates immediately payable at 30 June 2006 for all employees with five or more years of service. Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement. Long Service Leave provisions for the parent entity have been calculated in accordance with the requirements of Treasury Circular T06/09.

The parent entity's liability for Long Service Leave is assumed by the Crown Entity.

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

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

iii) *Other Provisions*

Other provisions exist when the entity has a present legal, equitable 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. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

(b) Insurance

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

(c) Finance Costs

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

(d) Income Recognition

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

i) Parliamentary Appropriations and Contributions from Other Bodies

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

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

ii) Sale of Goods and Services

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

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

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

iii) Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement".

Rental revenue is recognised in accordance with AASB117, "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 when the Department's right to receive payment is established.

iv) Grants and Contributions

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

The Health Service, as a not-for-profit entity has applied the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences

in the recognition requirements between the new AASB 1004 and the previous AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft ED 125 Financial Reporting by Local Governments and ED 147 Revenue from Non-Exchange Transactions (Including Taxes and Transfers). If the ED 125 and ED 147 approach is applied, revenue and/or expense recognition will not occur until either the Health Service supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 and ED 147 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

(e) Goods and Services Tax (GST)

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

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

(f) Intangible Assets

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the Department and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

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

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

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

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

(g) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

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

Where settlement of any part of cash consideration is deferred beyond normal credit terms, its cost is cash price equivalent, ie the deferred payment amount is effectively discounted at an asset specific rate.

(h) Plant and Equipment and Infrastructure Systems

Individual items of property, plant and equipment and intangible assets costing \$5,000 and above are capitalised.

"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.

i) Depreciation

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the NSW Department of Health. Land is not a depreciable asset.

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

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

(j) Revaluation of Non Current Assets

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP05-3). This policy adopts fair value in accordance with AASB116, "Property, Plant and Equipment" and AASB140, "Investment Property".

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

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

The Department revalues Land & Buildings and Infrastructure at minimum every five 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.

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

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

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

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

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

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

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

(k) Impairment of Property, Plant and Equipment

As a not for profit entity the Department is effectively exempted from AASB136, Impairment of Assets and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(l) Maintenance

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

(m) Leased Assets

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

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

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

(n) Inventories

Inventories are held for distribution and are stated at the lower of cost and current replacement cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of upon identification in accordance with delegated authority.

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

The Department has certain non-current assets 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.

(p) Other Financial Assets

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

The Department subsequently measures financial assets classified as "held for trading" or designated at fair value through profit or loss at fair value. Gains or losses on these assets are recognised in the Operating Statement. Assets intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses on impairment or disposal of these assets are recognised in the Operating Statement. Any residual investments that do not fall into any other category are accounted for as available for sale financial assets and measured at fair value directly in equity until disposed or impaired. All financial assets (except those measured at fair value through profit or loss) are subject to annual review for impairment.

Purchases or sales of financial assets under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date ie the date the Department commits itself to purchase or sell the assets.

(q) Trust Funds

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

(r) Administered Activities

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

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

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

(s) Financial Instruments

Financial instruments give rise to positions that are a financial asset of either the NSW Department of Health or its counterpart and a financial liability (or equity instrument) of the other party. For the NSW Department of Health these include cash at bank, receivables, other financial assets, accounts payable and interest bearing liabilities.

In accordance with Australian Accounting Standard AASB139, "Financial Instruments: Recognition and Measurement" disclosure of the carrying amounts for each of the AASB139 categories of financial instruments is disclosed in Note 42. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded and their terms and conditions measured in accordance with AASB139 are as follows:

Cash

Accounting Policies – Cash is carried at nominal values reconcilable to monies on hand and independent bank statements.

Terms and Conditions – Monies on deposit attract an effective interest rate of between 5.0 per cent and 5.8 per cent as compared to 4.0 per cent and 5.9 per cent in the previous year.

Loans and Receivables

Loans and receivables 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.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. 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. Bad debts are written off as incurred.

Terms and Conditions – Accounts are generally issued on 30-day terms.

Low or zero interest loans are recorded at fair value on inception and amortised cost thereafter. In 2005/06 this has involved the recognition of grant expense on either 1 July 2005 or a subsequent date if the loan was initiated after this date. Revenue is then raised throughout the life of the loan.

Designation of Financial Assets

– TCorp Hour-Glass Investment Facilities

The Hour Glass Investment facilities are unit trust investment funds managed by NSW Treasury Corporation. NSW Health has been issued with a number of units (as specified in the financial statements of controlled Health entities), based on the amount of the deposit and the unit value for the day.

Investments in the TCorp-Hour Glass Investment facilities were designated at 'fair value through profit or loss' as at 1 July 2005, in accordance with AASB 139 and AASB 1. Under previous AGAAP they were classified as 'other financial assets', but were measured on the same basis ie at fair value through profit or loss. The only difference is that from 1 July 2005, the medium term and long term Hour Glass growth facilities are measured using the bid price, rather than mid point market price. The opening balance of the TCorp Hour-Glass Investment facilities designated at fair value through profit or loss on 1 July 2005 was \$134.2 million.

The Hour-Glass Investment facilities were designated at 'fair value through profit or loss' using the second leg of the fair value option ie 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 those assets is provided internally on that basis to the Health Service's key management personnel.

Terms and Conditions – Treasury Corporation Hour Glass Investment Deposits attracted interest rates of 5.6 per cent to 15.9 per cent in the year ended 30 June 2006. This compares with interest rates of 5.8 per cent to 11.1 per cent in the previous year.

Other Investments

Terms and interest conditions – Short term deposits have an average maturity of one to twelve months and effective interest rates of 5.2 per cent to 6.0 per cent as compared to 5.2 per cent to 9.3 per cent in the previous year. Fixed term deposits have a maturity of up to five years and effective interest rates of 5.6 per cent to 5.7 per cent as compared to 5.3 per cent to 5.8 per cent in the previous year.

Payables

Accounting Policies – These amounts represent liabilities for goods and services provided to the Department and other amounts, including interest. 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.

Terms and Conditions – Trade liabilities are settled within any terms specified. If no terms are specified, payment is made by the end of the month following the month in which the invoice is received.

Borrowings

Accounting Policies – Loans are not held for trading and are recognised at amortised cost using the effective interest method. The finance lease liability is determined in accordance with AASB117 Leases.

All financial instruments including revenue, expenses and other cash flows arising from instruments are recognised on an accruals basis.

(t) Budgeted amounts

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

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

(u) Exemption from *Public Finance and Audit Act 1983*

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

(v) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners by NSWTPP 06/07 and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issues Group Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

The Cancer Institute was scheduled under Schedule 2 of the *Public Finance and Audit Act 1983* on 24 November 2004. NSW Treasury determined that the Institute report for periods commencing from 1 July 2004. Further transfers occurred with effect from 1 July 2005 at which time administration of the Breast Cancer Screening and Cervical Cancer Programs became the responsibility of the Institute. Assets transferred from the Department to the Institute were recognised as an administrative restructure. Note 43 provides details of the equity transfer.

With effect from 1 April 2005 HealthTechnology was also established under the provisions of Section 126B of the *Health Services Act 1997* and has been included in the initial financial statements prepared for Health Administration Corporation (HAC) for 2005/06. Annual leave values for the staff involved transferred to HealthTechnology with equivalent cash in June 2005 whilst computer assets (predominantly software) transferred with effect from 1 July 2005. With effect from 1 September 2005 a separate entity, the NSW Institute of Medical Education and Training was also established under the provisions of Section 126B of the *Health Services Act* and is also incorporated in HAC reporting. The transfer has had no effect on the parent or consolidated financial statements as the inflows recognised by the Institute are offset by outflows in the Northern Sydney & Central Coast Area Health Service, both values being captured in the consolidation process.

A transfer of \$67.084 million was also reported in 2004/05 for the Parent Entity in respect of the assets of Port Macquarie Hospital, control of which transferred to North Coast Area Health Service from 1 July 2005. The transfer has no effect on the consolidated values reported.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

(w) The Financial Impact Of Adopting Australian Equivalents To International Financial Reporting Standards (AEIFRS)

The NSW Department of Health has applied the AEIFRS for the first time in the 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts

arise from options in AEIFRS that were not available or not applied under previous AGAAP. The Health Service has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and the Result for the Year as reported under previous AGAAP are shown below. There are no material impacts on the Department's cash flows.

(a) Reconciliation of key aggregates

Reconciliation of equity under previous AGAAP to equity under AEIFRS:

Parent 30 June 2005 \$000		Consolidated 30 June 2005 \$000
197,403	Total equity under AGAAP	7,056,126
	Adjustments to accumulated funds	
	Recognition of Intangible Assets (Note 1)	
(66,247)	Computer assets transferred from Plant and Equipment	(98,497)
25,562	Write Back Accumulated Depreciation on Computer Assets	56,200
66,247	Plant and Equipment transferred to Intangible Assets	98,497
(25,562)	Accumulated Depreciation on Intangible Assets	(56,200)
	Recognition of Assets Held for Sale (Note 2)	
.....	Land	(16,640)
.....	Buildings Gross Value	(4,499)
.....	Depreciation on Buildings Written Back	3,400
.....	Current Assets, " Assets Held for Sale"	17,739
.....	Asset Revaluation Reserves	1,855
.....	Accumulated Funds	(1,855)
197,403	Total equity under AEIFRS	7,056,126

Reconciliation of Result for the Year under AGAAP to Result for the Year under AEIFRS.

\$000		Notes	\$000
27,719	Result for the Year		(39,320)
.....	Effects of Adoption of AEIFRS	
27,719	Result for the Year		(39,320)

The Net Cost of Services reported was similarly unaffected by the application of AEIFRS in 2004/05.

In determining the impact of AEIFRS on the "Result for the Year" consideration has been given to the following:

1. The adoption of AASB138 Intangible Assets has resulted in certain reclassifications from property, plant and equipment to intangible assets (eg computer software). However, there has been nil impact on the operating result as amortisation has replaced the former depreciation expense raised on these assets.
2. AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires non current assets classified as "held for sale" to be reclassified as current and recognised at the lower of the carrying amount and the fair value less costs to sell. "Held for Sale" assets are not depreciated. Under previous AGAAP these assets were treated as property, plant and equipment and measured at fair value. The change reduced the carrying amount of the affected assets and decreased the depreciation expense.

However, as the majority of the reclassified asset constituted "Land" the effect of reducing depreciation charges was nil.

(b) Financial Instruments

In accordance with NSW Treasury's mandates, the NSW Department of Health has applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments; Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the 2004/05 comparative information. Therefore the comparative information for 2004/05 for financial instruments has been presented in accordance with previous AGAAP. These standards have been applied from 1 July 2005.

Accordingly, the 1 July 2005 AEIFRS opening equity adjustment for the adoption of AASB139 follows in respect of the Consolidated Entity. No variations occurred in respect of the Parent Entity.

	Note	Accumulated Funds \$'000	Other Reserves \$'000	Total \$'000
Total opening equity				
1 July 2005				
Movements in fair value recognised in the Asset Revaluation Reserve rather than through Operating Statement	(i)	(1,855)	1,855
Interest-free loan measured at fair value on initial recognition	(ii)
Restated opening equity				
1 July 2005				
		(1,855)	1,855

(i) Movements in fair value recognised in the asset revaluation reserve rather than through the Operating Statement – Under AASB139, net gains on "available for sale" financial assets are recognised through the asset revaluation reserve. Previously, where these assets were classified as "current" assets, movements in fair value were recognised through the Operating Statement. For the comparative information to have complied with AASB139, similar types of adjustments would have been required.

(ii) Upon consolidation all interest free loans between the Department and its controlled Health Services are eliminated. The Parent Entity recognised an Opening Equity adjustment of (\$12.520 million) which was fully offset in the accounting records of controlled Health Services.

Interest-free loans (recognised in "Other financial assets") – Under AASB139, these types of loans must initially be recognised at fair value rather than nominal amount or the face value. The fair value of a long-term loan that carries no interest is estimated as the present value of all future cash receipts, discounted using the prevailing market rates of interest (6 per cent) for a similar instrument with a similar credit rating.

Amortisation of the loan is recognised in Investment Income. For the comparative information to have complied with AASB139, similar types of adjustments would have been required.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		3. Employee Related Expenses		
		Employee related expenses comprise the following specific items:		
79,413	76,404	Salaries and Wages	5,475,223	4,984,507
8,135	9,966	Superannuation – defined benefit plans	146,381	141,971
3,574	2,815	Superannuation – defined contributions	410,813	376,944
4,207	4,150	Long Service Leave	198,598	205,981
5,370	11,955	Recreation Leave	550,719	508,435
1,184	1,533	Workers Compensation Insurance	156,932	157,004
5,143	4,962	Payroll Tax and Fringe Benefits Tax	7,547	6,004
107,026	111,785		6,946,213	6,380,846
		The following additional information is provided:		
-----	-----	Employee Related Expenses capitalised – Land and Buildings	1,857	554
-----	-----	Employee Related Expenses capitalised – Plant and Equipment	4,092	415
-----	-----		5,949	969
		4. Other Operating Expenses		
-----	-----	Blood and Blood Products	57,309	46,813
15	35	Domestic Supplies and Services	101,777	94,402
-----	-----	Drug Supplies	393,738	361,088
-----	-----	Food Supplies	80,999	74,592
363	314	Fuel, Light and Power	72,482	63,735
70,096	76,825	General Expenses (b)	221,824	193,808
16,924	14,851	Information Management Expenses	81,450	59,057
203,263	225,708	Insurance	212,276	232,583
-----	26,045	Interstate Patient Outflows, NSW	116,113	115,419
49,630	55,808	Medical and Surgical Supplies	524,128	480,459
		Maintenance (c)		
		Maintenance Contracts	86,307	58,761
-----	-----	New/Replacement Equipment under \$5,000	68,844	67,177
-----	-----	Repairs	79,040	71,101
792	1,557	Maintenance/Non Contract	37,561	41,041
-----	-----	Other Maintenance	10,286	21,897
751	1,132	Operating Lease Rental Expense – minimum lease payments	46,613	47,544
2,184	2,209	Postal and Telephone Costs	43,568	49,793
2,505	2,941	Printing and Stationery	41,107	41,327
	-----	Rates and Charges	9,602	9,455
6,080	6,920	Rental	31,027	29,326
-----	-----	Special Service Departments	189,999	199,716
17,465	17,002	Staff Related Costs	43,919	49,257
-----	-----	Sundry Operating Expenses (a)	88,299	111,284
3,038	3,381	Travel Related Costs	48,705	51,849
-----	-----	Visiting Medical Officers	441,393	401,917
373,106	434,728		3,128,366	2,973,401

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		4. Other Operating Expenses (continued)		
		(a) Sundry Operating Expenses comprise:		
----	----	Aircraft Expenses (Ambulance)	33,353	28,409
----	----	Contract for Patient Services	47,187	75,190
----	----	Isolated Patient Travel and Accommodation Assistance Scheme	7,759	7,685
----	----		88,299	111,284
		(b) General Expenses include:		
1,219	1,121	Advertising	9,217	9,154
330	416	Books, Magazines and Journals	8,497	8,402
		Consultancies:		
2,177	2,609	– Operating Activities	9,144	11,266
1,154	1,053	– Capital Works	1,606	4,016
222	70	Courier and Freight	10,384	9,308
242	216	Auditors Remuneration – Audit of financial reports	2,693	2,685
1,881	4,492	Legal Services	9,245	11,864
419	468	Motor Vehicle Operating Lease Expense – minimum lease payments	56,532	49,393
----	----	Membership/Professional Fees	4,578	5,609
----	----	Payroll Services	287	442
----	----	Translator Services	2,273	1,961
----	----	Quality Assurance/Accreditation	1,413	1,250
----	----	Data Recording and Storage	2,060	1,517
----	22,473	Retirement of Port Macquarie lease	----	22,473
		(c) Reconciliation Total Maintenance		
792	1,557	Maintenance expense – contracted labour and other (non employee related), included in Note 4 above	282,038	259,977
----	----	Employee related/Personnel Services maintenance expense included in Note 3	70,081	66,837
792	1,557	Total maintenance expenses included in Notes 3 and 4	352,119	326,814
		5. Depreciation and Amortisation Expense		
1,321	1,322	Depreciation – Buildings	243,455	237,218
3,028	1,889	Depreciation – Plant and Equipment	129,194	130,088
----	----	Depreciation – Infrastructure Systems	21,605	5,933
----	----	Amortisation – Leased Buildings	1,889	2,763
12,994	12,610	Amortisation – Intangibles	15,304	12,610
17,343	15,821		411,447	388,612

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		6. Grants and Subsidies		
14,284	11,655	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service	14,284	11,655
-----	-----	Operating Payments to Other Affiliated Health Organisations	459,353	416,506
-----	-----	Capital Payments to Affiliated Health Organisations	26,970	1,704
		Grants:		
83,283	18,704	– Cancer Institute NSW	83,283	18,704
22,829	22,663	– External Research	22,829	22,674
2,056	1,748	– NSW Institute of Psychiatry	2,056	1,748
3,552	3,499	– National Drug Strategy	3,552	3,499
41,139	36,758	– Non Government Voluntary Organisations	111,673	95,998
9,143,440	7,917,973	Payments to Controlled Health Entities	-----	-----
19,306	31,119	Other Payments	44,725	48,608
9,329,889	8,044,119		768,725	621,096
		7. Finance Costs		
-----	2,609	Finance Lease Interest Charges	2,310	5,127
1,649	-----	Other Interest Charges	2,580	1,114
1,649	2,609		4,890	6,241
		8. Sale of Goods and Services		
		(a) Sale of Goods comprise the following:		
-----	-----	Sale of Prosthesis	26,883	22,186
-----	-----	Cafeteria/Kiosk	18,323	18,924
-----	-----	Linen Service Revenues – Non Health Services	10,077	14,304
-----	-----	Meals on Wheels	2,947	2,913
-----	-----	Pharmacy Sales	4,992	3,605

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		8. Sale of Goods and Services (continued)		
		(b) Rendering of Services comprise the following:		
----	----	Patient Fees	315,924	289,554
----	----	Staff-Meals and Accommodation	10,755	7,471
		Infrastructure Fees:		
----	----	– Monthly Facility Charge	150,691	149,963
----	----	– Annual Charge	34,735	42,704
62,736	43,673	Department of Veterans' Affairs Agreement Funding	312,689	263,714
----	----	Ambulance Non Hospital User Charges	37,325	28,744
----	----	Use of Ambulance Facilities	1,920	1,868
28,500	28,500	Motor Accident Authority Third Party Receipts	28,500	28,500
----	----	Car Parking	16,597	15,692
----	----	Child Care Fees	6,925	6,487
----	----	Clinical Services	15,393	12,705
----	----	Commercial Activities	6,485	6,347
----	----	Fees for Medical Records	1,729	1,946
----	----	Services Provided to Non NSW Health Organisations	17,003	14,871
----	----	PADP Patient Copayments	560	305
986	----	Personnel Services – Institute of Psychiatry	986	----
4,992	4,848	Personnel Services – Health Professional Registration Boards	----	----
18,347	93	Patient Inflows from Interstate	614	93
1,321	9,014	Computer Support Charges – Health Services	----	----
33,187	15,283	Other*	64,211	76,342
150,069	101,411		1,086,264	1,009,238
		* Other includes a once off recognition of Sydney West Area Health Service Charitable Trust funds (\$8.3 million) in the 2004/05 financial year.		
		9. Investment Income		
11,186	5,893	Interest	50,674	46,159
----	----	Lease and Rental Income	11,234	12,017
178	240	Other	228	1,109
11,364	6,133		62,136	59,285
		10. Grants and Contributions		
----	----	Clinical Drug Trials	11,767	12,848
6,931	3,340	Commonwealth Government grants	57,821	40,532
22,020	22,700	Health Super Growth	22,020	22,700
----	----	Industry Contributions/Donations	68,873	53,302
----	----	Mammography grants	19,820	----
----	----	Research grants	32,601	27,025
----	----	University Commission grants	222	577
6,994	9,004	Other grants	33,089	44,686
35,945	35,044		246,213	201,670

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		11. Other Revenue		
		Other Revenue comprises the following:		
----	----	Commissions	2,518	1,867
----	----	Conference and Training Fees	2,332	1,615
----	----	Treasury Managed Fund Hindsight Adjustment	36,243	40,398
----	----	Sale of Merchandise, Old Wares and Books	1,176	1,434
14,035	935	Sundry Revenue	51,843	33,300
14,035	935		94,112	78,614
		12. Gain/(Loss) on Disposal		
1,302	721	Property, Plant and Equipment	282,639	133,053
(1,154)	(670)	Less Accumulated Depreciation	(270,219)	(92,550)
148	51	Written Down Value	12,420	40,503
(54)	(29)	Less Proceeds from Disposal	(6,236)	(44,972)
(94)	(22)	Gain/(Loss) on Disposal of Property Plant and Equipment	(6,184)	4,469
23,283	----	Financial Assets at Fair Value	74,684	----
(23,283)	----	Less Proceeds from Disposal	(74,686)	----
----	----	Gain/(Loss) on Disposal of Financial Assets at Fair Value	2	----
----	----	Intangible Assets	119	----
----	----	Less Proceeds from Disposal	----	----
----	----	Gain/(Loss) on Disposal of Intangible Assets	(119)	----
----	----	Assets Held for Sale	7,630	----
----	----	Less Proceeds from Disposal	(9,405)	----
----	----	Gain/(Loss) on Disposal of Assets Held for Sale	1,775	----
(94)	(22)	Total Gain/(Loss) on Disposal	(4,526)	4,469
		13. Other Gains/(Losses)		
(1,200)	----	Financial instruments at fair value revaluation increment/(decrement)	3,180	----
(2)	(487)	Impairment of Receivables	(22,143)	(19,658)
(1,202)	(487)		(18,963)	(19,658)

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
14. Conditions on Contributions – Consolidated				
Contributions recognised as revenues during current year for which expenditure in manner specified had not occurred as at balance date	22,179	48,760	35,866	106,805
Contributions recognised in previous years which were not expended in the current financial year	37,716	227,099	140,326	405,141
Total amount of unexpended contributions as at balance date	59,895	275,859	176,192	511,946

Comment on restricted assets appears in Note 27.

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'00
		15. Appropriations		
		Recurrent appropriations		
9,226,042	8,027,362	Total recurrent drawdowns from Treasury (per Summary of Compliance)	9,226,042	8,027,362
9,226,042	8,027,362	Total	9,226,042	8,027,362
		Comprising:		
9,226,042	8,027,362	Recurrent appropriations (per Operating Statement)	9,226,042	8,027,362
9,226,042	8,027,362	Total	9,226,042	8,027,362
		Capital appropriations		
481,079	453,230	Total capital drawdowns from Treasury (per Summary of Compliance)	481,079	453,230
481,079	453,230	Total	481,079	453,230
		Comprising:		
481,079	453,230	Capital appropriations (per Operating Statement)	481,079	453,230
481,079	453,230	Total	481,079	453,230
		16. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities		
		The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
2,366	5,961	Superannuation	146,389	512,410
3,946	3,898	Long Service Leave	3,946	3,898
142	358	Payroll Tax	142	358
6,454	10,217		150,477	516,666

From 1 July 2005 NSW Health was required to meet all superannuation guarantee charge payments from within its cash allocation.

The 2005/06 Consolidated Fund Recurrent allocation was increased by \$417.611 million to accommodate the change in funding arrangements.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

17. Programs/Activities of the Agency

Program 1.1 Primary and Community Based Services

Objective: To improve, maintain or restore health through health promotion, early intervention, assessment, therapy and treatment services for clients in a home or community setting.

Program 1.2 Aboriginal Health Services

Objective: To raise the health status of Aborigines and to promote a healthy life style.

Program 1.3 Outpatient Services

Objective: To improve, maintain or restore health through diagnosis, therapy, education and treatment services for ambulant patients in a hospital setting.

Program 2.1 Emergency Services

Objective: To reduce the risk of premature death and disability for people suffering injury or acute illness by providing timely emergency diagnostic, treatment and transport services.

Program 2.2 Overnight Acute Inpatient Services

Objective: To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital on an overnight basis.

Program 2.3 Same Day Acute Inpatient Services

Objective: To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital and discharged on the same day.

Program 3.1 Mental Health Services

Objective: To improve the health, well being and social functioning of people with disabling mental disorders and to reduce the incidence of suicide, mental health problems and mental disorders in the community.

Program 4.1 Rehabilitation and Extended Care Services

Objective: To improve or maintain the well being and independent functioning of people with disabilities or chronic conditions, the frail aged and the terminally ill.

Program 5.1 Population Health Services

Objective: To promote health and reduce the incidence of preventable disease and disability by improving access to opportunities and prerequisites for good health.

Program 6.1 Teaching and Research

Objective: To develop the skills and knowledge of the health workforce to support patient care and population health. To extend knowledge through scientific enquiry and applied research aimed at improving the health and well being of the people of New South Wales.

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		18. Current Assets – Cash		
131,796	173,711	Cash at bank and on hand	373,237	371,091
-----	-----	Short Term Deposits	256,859	217,590
131,796	173,711		630,096	588,681
		Cash assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:		
131,796	173,711	Cash and Cash Equivalents (per Balance Sheet)	630,096	588,681
-----	-----	Bank Overdraft *	(8,850)	(7,573)
131,796	173,711	Closing Cash and Cash Equivalents (per Cash Flow Statement)	621,246	581,108
		* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.		

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		19. Current/Non Current Receivables		
		Current		
35,316	20,350	(a) Sale of Goods and Services	177,152	150,753
7,812	5,458	Goods and Services Tax	63,212	30,757
762	817	Personnel Services – Institute of Psychiatry	762	817
2,305	876	Other Debtors	47,959	44,609
46,195	27,501	Sub Total	289,085	226,936
(102)	(102)	Less Allowance for Impairment	(34,886)	(36,855)
10,220	7,585	Prepayments	34,967	36,713
56,313	34,984		289,166	226,794
		(b) Impairment of Receivables during the year		
		Current Receivables		
-----	-----	– Sale of Goods and Services	15,003	4,794
2	487	– Other	8,249	5,285
2	487		23,252	10,079
		Non Current		
-----	-----	(a) Sale of Goods and Services	2,690	2,928
-----	-----		2,690	2,928
-----	-----	Less Allowance for Impairment	(722)	(677)
-----	-----	Prepayments	4,096	4,751
-----	-----		6,064	7,002
		(b) Impairment of Receivables during the year		
		Non Current Receivables		
-----	-----	– Sale of Goods and Services	656	725
-----	-----	– Other	159	480
-----	-----		815	1,205
		Receivables (both Current and Non Current) includes:		
-----	-----	Patient Fees – Compensable	16,191	14,796
-----	-----	Patient Fees – Ineligibles	14,062	14,317
-----	-----	Patient Fees – Other	50,088	41,859
		As indicated in Note 2(s) an allowance for impairment of receivables is recognised when there is objective evidence that the entity will not be able to collect all amounts due.		

PARENT		CONSOLIDATED	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000
		20. Inventories	
		Current – Held for Distribution	
----	----	Drugs	31,805 29,531
----	----	Medical and Surgical Supplies	37,587 32,902
----	----	Food Supplies	1,918 2,436
----	----	Engineering Supplies	1,617 2,328
----	----	Other including Goods in Transit	3,432 4,981
----	----		76,359 72,178
		21. Current/Non Current Assets – Financial Assets at Fair Value	
		Current	
----	----	T Corp Hour Glass Investment Facilities	151,386 102,078
----	----		151,386 102,078
		Non Current	
----	----	T Corp Hour Glass Investment Facilities	32,214 32,077
2,661	3,061	Shares	3,055 3,639
2,661	3,061		35,269 35,716
		22. Current/Non Current Assets – Other Financial Assets	
		Current	
----	----	Other Loans and Deposits	54,064 141,870
41,648	23,031	Advances Receivable – Intra Health	-----
41,648	23,031		54,064 141,870
		Non Current	
----	----	Other Loans and Deposits	----- 19
46,748	52,372	Advances Receivable – Intra Health	-----
46,748	52,372		----- 19
		23. Non Current Assets – Other	
		Non Current	
----	----	Emerging Rights to Assets	11,350 9,347
----	----		11,350 9,347
		24. Non Current Assets Held for Sale	
		Assets Held for Sale	
----	----	Land and Buildings	15,943 17,739
----	----		15,943 17,739
		Amounts recognised in equity relating to assets held for sale	
		Available for sale financial asset revaluation increments/(decrements)	
----	----	– Note 32 refers	1,071 1,855
----	----		1,071 1,855
		The assets held for sale all relate to properties that have been classified as surplus to need. In such case sales are expected to be realised within the next reporting period.	

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	PARENT	
	2006 \$'000	2005 \$'000
25. Property, Plant and Equipment		
Land and Buildings		
Gross Carrying Amount	133,552	131,803
Less Accumulated Depreciation and impairment	(32,400)	(31,079)
Net Carrying Amount at Fair Value	101,152	100,724
Plant and Equipment		
Gross Carrying Amount	35,753	38,410
Less Accumulated Depreciation and impairment	(25,248)	(25,535)
Net Carrying Amount at Fair Value	10,505	12,875
Total Property, Plant and Equipment Net Carrying Amount at Fair Value	111,657	113,599

	PARENT				
	Land \$'000	Buildings \$'000	Leased Buildings \$'000	Plant and Equipment \$'000	Total \$'000
25. Property, Plant and Equipment – Reconciliations					
Year Ended 30 June 2006					
Net Carrying amount at start of year	65,595	35,129	-----	12,875	113,599
Additions	1,330	419		1,965	3,714
Disposals	-----	-----		(148)	(148)
Administrative restructures transfers in/(out)	-----	-----		(1,159)	(1,159)
Depreciation expense	-----	(1,321)		(3,028)	(4,349)
Net Carrying amount at end of year	66,925	34,227	-----	10,505	111,657
Year Ended 30 June 2005					
Net Carrying amount at start of year	65,595	36,451	27,031	2,716	131,793
Additions	-----	-----		11,610	11,610
Disposals	-----	-----		(51)	(51)
Administrative restructures transfers in/(out)	(9,205)	(55,100)		(2,652)	(66,957)
Net revaluation increment less revaluation decrements recognised in reserves	9,205	29,583	-----	1,627	40,415
Depreciation expense	-----	(1,322)		(1,889)	(3,211)
Reclassifications	-----	25,517	(27,031)	1,514	-----
Net Carrying amount at end of year	65,595	35,129	-----	12,875	113,599

All Land and Buildings for the parent entity were valued by the State Valuation Office independently of the Department on 1 July 2003.
Plant and Equipment is predominantly recognised on the basis of depreciated cost.

	CONSOLIDATED	
	2006	2005
	\$'000	\$'000
25. Property, Plant and Equipment		
Land and Buildings		
Gross Carrying Amount	12,365,828	11,222,288
Less Accumulated Depreciation and impairment	(4,674,209)	(3,793,803)
Net Carrying Amount at Fair Value	7,691,619	7,428,485
Plant and Equipment		
Gross Carrying Amount	1,895,774	1,782,729
Less Accumulated Depreciation and impairment	(1,181,605)	(1,150,165)
Net Carrying Amount at Fair Value	714,169	632,564
Infrastructure Systems		
Gross Carrying Amount	476,462	407,909
Less Accumulated Depreciation and impairment	(154,390)	(120,800)
Net Carrying Amount at Fair Value	322,072	287,109
Total Property, Plant and Equipment		
Net Carrying Amount at Fair Value	8,727,860	8,348,158

	CONSOLIDATED					
	Land	Buildings	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
25. Property, Plant and Equipment – Reconciliations						
Year Ended 30 June 2006						
Net Carrying amount at start of year	1,490,435	5,905,085	32,965	632,564	287,109	8,348,158
Additions	5,038	353,676	610	219,990	292	579,606
Recognition of Assets Held for Sale	(2,597)	(3,237)	-----	-----	-----	(5,834)
Disposals	(791)	(2,666)	-----	(8,944)	(19)	(12,420)
Administrative restructures transfers in/(out)	-----	-----	-----	(81)	-----	(81)
Net revaluation increment less revaluation decrements recognised in reserves	2,244	203,891	-----	-----	8,439	214,574
Depreciation expense	-----	(243,455)	(1,889)	(129,194)	(21,605)	(396,143)
Reclassifications	70	(67,601)	19,841	(166)	47,856	-----
Net Carrying amount at end of year	1,494,399	6,145,693	51,527	714,169	322,072	8,727,860
Year Ended 30 June 2005						
Net Carrying amount at start of year	1,277,050	5,381,249	61,227	564,460	76,513	7,360,499
Additions	4,829	267,185	12	181,330	503	453,859
Disposals	(16,640)	(1,099)	-----	(10,407)	(88)	(28,234)
Administrative restructures transfers in/(out)	-----	-----	-----	(1,025)	-----	(1,025)
Net revaluation increment less revaluation decrements recognised in reserves	222,206	592,365	-----	1,628	120,099	936,298
Depreciation expense	-----	(237,218)	(2,763)	(127,325)	(5,933)	(373,239)
Reclassifications	2,990	(97,397)	(25,511)	23,903	96,015	-----
Net Carrying amount at end of year	1,490,435	5,905,085	32,965	632,564	287,109	8,348,158

Land and Buildings include land owned by the NSW Department of Health and administered by either the Department or its controlled entities. Valuations for each of the Health Services are performed regularly within a five year cycle. Revaluation details are included in the individual entities' financial reports.

Plant and Equipment is predominantly recognised on the basis of depreciated cost.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	PARENT	
	2006 \$'000	2005 \$'000
26. Intangible Assets		
Software		
Cost (Gross Carrying Amount)	8,031	66,247
Less Accumulated Amortisation and Impairment	(3,975)	(25,562)
Net Carrying Amount	4,056	40,685
Total Intangible Assets at Net Carrying Amount	4,056	40,685

	PARENT		
	Software \$'000	Other \$'000	Total \$'000
26. Intangibles – Reconciliation			
Year Ended 30 June 2006			
Net Carrying amount at start of year	40,685	-----	40,685
Administrative restructures transfers in/(out)	(23,635)	-----	(23,635)
Amortisation (recognised in depreciation and amortisation)	(12,994)	-----	(12,994)
Net Carrying amount at end of year	4,056	-----	4,056
Year Ended 30 June 2005			
Net Carrying amount at start of year	40,404	-----	40,404
Additions (from internal development or acquired separately)	12,891	-----	12,891
Amortisation (recognised in depreciation and amortisation)	(12,610)	-----	(12,610)
Net Carrying amount at end of year	40,685	-----	40,685

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
26. Intangible Assets		
Software		
Cost (Gross Carrying Amount)	125,283	98,497
Less Accumulated Amortisation and Impairment	(72,849)	(56,200)
Net Carrying Amount	52,434	42,297
Other		
Cost (Gross Carrying Amount)	852	-----
Less Accumulated Amortisation and Impairment	-----	-----
Net Carrying Amount	852	-----
Total Intangible Assets at Net Carrying Amount	53,286	42,297

	CONSOLIDATED		
	Software \$'000	Other \$'000	Total \$'000
26. Intangibles – Reconciliation			
Year Ended 30 June 2006			
Net Carrying amount at start of year	42,297	-----	42,297
Additions (from internal development or acquired separately)	25,560	852	26,412
Amortisation (recognised in depreciation and amortisation)	(15,304)	-----	(15,304)
Disposals	(119)	-----	(119)
Net Carrying amount at end of year	52,434	852	53,286
Year Ended 30 June 2005			
Net Carrying amount at start of year	35,534	-----	35,534
Additions (from internal development or acquired separately)	22,136	-----	22,136
Amortisation (recognised in depreciation and amortisation)	(15,373)	-----	(15,373)
Disposals	-----	-----	-----
Net Carrying amount at end of year	42,297	-----	42,297

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		27. Restricted Assets		
		The Department's financial statements include the following assets which are restricted by externally imposed conditions, eg donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.		
-----	-----	Specific Purposes	196,348	229,081
-----	-----	Perpetually Invested Funds	6,497	6,378
-----	-----	Research Grants	129,444	93,354
-----	-----	Private Practice Funds	111,037	96,634
-----	-----	Other	68,620	57,035
-----	-----		511,946	482,482

Details of Conditions on Contributions appears in Note 14.

Major categories included in the Consolidation are:

Category	Brief Details of Externally Imposed Conditions			
Specific Purposes Trust Funds	Donations, contributions and fundraisings held for the benefit of specific patient, Department and/or staff groups.			
Perpetually Invested Trust Funds	Funds invested in perpetuity. The income therefrom used in accordance with donors' or trustees' instructions for the benefit of patients and/or in support of hospital services.			
Research Grants	Specific research grants.			
Private Practice Funds	Annual Infrastructure Charges raised in respect of Salaried Medical Officers Rights of Private Practice arrangements.			
		28. Payables		
		Current		
199	53	Accrued Salaries and Wages	144,903	176,138
2,206	2,859	Taxation and Other Payroll Deductions	29,547	27,668
32,225	34,132	Superannuation Guarantee Charge Payables, Department of Health	32,225	34,132
45,058	57,803	Creditors	450,476	422,680
		Other Creditors		
-----	-----	– Capital Works	51,054	28,939
15,616	76,467	– Intra Health Liability	-----	-----
95,304	171,314		708,205	689,557

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		29. Current/Non Current Borrowings		
		Current		
-----	-----	Bank Overdraft* – Unsecured	8,850	7,573
-----	-----	Treasury Advances Repayable – Secured	2,288	-----
-----	5,577	Other Loans and Deposits – Secured	-----	7,775
-----	-----	Finance Leases [See note 33(d)] – Secured	2,120	1,789
-----	5,577		13,258	17,137
		Non Current		
-----	-----	Treasury Advances Repayable – Secured	10,182	-----
-----	28,023	Other Loans and Deposits – Unsecured	-----	37,872
-----	-----	Finance Leases [See note 33(d)] – Secured	24,447	26,567
-----	28,023		34,629	64,439
		Repayment of Borrowings (Excluding Finance Leases)		
-----	5,577	Not later than one year	11,138	15,348
-----	28,023	Between one and five years	5,991	36,627
-----	-----	Later than five years	4,191	1,245
-----	33,600	Total Borrowings at face value (Excluding Finance Leases)	21,320	53,220
		* Health Services are not allowed to operate bank overdraft facilities. The amounts disclosed as "bank overdrafts" meet Australian Accounting Standards reporting requirements, however the relevant Health Services are in effect utilising and operating commercially available banking facility arrangements to their best advantage. The total of these facilities at a Health Service level is a credit balance which is inclusive of cash at bank and investments.		

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006 \$'000	2005 \$'000		2006 \$'000	2005 \$'000
		30. Current/Non Current Liabilities – Provisions		
		Current Employee Benefits and Related On Costs		
6,665	5,492	Recreation Leave – Short Term Benefit	508,731	461,343
6,518	5,640	Recreation Leave – Long Term Benefit	238,731	203,230
269	-----	Long Service Leave – Short Term Benefit	135,496	100,271
852	-----	Long Service Leave – Long Term Benefit	896,309	820,233
-----	-----	Sick Leave – Long Term Benefit	789	823
14,304	11,132	Total current provisions	1,780,056	1,585,900
		Non Current Employee Benefits and Related On Costs		
-----	-----	Long Service Leave – Conditional	96,839	114,142
-----	-----	Total non current provisions	96,839	114,142
		Aggregate Employee Benefits and Related On Costs		
14,304	11,132	Provisions – current	1,780,056	1,585,900
-----	-----	Provisions – non current	96,839	114,142
34,630	37,044	Accrued Salaries and Wages and on costs (refer to Note 28)	206,675	237,938
48,934	48,176		2,083,570	1,937,980
		As indicated in Note 2(a) i) leave is classified as current if the employee has an unconditional right to payment. Short term/Long Term classification is dependent on whether or not payment is anticipated within the next twelve months.		
		31. Other Liabilities		
		Current		
24,683	21,913	Income in Advance	57,462	33,126
24,683	21,913		57,462	33,126
		Non Current		
-----	-----	Income in Advance	32,778	31,452
2,796	6,081	Other	-----	-----
2,796	6,081		32,778	31,452
		Income in advance has been received as a consequence of payments from the Department of Veterans' Affairs specifically for services to be provided in the next year. It also results from Health Services entering into agreements for the sale of surplus properties and the provision and operation of private health facilities and car parks.		

	PARENT					
	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
32. Equity						
Balance at the beginning of the Financial Year	138,583	147,009	58,820	59,383	197,403	206,392
Correction of Errors (Note 45)						
– decrease in Accumulated Funds	-----	(7,764)	-----	-----	-----	(7,764)
– decrease in Net Cost of Services	-----	(1,250)	-----	-----	-----	(1,250)
AASB 139 first-time adoption	(12,520)	-----	-----	-----	(12,520)	-----
Restated Opening Balance	126,063	137,995	58,820	59,383	184,883	197,378
Changes in Equity – transactions with owners as owners						
Decrease in net assets from administrative restructure	(24,794)	(68,109)	-----	-----	(24,794)	(68,109)
Total	(24,794)	(68,109)	-----	-----	(24,794)	(68,109)
Changes in Equity – other than transactions with owners as owners						
Result for the Year	97,703	27,719	-----	-----	97,703	27,719
Increment on Revaluation of:						
– Land and Buildings	-----	-----	-----	38,788	-----	38,788
– Plant and Equipment	-----	-----	-----	1,627	-----	1,627
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	(912)	40,978	912	(40,978)	-----	-----
Total	96,791	68,697	912	(563)	97,703	68,134
Balance at the end of the financial year	198,060	138,583	59,732	58,820	257,792	197,403

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

The decrease in net assets from the administrative restructure reported by the Parent in 2004/05 relates to the transfer of Port Macquarie assets (\$67.084 million) to the North Coast Area Health Service (fully eliminated upon consolidation) and the transfer of \$1.025 million to the Cancer Institute. A further administrative transfer was also effected in respect of the newly established Health Technology entity which involved the recognition of annual leave liability and matching cash therefore having no effect in terms of net assets transferred. Plant and Equipment and Intangibles was also transferred to Health Technology in 2005/06.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	CONSOLIDATED							
	Accumulated Funds		Asset Revaluation Reserve		Non Current Assets Held for Sale Reserves		Total Equity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
32. Equity								
Balance at the beginning of the Financial Year	5,863,880	4,433,199	1,190,391	1,722,707	1,855	-----	7,056,126	6,155,906
AASB 139 first-time adoption	-----	-----	-----	-----	-----	-----	-----	-----
Restated Opening Balance	5,863,880	4,433,199	1,190,391	1,722,707	1,855	-----	7,056,126	6,155,906
Changes in Equity – transactions with owners as owners								
Decrease in net assets from administrative restructure (Note 43)	(6,277)	(1,025)	-----	-----	-----	-----	(6,277)	(1,025)
Total	(6,277)	(1,025)	-----	-----	-----	-----	(6,277)	(1,025)
Changes in Equity – other than transactions with owners as owners								
Result for the Year	63,193	(39,320)	-----	-----	-----	-----	63,193	(39,320)
Increment on Revaluation of:								
– Land and Buildings	-----	-----	206,135	814,571	-----	-----	206,135	814,571
– Plant and Equipment	-----	-----	-----	1,628	-----	-----	-----	1,628
– Infrastructure Systems	-----	-----	8,439	120,099	-----	-----	8,439	120,099
Increment/(decrement) on revaluation of available for sale financial assets	-----	-----	-----	4,267	-----	-----	-----	4,267
Transfer to Net Expenditure/Revenue for the Year on disposal of available for sale financial assets	784	-----	-----	(1,855)	(784)	1,855	-----	-----
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	17,864	1,471,026	(17,864)	(1,471,026)	-----	-----	-----	-----
Total	81,841	1,431,706	196,710	(532,316)	(784)	1,855	277,767	901,245
Balance at the end of the financial year	5,939,444	5,863,880	1,387,101	1,190,391	1,071	1,855	7,327,616	7,056,126

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

The transfers to/from Asset Revaluation Reserves in the Consolidated Entity in 2004/05 principally relate to the amalgamation of seventeen former Area Health Services to form eight new Area Health Services with effect from 1 January 2005. At that time any revaluation reserves reported by the former Area Health Services were transferred to Accumulated Funds.

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		33. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure contracted for at balance date and not provided for:		
----	260	Not later than one year	275,459	221,800
----	----	Later than one year and not later than five years	299,128	198,843
----	----	Later than five years	115,122	120
----	260	Total Capital Expenditure Commitments (including GST)	689,709	420,763
		Although not necessarily covered by contractual arrangement the Government is committed to capital expenditures as follows in accordance with the Department's Asset Acquisition Program:		
			2006	2005
			\$'000	\$'000
		Not later than one year	633,094	646,379
		Later than one year and not later than five years	1,433,431	1,619,950
		Later than five years	801,856	----
		Total Capital Program	2,868,381	2,266,329
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for at balance date and not provided for:		
10,161	109	Not later than one year	23,410	31,495
2,593	469	Later than one year and not later than five years	129,179	24,464
----	----	Later than five years	781,243	----
12,754	578	Total Other Expenditure Commitments (including GST)	933,832	55,959
		(c) Operating Lease Commitments		
		Commitments in relation to non cancellable operating leases are payable as follows:		
8,322	9,584	Not later than one year	100,534	108,408
15,560	24,711	Later than one year and not later than five years	199,807	213,763
----	----	Later than five years	52,069	44,495
23,882	34,295	Total Operating Lease Commitments (including GST)	352,410	366,666
		The operating leases include motor vehicles arranged through a lease facility negotiated by State Treasury as well as electro medical equipment. Operating leases have also been included for information technology equipment. These operating lease commitments are not recognised in the financial statements as liabilities.		

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT		CONSOLIDATED	
2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
		33. Commitments for Expenditure (cont)	
		(d) Finance Lease Commitments (including GST)	
		Minimum lease payment commitments in relation to finance leases payable as follows:	
----	----	Not later than one year	4,600 4,509
----	----	Later than one year and not later than five years	19,143 18,829
----	----	Later than five years	15,796 20,734
----	----	Minimum Lease Payments	39,539 44,072
----	----	Less: Future Financing Charges	(9,378) (11,709)
----	----	Less: GST Component	(3,594) (4,007)
----	----	Present Value of Minimum Lease Payments	26,567 28,356
----	----	Current	2,120 1,789
----	----	Non-Current	24,447 26,567
----	----		26,567 28,356
----	----	The present value of finance lease commitments is as follows:	
----	----	Not later than one year	2,120 1,789
----	----	Later than one year and not later than five years	13,782 11,424
----	----	Later than five years	10,665 15,143
----	----		26,567 28,356
		(e) Contingent Asset related to Commitments for Expenditure	
		The total "Expenditure Commitments" above includes input tax credits of \$3.331 million in relation to the Parent Entity and \$183.227 million in relation to NSW Health that are expected to be recoverable from the Australian Taxation Office for the 2005/06 year. The comparatives for 2004/05 are \$3.194 million and \$80.679 million respectively.	
		(f) Mater Private/Public Partnership	
		In 2005/06, the Health Administration Corporation entered into a contract with a private sector provider, Novacare Project Partnership for financing, design, construction and commissioning of a new Mater Hospital, a mental health facility and refurbishment of existing buildings, and facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment will be completed in three stages and full service commencement is anticipated in mid 2009.	
		When construction is completed, the Hunter New England Area Health Service (HNEAHS) will transfer the Mater Hospital to Mercy Health Care (Newcastle) Limited and will recognise the transfer as a grant expense of \$107M. The recognition is based on the fact that services will be delivered by Mercy Health being a Third Schedule Hospital health care provider which is outside the accounting control of either HNEAHS or the Department.	
		HNEAHS will recognise the new mental health facility as an asset of \$39M. The refurbished Convent and McAuley buildings at the Mater hospital site, to be occupied by HNEAHS, will also be recognised as an asset and off setting liability of \$11M. The basis for the accounting treatment is that services will be delivered by HNEAHS on the site of Mater Hospital for the duration of the Head Lease of these facilities until November 2033.	
		In addition, the HNEAHS will recognise the liability to Novacare, payable over the period to 2033, for the construction of both hospitals.	

33. Commitments for Expenditure (cont)

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

Capital Commitments – New Mental Health Building and Refurbished Buildings

Nominal \$'000	2006	2005
Not later than one year	-----	-----
Later than one year and not later than five years	20,202	-----
Later than five years	104,585	-----
Other Expenditure Commitments – Redevelopment of Mater Hospital (which will be recognised as a grant after completion of construction) and provision of facilities management and other non-clinical services to both hospitals.		
Nominal \$'000	2006	2005
Not later than one year	-----	-----
Later than one year and not later than five years	90,344	-----
Later than five years	779,576	-----

34. Trust Funds

The NSW Department of Health's controlled entities hold Trust Fund monies of \$41.6 million, which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Department or its controlled entities perform only a custodial role and cannot use them for the achievement of their objectives. The following is a summary of the transactions in the trust account:

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total Trust Funds	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash Balance at the beginning of the financial year	3,508	3,551	17,304	22,064	21,835	18,363	42,647	43,978
Receipts	4,471	5,360	44,025	54,355	124,886	107,284	173,382	166,999
Expenditure	(4,106)	(5,403)	(40,453)	(59,115)	(129,859)	(103,812)	(174,418)	(168,330)
Cash Balance at the end of the financial year	3,873	3,508	20,876	17,304	16,862	21,835	41,611	42,647

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

35. Contingent Liabilities (Parent and Consolidated)

(a) Claims on Managed Fund

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

(b) Workers Compensation Hindsight Adjustment

TMF normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 1999/2000 final year and an interim adjustment for the 2001/02 fund year were not calculated until 2005/06. As a result, the 2000/01 final and 2002/03 interim hindsight calculations will be paid in 2006/07.

(c) Third Schedule Organisations

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

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

(d) Mater Private/Public Partnership

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

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

(e) Other Legal Matters

Three legal matters are currently on foot, which carry a potential total liability of \$115,000 (inclusive of costs).

(f) Claim by Lessee of Certain Property

Macquarie International Health Clinic Pty Ltd, lessee of certain property controlled by Sydney South West Area Health Service (SSWAHS) has made a claim against SSWAHS. The claim is in relation to Supreme Court proceedings in respect of rescission of an agreement and lease regarding a proposed private hospital on the Royal Prince Alfred Hospital Campus, which was to be constructed and operated by the lessee. Litigation is ensuing with a claim by the lessee for compensation in respect of rentals unpaid to date together with damages which have not been quantified.

36. Charitable Fundraising Activities

Fundraising Activities

The consolidation of fundraising activities by health services under Departmental control is shown below.

Income received and the cost of raising income for specific fundraising, has been audited and all revenue and expenses have been recognised in the financial statements of the individual health services. Fundraising activities are dissected as follows:

	INCOME RAISED \$000's	DIRECT EXPENDITURE* \$000's	INDIRECT EXPENDITURE+ \$000's	NET PROCEEDS \$000's
Appeals Consultants	156	81	7	68
Appeals (In House)	18,319	1,929	2,375	14,015
Fetes	487	261	13	213
Raffles	127	9	14	104
Functions	7,396	199	27	7,170
	26,485	2,479	2,436	21,570
Percentage of Income	100%	9.4%	9.2%	81.4%

* Direct Expenditure includes printing, postage, raffle prizes, consulting fees, etc.

+ Indirect Expenditure includes overheads such as office staff administrative costs, cost apportionment of light, power and other overheads.

The net proceeds were used for the following purposes:	\$000's
Purchase of Equipment	6,178
Research	5,761
Other Expenses	4,588
Held in Special Purpose and Trust Fund Pending Purchase	5,043

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		37. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services		
20,459	170,057	Net Cash Used on Operating Activities	600,366	634,804
(17,343)	(15,821)	Depreciation	(411,447)	(388,612)
(2)	(487)	Allowance for Impairment	1,924	(8,374)
(6,454)	(10,217)	Acceptance by the Government of Employee Benefits and Other Liabilities	(150,477)	(516,666)
(2,950)	(101)	(Increase)/Decrease in Provisions	(176,853)	(192,668)
22,531	6,391	Increase/(Decrease) in Prepayments and Other Assets	65,694	52,272
76,303	(133,450)	(Increase)/Decrease in Creditors	(22,195)	(145,278)
(94)	(22)	Net Gain/(Loss) on Sale of Property, Plant and Equipment	(4,528)	4,469
-----	-----	Net Gain/(Loss) on Disposal of Financial Assets	2	-----
(9,226,042)	(8,027,362)	Recurrent Appropriation	(9,226,042)	(8,027,362)
(481,079)	(453,230)	Capital Appropriation	(481,079)	(453,230)
(4,225)	(1,806)	Other	10,230	4,067
(9,618,896)	(8,466,048)	Net Cost of Services	(9,794,405)	(9,036,578)
		38. Non Cash Financing and Investing Activities		
(1,200)	-----	Financial instruments at fair value revaluation increment/(decrement)	3,180	-----
-----	-----	Assets Received by Donation	7,050	4,067
(1,200)	-----		10,230	4,067

39. 2005/06 Voluntary Services

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

Services provided include:

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

40. Unclaimed Monies

Unclaimed salaries and wages of Health Services are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the *Industrial Arbitration Act, 1940*, as amended.

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

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

41. Budget Review (Consolidated)

Net Cost of Services

The actual Net Cost of Services of \$9.794 billion was at variance with the budget by \$245 million. The following variations were not recognised in the budget:

	\$ M
■ Cash supplementation provided from either the Treasurer's Advance or Section 22 of the <i>Public Finance and Audit Act</i> or Section 28 of the <i>Appropriation Act</i> . The application of such monies included the funding of Industrial Relation Commission approved award increases, transfers of function between Departments, the Immunisation Program, increases in mental health, research and capital grants, and increased funding to reduce elective surgery long waits.	101
■ Superannuation costs stemming from the payment of award increases and increased workforce.	34
■ Increase in leave expensing stemming from approved award increases and due adherence to Australian Accounting Standard measurement criteria.	63
■ Expensing of Capital Projects that do not satisfy criteria for recognition as assets.	76
■ Operating Savings to source capital increases	(13)
■ Depreciation and Biofirst savings against budget	(18)
■ Other Expenses incurred and recognised.	2
	245

Result for the Year

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

	\$ M
■ Variation from budget for Net Cost of Services as detailed above	245
■ Additional recurrent appropriation	(101)
■ Additional capital appropriation	(26)
■ Crown acceptance of employee liabilities	(29)
	89

Assets and Liabilities

Net assets increased by \$260 million from budget. This included the following variations:

	\$ M
■ The restatement of Property, Plant and Equipment, Intangibles and Assets Held for Sale per independent asset valuations, additional capital funding, reduced depreciation and a reduction in asset sales	335
■ Increase in Leave Provisions due to awards and increases in accumulated leave entitlements	(37)
■ Increase in Receivables	63
■ Increase in Current Payables	(53)
■ Decrease in Cash/Other Financial Assets	(58)
■ Reduction in Borrowings	33
■ Increase in Other Liabilities	(24)
■ Other	1
	260

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

Cash Flows

Cash Flows from Operating Activities

- **Payments** – 2005/06 total payments exceeded the budget by \$591 million which reflects the use of additional recurrent budget supplementation from NSW Treasury \$101 million; \$75 million for expensing of items funded from a capital source that do not satisfy the recognition of asset criteria, \$34 million for superannuation costs stemming from the payment of award increases and increased workforce, the use of revenue favourabilities/ Cash at Bank \$130 million, Goods and Services Tax (GST) payments offset by increases in Australian Tax Office cash receipts of \$302 million. Reduced payments occurred through the result of increases in non-capital Accounts Payable \$31 million and Provisions \$38 million.
- **Receipts** – 2005/06 total revenue receipts were \$389 million more than budget estimates due to increases in GST related receipts of \$270 million, favourable revenues of \$146 million less other movements in receivables of \$40 million (including GST of \$32 million), and Income in Advance/ Non Cash revenues of \$13 million. From these increases the movement in receivables of \$40 million (including GST of \$32 million) is then deducted.

Cash Flows from Government

- The movement of \$127 million in Cash Flows from Government results from approved supplementations provided after the budget was formulated (\$101 million Recurrent and \$26 million Capital).

42. Financial Instruments

a) Interest Rate Risk

Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Department of Health's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the (consolidated) Balance Sheet date of 30 June are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Total carrying amount as per the Balance Sheet			
	1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		2006		2005	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	\$000	\$000	\$000	\$000
Financial Assets												
Cash	546,231	458,615	83,125	129,504	-----	-----	-----	740	562	630,096	588,681	
Receivables	54,387	47,022	-----	-----	-----	-----	201,780	145,310	256,167	192,332		
Shares	3,055	3,062	-----	-----	-----	-----	-----	577	3,055	3,639		
Other Loans and Deposits – T Corp	183,600	104,745	-----	29,410	-----	-----	-----	-----	-----	183,600	134,155	
Other Loans and Deposits – Other	7,359	-----	46,705	103,691	-----	4,404	-----	-----	33,794	54,064	141,889	
Total Financial Assets	794,632	613,444	129,830	262,605	-----	4,404	-----	202,520	180,243	1,126,982	1,060,696	
Financial Liabilities												
Borrowings – Bank Overdraft	8,850	7,573	-----	-----	-----	-----	-----	-----	-----	8,850	7,573	
Borrowings – Other	35,801	38,372	3,236	6,881	-----	20,756	7,312	-----	682	39,037	74,003	
Accounts Payable	-----	-----	-----	-----	-----	-----	-----	708,205	689,557	708,205	689,557	
Total Financial Liabilities	44,651	45,945	3,236	6,881	-----	20,756	7,312	708,205	690,239	756,092	771,133	

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

42. Financial Instruments

b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder.

The Department of Health's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the consolidated Statement of Financial Position.

Credit Risk by classification of counterparty.

	Governments		Banks		Patients		Other		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Financial Assets										
Cash	189,354	117,274	292,640	284,678	-----	-----	148,102	186,729	630,096	588,681
Receivables	79,973	14,380	19	-----	57,381	66,472	118,794	111,480	256,167	192,332
Shares	3,055	3,061	-----	-----	-----	-----	-----	578	3,055	3,639
Other Loans and Deposits	108,197	72,999	-----	133,101	-----	-----	129,467	69,944	237,664	276,044
Total Financial Assets	380,579	207,714	292,659	417,779	57,381	66,472	396,363	368,731	1,126,982	1,060,696

The only significant concentration of credit risk arises in respect of patients ineligible for free treatment under the Medicare provisions. Receivables from this source totalled \$14.062 million at balance date.

c) Derivative Financial Instruments

The Department of Health holds no Derivative Financial Instruments.

43. Increase/Decrease in Net Assets from Administrative Restructure

Note 2 (v) comments on the transfer of the Breast Screening and Cervical Screening programs to the Cancer Institute in 2005/06. Comment is also included on the creation of the Cancer Institute in 2004/05.

Details of the equity transfers are as follows:

	2006 \$000	2005 \$000
Assets		
Cash	(6,792)
Property, Plant and Equipment		
– Land and Buildings	(81)
– Plant and Equipment		(1,025)
Liabilities		
Provisions	596
Net Assets/Equity	(6,277)	(1,025)

The Cash assets above of \$6.792 million less the amount relating to provisions (\$0.596 million) is \$6.196 million as per the Cash Flow Statement.

The NSW Institute of Medical Education and Training was established and reported as part of the Health Administration Corporation (HAC) with effect from 1 September 2005. This administrative restructure had no effect on the parent entity or the consolidated entity as all transactions were previously reported by the Northern Sydney & Central Coast Area Health Service which, together with HAC are consolidated by the NSW Department of Health.

Administrative restructures in 2004/05 also occurred in respect of the Parent Entity as follows:

- Transfer of Port Macquarie assets per Note 32 to North Coast Area Health Service (nil effect on Consolidation)
- Establishment of Health Technology as a separate reporting entity under the control of the NSW Department of Health with effect from 1 April 2005 (Approval was obtained for Health Technology to produce its first audited statements for the 15 months ending 30 June 2006). Annual leave values of \$932,000 transferred in 2004/05 as did the matching cash thereby resulting in no movement in the net assets.

- In 2005/06 Plant and Equipment with a carrying value of \$1.159 million and Software with a carrying value of \$23.635 million transferred from the Department to HAC in respect of the operations of the Health Technology unit.

44. After Balance Date Events

Long Bay Forensic and Prison Hospitals Private Public Partnership (PPP)

In 2005-06 a private sector company, PPP Solutions (Long Bay) Pty Limited, was engaged to finance, design, construct and maintain a forensic hospital at Long Bay. At 30 June 2006 one contractual conditions precedent remained unfulfilled but it has since been satisfied. The PPP Project Deed became effective on 19 July 2006.

Under the arrangement, Justice Health, a Health Service under the control of the Department, is obligated to make payments commencing in 2008-09 until the end of the contract term in July 2034 as an asset and liability with an initial value of \$86 million for the Forensic Hospital. The costs of the services to be provided over the term of the arrangement cannot be estimated at present as they are dependent on uncertain future events.

45. Prior Period Errors (Parent)

The Department previously included the various Health Professional Registration Boards on the understanding that the Boards came under the control of the Department. However, the Department exercises no control over the functioning of the Boards and, accordingly any values relating to the Boards, other than transactions for Employee Related Expense and related benefits have been excluded from the 2005/06 financial statements. 2004/05 comparatives have also been restated in accordance with the requirements of Australian Accounting Standard AASB108.

The error had the effect of overstating Net Cost of Services by \$1.250 million for the year ended 30 June 2005 and overstating Accumulated Funds by \$7.764 million as at 30 June 2005.

END OF AUDITED FINANCIAL STATEMENTS

Health Administration Corporation Independent Audit Report

The accounts of the Health Administration Corporation at the time of tabling in Parliament the 2005/06 Annual Report of the NSW Department of Health are still subject to audit and are therefore "unaudited financial statements".

Health Administration Corporation Certification of Accounts

Certificate of Accounts reserved to be signed by the Director General and Chief Financial Officer when unaudited financial statements have been subject to audit review.

Health Administration Corporation Operating Statement

for the year ended 30 June 2006

PARENT			CONSOLIDATED				
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000		Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
			Expenses excluding losses				
			Operating Expenses				
214,150	294,793	272,577	– Employee Related	3	301,785	294,793	272,577
87,635	-----	-----	– Personnel Services	4	-----	-----	-----
146,122	124,993	93,981	– Other Operating Expenses	5	146,122	124,993	93,981
15,386	15,519	14,086	Depreciation and Amortisation	2(h), 6	15,386	15,519	14,086
1,372	1,295	542	Grants and Subsidies	7	1,372	1,295	542
107	20	183	Finance Costs	8	107	20	183
464,772	436,620	381,369	Total Expenses excluding losses		464,772	436,620	381,369
			Revenue				
118,574	107,110	75,202	Sale of Goods and Services	9	118,574	107,110	75,202
1,419	927	1,042	Investment Income	10	1,419	927	1,042
8,804	5,161	4,419	Grants and Contributions	11	6,002	5,161	4,419
9,485	7,484	5,327	Other Revenue	12	9,485	7,484	5,327
138,282	120,682	85,990	Total Revenue		135,480	120,682	85,990
94	368	(129)	Gain/(Loss) on Disposal	13	94	368	(129)
(9,591)	(6,630)	(6,400)	Other gains/(losses)	14	(9,591)	(6,630)	(6,400)
335,987	322,200	301,908	Net Cost of Services		338,789	322,200	301,908
			Government Contributions				
300,709	300,709	258,580	NSW Department of Health Recurrent Allocations	2(d)	300,709	300,709	258,580
67,757	67,757	15,034	NSW Department of Health Capital Allocations	2(d)	67,757	67,757	15,034
(125)	-----	(968)	Asset Sale Proceeds transferred to the NSW Department of Health		(125)	-----	(968)
6,868	9,595	19,963	Acceptance by the Crown Entity of employee superannuation benefits	2(a)	9,670	9,595	19,963
375,209	378,061	292,609	Total Government Contributions		378,011	378,061	292,609
39,222	55,861	(9,299)	RESULT FOR THE YEAR	29	39,222	55,861	(9,299)

The accompanying notes form part of these Financial Statements

Health Administration Corporation Statement of Changes in Equity

for the year ended 30 June 2006

PARENT			CONSOLIDATED				
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	
41,296	-----	-----	Net increase/(decrease) in Property, Plant and Equipment Revaluation Reserve	29	41,296	-----	-----
41,296	-----	-----	TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		41,296	-----	-----
39,222	55,861	(9,299)	Result for the Year	29	39,222	55,861	(9,299)
80,518	55,861	(9,299)	TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		80,518	55,861	(9,299)

The accompanying notes form part of these Financial Statements

Health Administration Corporation

Balance Sheet

as at 30 June 2006

PARENT			CONSOLIDATED				
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000		Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
			ASSETS				
			Current Assets				
16,745	9,735	3,046	Cash and Cash Equivalents	17	16,745	9,735	3,046
39,543	17,329	8,990	Receivables	18	39,543	17,329	8,990
1,881	1,526	1,527	Inventories	19	1,881	1,526	1,527
----	----	1,850	Other Financial Assets	20	----	----	1,850
1,616	----	668	Non Current Assets Held for Sale	21	1,616	----	668
----	----	73	Other		----	----	73
59,785	28,590	16,154	Total Current Assets		59,785	28,590	16,154
			Non-Current Assets				
488	494	494	Receivables	18	488	494	494
			Property, Plant and Equipment:				
158,241	129,282	121,541	– Land and Buildings	22	158,241	129,282	121,541
68,115	54,289	40,809	– Plant and Equipment	22	68,115	54,289	40,809
226,356	183,571	162,350	Total Property, Plant and Equipment		226,356	183,571	162,350
46,080	37,156	----	Intangible Assets	23	46,080	37,156	----
272,924	221,221	162,844	Total Non-Current Assets		272,924	221,221	162,844
332,709	249,811	178,998	Total Assets		332,709	249,811	178,998
			LIABILITIES				
			Current Liabilities				
42,745	15,837	19,890	Payables	25	42,745	15,837	19,890
16,711	140	1,802	Borrowings	26	16,711	140	1,802
90,465	84,436	78,680	Provisions	27	90,465	84,436	78,680
968	101	2,101	Other	28	968	101	2,101
150,889	100,514	102,473	Total Current Liabilities		150,889	100,514	102,473
			Non-Current Liabilities				
----	----	1,093	Borrowings	26	----	----	1,093
2,516	2,697	2,011	Provisions	27	2,516	2,697	2,011
2,516	2,697	3,104	Total Non-Current Liabilities		2,516	2,697	3,104
153,405	103,211	105,577	Total Liabilities		153,405	103,211	105,577
179,304	146,600	73,421	Net Assets		179,304	146,600	73,421
			EQUITY				
97,728	56,672	56,672	Reserves	29	97,728	56,672	56,672
81,576	89,928	16,749	Accumulated Funds	29	81,576	89,928	16,749
179,304	146,600	73,421	Total Equity		179,304	146,600	73,421

The accompanying notes form part of these Financial Statements

Health Administration Corporation

Cash Flow Statement

for the year ended 30 June 2006

PARENT			CONSOLIDATED			Notes	
Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000		
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
(180,912)	(264,091)	(243,445)	Employee Related	(280,324)	(275,868)	(243,445)	
(982)	(1,366)	(596)	Grants and Subsidies	(982)	(1,366)	(596)	
(107)	(20)	(183)	Finance Costs	(107)	(20)	(183)	
(244,698)	(156,634)	(106,747)	Other	(145,286)	(144,857)	(106,747)	
(426,699)	(422,111)	(350,971)	Total Payments	(426,699)	(422,111)	(350,971)	
			Receipts				
98,582	106,363	70,041	Sale of Goods and Services	98,582	106,363	70,041	
1,420	927	1,042	Interest Received	1,420	927	1,042	
19,919	8,158	17,560	Other	17,117	8,158	17,560	
119,921	115,448	88,643	Total Receipts	117,119	115,448	88,643	
			Cash Flows From Government				
296,592	317,264	258,580	NSW Department of Health Recurrent Allocations	296,592	317,264	258,580	
67,757	67,757	15,034	NSW Department of Health Capital Allocations	67,757	67,757	15,034	
(2,802)	-----	-----	Cash Reimbursement from Crown Entity	-----	-----	-----	
(125)	-----	(968)	Asset Sale Proceeds transferred to the NSW Department of Health	(125)	-----	(968)	
361,422	385,021	272,646	Net Cash Flows from Government	364,224	385,021	272,646	
54,644	78,358	10,318	NET CASH FLOWS FROM OPERATING ACTIVITIES	54,644	78,358	10,318	32
			CASH FLOWS FROM INVESTING ACTIVITIES				
4,008	3,248	2,270	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	4,008	3,248	2,270	
(57,320)	(73,264)	(10,773)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(57,320)	(73,264)	(10,773)	
100	-----	(350)	Purchases of Investments	100	-----	(350)	
(53,212)	(70,016)	(8,853)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(53,212)	(70,016)	(8,853)	
			CASH FLOWS FROM FINANCING ACTIVITIES				
16,555	-----	2,000	Proceeds from Borrowings and Advances	16,555	-----	2,000	
(3,794)	(2,755)	(2,933)	Repayment of Borrowings and Advances	(3,794)	(2,755)	(2,933)	
12,761	(2,755)	(933)	NET CASH FLOWS FROM FINANCING ACTIVITIES	12,761	(2,755)	(933)	
14,193	5,587	532	NET INCREASE/(DECREASE) IN CASH	14,193	5,587	532	
1,944	1,944	1,412	Opening Cash and Cash Equivalents	1,944	1,944	1,412	
452	-----	-----	Cash Transferred in/(out) as a result of administrative restructuring	452	-----	-----	
16,589	7,531	1,944	CLOSING CASH AND CASH EQUIVALENTS	16,589	7,531	1,944	17

The accompanying notes form part of these Financial Statements

Health Administration Corporation Program Statement – Expenses and Revenues

for the year ended 30 June 2006

SERVICES EXPENSES AND REVENUES	Program 1.1 *		Program 1.2 *		Program 1.3 *		Program 2.1 *		Program 2.2 *		Program 2.3 *		Program 3.1 *		Program 4.1 *		Program 5.1 *		Program 6.1 *		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																						
Operating Expenses																						
– Employee Related	517	159	21	4	535	96	290,466	270,570	2,112	380	292	52	1,005	173	481	86	114	20	6,242	1,037	301,785	272,577
– Other Operating Expenses	2,788	40	164	2	4,563	65	106,440	92,963	17,447	247	3,431	49	2,629	47	2,886	41	1,649	23	4,125	504	146,122	93,981
Depreciation and Amortisation	58	-----	2	-----	128	-----	14,317	14,025	449	-----	66	-----	78	1	85	-----	14	-----	189	60	15,386	14,086
Grants and Subsidies	-----	-----	-----	-----	-----	-----	334	542	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	1,038	-----	1,372	542
Finance Costs	-----	-----	-----	-----	-----	-----	107	183	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	107	183
Total Expenses excluding losses	3,363	199	187	6	5,226	161	411,664	378,283	20,008	627	3,789	101	3,712	221	3,452	127	1,777	43	11,594	1,601	464,772	381,369
Revenue																						
Sale of Goods and Services	795	-----	55	-----	1,891	-----	92,233	75,076	13,954	110	1,425	-----	1,151	-----	3,838	-----	356	-----	2,876	16	118,574	75,202
Investment Income	22	-----	-----	-----	30	-----	1,028	1,040	111	2	16	-----	14	-----	31	-----	9	-----	158	-----	1,419	1,042
Grants and Contributions	-----	131	-----	10	-----	53	5,957	3,459	-----	146	-----	40	-----	35	-----	163	-----	20	45	362	6,002	4,419
Other Revenue	70	-----	4	-----	128	-----	8,382	5,299	340	28	66	-----	47	-----	141	-----	68	-----	239	-----	9,485	5,327
Total Revenue	887	131	59	10	2,049	53	107,600	84,874	14,405	286	1,507	40	1,212	35	4,010	163	433	20	3,318	378	135,480	85,990
Gain/(Loss) on Disposal	-----	-----	-----	-----	-----	-----	94	(129)	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	94	(129)
Other Gains/(Losses)	-----	-----	-----	-----	-----	-----	(9,591)	(6,400)	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	(9,591)	(6,400)
Net Cost of Services	2,476	68	128	-4	3,177	108	313,561	299,938	5,603	341	2,282	61	2,500	186	(558)	(36)	1,344	23	8,276	1,223	338,789	301,908

The name and purpose of each program is summarized in Note 16. The Program Statement uses statistical data to 31 December 2005 to allocate current year's financial information to each program.

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

1. The Health Service Reporting Entity

Both Health Technology and The Institute of Medical Education and Training were established as health support services under the Public Health System Support Division of the Health Administration Corporation (HAC) in accordance with the provisions of *The Health Services Act*. The units were established from 1 April 2005 and 1 September 2005 respectively.

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

In prior years Ambulance Services were provided by a statutory corporation called the Ambulance Service of NSW, established under the *Ambulance Service Act 1990*. On 17 March 2006:

- The *Act* was repealed and The Corporation dissolved
- Its staff were transferred to the Crown under the description "The Ambulance Service of NSW division of the NSW Health Service"
- The function of providing ambulance services was transferred to the Director General
- The Director General has determined that HAC may exercise such functions.

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.

With effect from 17 March 2006 fundamental changes to the employment arrangements of Health Services including those reported under HAC were made through amendment to the *Public Sector Employment and Management Act 2002* and other Acts including the *Health Services Act 1997*. The status of the previous employees of HAC changed from that date. They are now employees of the Government of New South Wales in the service of the Crown rather than employees of the HAC. Employees of the Government are employed in Divisions of the Government Service.

In accordance with Accounting Standards these Divisions are regarded as special purpose entities that must be consolidated with the financial report of the related Health Service. This is because the Divisions were established to provide personnel services to enable a Health Service, including HAC to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of HAC (as the parent entity), the financial report of the special purpose entity Division and the consolidated financial report for the economic entity. Notes have been extended to capture both the Parent and Consolidated values with Notes 3, 4, 11, 25, 27 and 32 being especially relevant.

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

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

These financial statements have been authorised for issue by the Chief Financial Officer and Director General on 21 November 2006.

2. Summary of Significant Accounting Policies

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

Property, plant and equipment, and other assets held for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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

The financial statements and notes comply with Australian Accounting Standards which include AIFRS. Although this constitutes the initial set of financial statements presented by HAC comparatives are available for 2004/05 operations of the NSW Ambulance Service (12 months) and Health Technology (3 months) and where necessary figures have been recast in accordance with AIFRS requirements.

Note 2 v) (b) includes separate disclosure of the 1 July 2005 equity adjustments arising from the adoption of AASB132 and AASB139.

The following Accounting Standards are being early adopted from 1 July 2005:

- AASB 2005-4 regarding the revised AAS139 fair value option
- UIG 9 regarding the reassessment of embedded derivatives
- AASB 2005-06, which excludes from the scope of AASB3, business combinations involving entities or businesses under common control.

Any initial impacts on first time adoption are discussed as part of the AEIFRS first time adoption note disclosure (refer Note 2 v) (a)) along with the other AEIFRS impacts.

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

(a) Employee Benefits and Other Provisions

i) Salaries and Wages, Current Annual Leave, Sick Leave and On Costs (including non-monetary benefits)

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

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term".

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

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

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

ii) Long Service Leave and Superannuation Benefits

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

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 17.4 per cent for short term entitlements and 7.6 per cent for long term entitlements above the salary rates immediately payable at 30 June 2006 for all employees with five or more years of service. Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

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

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

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

iii) Other Provisions

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

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

(b) Insurance

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

(c) Finance Costs

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

(d) Income Recognition

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

Sale of Goods and Services

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

Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB139, "Financial Instruments: Recognition and Measurement".

Rental revenue is recognised in accordance with AASB117 "Leases" on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 when the Health Service's right to receive payment is established.

Debt Forgiveness

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

Grants and Contributions

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

HAC, as a not-for-profit entity has applied the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new

AASB 1004 and the previous AASB 1004.

However, the new AASB 1004 may be amended by proposals in Exposure Draft ED 125 Financial Reporting by Local Governments and ED 147 Revenue from Non-Exchange Transactions (Including Taxes and Transfers). If the ED 125 and ED 147 approach is applied, revenue and/or expense recognition will not occur until either HAC supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 and ED 147 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

NSW Department of Health Allocations

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

(e) Goods and Services Tax (GST)

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

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

(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

except for assets transferred as a result of an administrative restructure.

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

Where settlement of any part of cash consideration 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 the Health Administration Corporation or the State and administered by the Health Service are deemed to be controlled by the Health Service and are reflected as such in the financial statements.

(g) Plant and Equipment and Infrastructure Systems

Individual items of property, plant and equipment costing \$5,000 and above are capitalised.

(h) Depreciation

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to HAC. Land is not a depreciable asset.

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

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

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 NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value".

This policy adopts fair value in accordance with AASB116, "Property, Plant & Equipment" and AASB140, "Investment Property".

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

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

HAC entities are required to revalue Land and Buildings at minimum every five 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. The last revaluation for assets for The NSW Ambulance Service was completed on 31 May 2006 and was based on an independent assessment.

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

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

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

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

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

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

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

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

(j) Impairment of Property, Plant and Equipment

As a not-for-profit entity HAC is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

(k) 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.

(l) Non Current Assets (or disposal groups) 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.

(m) Intangible Assets

HAC recognises intangible assets only if it is probable that future economic benefits will flow to HAC and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met. The useful 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. HAC's intangible assets are amortised using the straight line method over a period of 5 years [for items of computer software]. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity HAC is effectively exempted from impairment testing (see Note 2[j]).

(n) Maintenance and Repairs

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

(o) Leased Assets

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

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

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

(p) Inventories

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

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

(q) Other Financial Assets

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

HAC subsequently measures financial assets classified as held for trading at fair value through profit or loss. Gains or losses on these assets are recognised in the Operating Statement. Assets intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses on impairment or disposal of these assets are recognised in the Operating Statement. Any residual investments that do not fall into any other category are accounted for as available for sale financial assets and measured at fair value directly in equity until disposed or impaired. All financial assets (except those measured at fair value through profit or loss) are subject to annual review for impairment.

Purchases or sales of financial assets under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date ie the date HAC commits itself to purchase or sell the assets.

(r) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and is recognised as an adjustment to "Accumulated Funds".

Transfers arising from an administrative restructure between Health Services/government departments are recognised at the amount at which the asset was recognised by the transferor Health Service/Government Department immediately prior to the restructure.

In most instances this will approximate fair value.

All other equity transfers are recognised at fair value.

In establishing Health Technology, a component of HAC, various net assets and equity totalling \$23.635 million transferred from the Department of Health to HAC under the provisions of Section 126B of the *Health Service Act*. From 1 September 2005 the Institute of Medical Education and Training was also established as a unit of HACC and received net assets of \$ 0.471 million in an administrative restructure from Northern Sydney and Central Coast AHS.

(s) Financial Instruments

Financial instruments give rise to positions that are a financial asset of either HAC or its counter party and a financial liability (or equity instrument) of the other party. For HAC these include cash at bank, receivables, other financial assets, payables and interest bearing liabilities. (Delete interest bearing liabilities if not applicable).

In accordance with Australian Accounting Standard AASB39, "Financial Instruments: Recognition and Measurement" disclosure of the carrying amounts for each of the AASB139 categories of financial instruments is disclosed in Note 35. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded and their terms and conditions measured in accordance with AASB139 are as follows:

Cash

Accounting Policies – Cash is carried at nominal values reconcilable to monies on hand and independent bank statements.

Terms and Conditions – Monies on deposit attract an effective interest rate of approximately 5.23 per cent as compared to 4.91 per cent in the previous year.

Loans and Receivables

Loans and receivables 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.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. 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. Bad debts are written off as incurred.

Terms and Conditions – Accounts are generally issued on 30-day terms.

Other Investments

Terms and interest conditions – Short term deposits have an average maturity of 4 days and effective interest rates of 5.44 per cent as compared to 5.23 per cent in the previous year. Fixed term deposits have a maturity of up to 181 days and effective interest rates of 5.3 per cent to 5.53 per cent as compared to 5.3 per cent to 5.56 per cent in the previous year.

Trade and Other Payables

Accounting Policies -- These amounts represent liabilities for goods and services provided to HAC and other amounts, including interest. 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.

Terms and Conditions – Trade liabilities are settled within any terms specified. If no terms are specified, payment is made by the end of the month following the month in which the invoice is received.

Borrowings

Accounting Policies – Bank Overdrafts are carried at the principal amount. Other loans are classified as non trading liabilities and measured at amortised cost. Interest is charged as an expense as it accrues. Finance Lease Liability is accounted for in accordance with AASB117, "Leases".

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

Terms and Conditions- Bank Overdraft interest is charged at the bank's benchmark rate. Non interest bearing loans are repayable in full in 2006/07.

All financial instruments including revenue, expenses and other cash flows arising from instruments are recognised on an accruals basis.

(t) Borrowings

Non interest bearing loans within NSW Health are initially measured at fair value and amortised thereafter. All other loans are valued at amortised cost. The finance lease liability is determined in accordance with AASB117, "Leases".

(u) Budgeted Amounts

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

(v) The Financial Impact Of Adopting Australian Equivalents To International Financial Reporting Standards (AEIFRS)

HAC has applied the AEIFRS for the first time in the 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. HAC has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AEIFRS on total equity and the Result for the Year as reported under previous AGAAP are shown below. There are no material impacts on HAC's cash flows.

PARENT
30 June 2005
\$'000

CONSOLIDATED
30 June 2005
\$'000

	(a) Reconciliation of key aggregates		
	Reconciliation of equity under previous AGAAP to equity under AEIFRS:		
73,421	Total equity under AGAAP Adjustments to accumulated funds		73,421
	Recognition of Assets Held for Sale	Note 1	
(493)	Land		(493)
(1,495)	Buildings Gross Value		(1,495)
1,320	Depreciation on Buildings Written Back		1,320
668	Current Assets, " Assets Held for Sale" Asset Revaluation Reserves		668
73,421	Accumulated Funds Total equity under AEIFRS		73,421
	Reconciliation of Result for the Year under AGAAP to Net Expenditure/ (Revenue) under AEIFRS.		
	Result for the Year		
\$'000	Net Expenditure for the Year ended 30 June 2005		\$'000
(9,299)	Result for the Year		(9,299)
-----	Effects of Adoption of AEIFRS		-----
(9,299)	Result for the Year		(9,299)
	The Net Cost of Services reported was similarly unaffected by the application of AEIFRS in 2004/05.		
	(b) Financial Instruments – 1 July 2005 first time adoption impacts		
	As discussed in the opening of Note 2, the comparative information for 2004/05 for financial instruments has not been restated and is presented in accordance with previous AGAAP. AASB 132 and AASB 139 have been applied from 1 July 2005. However no change in accounting treatment is required.		
		Accumulated Funds \$'000	Other reserves \$'000
			Total \$'000
	Total opening 1 July 2005 AEIFRS equity	16,749	56,672
	Adjustments	-----	-----
	Restated opening 1 July 2005 AEIFRS equity	16,749	56,672
			73,421

Note 1

AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires non current assets classified as "held for sale" to be reclassified as current and recognised at the lower of the carrying amount and the fair value less costs to sell. "Held for Sale" assets are not depreciated. Under previous AGAAP these assets were treated as property, plant & equipment and measured at fair value. The change reduced the carrying amount of the affected assets and decreased the depreciation expense.

However, as the majority of the reclassified asset constituted "Land" the effect of reducing depreciation charges was nil.

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		3. Employee Related		
		Employee related expenses comprise the following:		
142,222	210,370	Salaries and Wages	209,074	210,370
9,663	9,649	Superannuation [see note 2(a)] – defined benefit plans	12,465	9,649
12,787	10,314	Superannuation [see note 2(a)] – defined contributions	16,501	10,314
8,104	8,543	Long Service Leave [see note 2(a)]	10,459	8,543
26,826	22,549	Annual Leave [see note 2(a)]	34,615	22,549
6	7	Sick Leave and Other Leave	8	7
42	73	Redundancies	54	73
328	22	Other Agency Payments	328	22
12,077	10,861	Workers Compensation Insurance	15,579	10,861
2,095	189	Fringe Benefits Tax	2,702	189
214,150	272,577		301,785	272,577
		The following additional information is provided:		
4,049	-----	Employee Related Expenses capitalised – Plant and Equipment	4,049	-----
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
66,852	-----	Salaries and Wages	-----	-----
2,802	-----	Superannuation [see note 2(a)] – defined benefit plans	-----	-----
3,714	-----	Superannuation [see note 2(a)] – defined contributions	-----	-----
2,355	-----	Long Service Leave [see note 2(a)]	-----	-----
7,789	-----	Annual Leave [see note 2(a)]	-----	-----
2	-----	Sick Leave and Other Leave	-----	-----
12	-----	Redundancies	-----	-----
3,502	-----	Workers Compensation Insurance	-----	-----
607	-----	Fringe Benefits Tax	-----	-----
87,635	-----		-----	-----
		5. Other Operating Expenses		
1,606	1,461	Domestic Supplies and Services	1,606	1,461
15	-----	Food Supplies	15	-----
1,102	979	Fuel, Light and Power	1,102	979
39,059	33,740	General Expenses (See (a) below)	39,059	33,740
23,701	98	Information Management Expenses	23,701	98
2,405	2,045	Insurance	2,405	2,045

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		Maintenance (See (b) below)		
13,156	49	Maintenance Contracts	13,156	49
4,113	4,488	New/Replacement Equipment under \$5,000	4,113	4,488
9,577	8,821	Repairs	9,577	8,821
1	-----	Maintenance/Non Contract	1	-----
55	-----	Other	55	-----
6,691	6,162	Medical and Surgical Supplies	6,691	6,162
4,633	3,591	Postal and Telephone Costs	4,633	3,591
1,066	715	Printing and Stationery	1,066	715
1	-----	Rates and Charges	1	-----
3,782	2,647	Rental	3,782	2,647
883	405	Staff Related Costs	883	405
33,019	27,866	Ambulance Aircraft Expenses	33,019	27,866
1,257	914	Travel Related Costs	1,257	914
146,122	93,981		146,122	93,981
		(a) General Expenses include:		
141	-----	Advertising	141	-----
448	410	Catering Costs	448	410
3,689	3,386	Contractors	3,689	3,386
535	482	Debt Collection	535	482
5,082	4,390	Fuel and Oil	5,082	4,390
2,314	2,811	Interstate Transport Refunds	2,314	2,811
15	-----	Books, Magazines and Journals	15	-----
258	212	Legal Expenses	258	212
1,685	2,101	Officers Uniforms	1,685	2,101
960	1,204	Consultancies, Operating Activities	960	1,204
4	-----	Courier and Freight	4	-----
110	85	Auditor's Remuneration – Audit of financial reports	110	85
106	-----	Legal Services	106	-----
3	-----	Membership/Professional Fees	3	-----
16,746	14,173	Motor Vehicle Operating Lease Expense – minimum lease payments	16,746	14,173
280	-----	Other Operating Lease Expense – minimum lease payments	280	-----
1,862	1,439	Relocation Costs	1,862	1,439
631	616	Vehicle Registration	631	616
1	-----	Payroll Services	1	-----
16	6	Data Recording and Storage	16	6
4,173	2,425	Miscellaneous Expenses	4,173	2,425
39,059	33,740		39,059	33,740
		(b) Reconciliation Total Maintenance		
26,902	13,358	Maintenance expense – contracted labour and other (non employee related), included in Note 5	26,902	13,358
4,279	4,195	Employee related/Personnel Services maintenance expense included in Notes 3 and 4	4,279	4,195
31,181	17,553	Total maintenance expenses included in Notes 3, 4 and 5	31,181	17,553

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		6. Depreciation and Amortisation		
5,858	5,666	Depreciation – Buildings	5,858	5,666
9,528	8,420	Depreciation – Plant and Equipment	9,528	8,420
		Amortisation – Intangible Assets		
15,386	14,086		15,386	14,086
		7. Grants and Subsidies		
334	542	Non Government Voluntary Organisations	334	542
1,038	-----	Other	1,038	-----
1,372	542		1,372	542
		8. Finance Costs		
107	183	Interest	107	183
107	183		107	183
		9. Sale of Goods and Services		
217	212	Fees for Medical Records	217	212
88,205	72,878	Patient Transport Fees	88,205	72,878
1,920	1,868	Use of Ambulance Facilities	1,920	1,868
162	134	Salary Packaging Fee	162	134
27,303	110	Shared Corporate Services	27,303	110
767	-----	Other	767	-----
118,574	75,202		118,574	75,202
		10. Investment Income		
800	362	Interest	800	362
619	680	Lease and Rental Income	619	680
1,419	1,042		1,419	1,042

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		11. Grants and Contributions		
6,002	3,419	Industry Contributions/Donations	6,002	3,419
----	1,000	NSW Government grants	----	1,000
2,802	----	Personnel Services-Superannuation Defined Benefits	----	----
8,804	4,419		6,002	4,419
		12. Other Revenue		
		Other Revenue comprises the following:		
230	159	Bad Debts recovered	230	159
65	28	Conference and Training Fees	65	28
6,406	4,663	Treasury Managed Fund Hindsight Adjustment	6,406	4,663
2,784	477	Other	2,784	477
9,485	5,327		9,485	5,327
		13. Gain/(Loss) on Disposal of Non Current Assets		
21,905	17,151	Property Plant and Equipment	21,905	17,151
(18,589)	(14,359)	Less Accumulated Depreciation	(18,589)	(14,359)
3,316	2,792	Written Down Value	3,316	2,792
3,249	2,650	Less Proceeds from Disposal	3,249	2,650
(67)	(142)	Gain/(Loss) on Disposal of Property Plant and Equipment	(67)	(142)
158	2,028	Assets Held for Sale	158	2,028
319	2,041	Less Proceeds from Disposal	319	2,041
161	13	Gain/(Loss) on Disposal of Assets Held for Sale	161	13
94	(129)	Total Gain/(Loss) on Disposal	94	(129)
		14. Other Gains/(Losses)		
(9,591)	(6,400)	Impairment of Receivables	(9,591)	(6,400)
(9,591)	(6,400)		(9,591)	(6,400)

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	PARENT		
	Purchase of Assets \$'000	Other \$'000	Total \$'000
15. Conditions on Contributions			
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	96	521	617
Contributions recognised in previous years which were not expended in the current financial year	283	1,377	1,660
Total amount of unexpended contributions as at balance date	379	1,898	2,277

	CONSOLIDATED		
	Purchase of Assets \$'000	Other \$'000	Total \$'000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	96	521	617
Contributions recognised in previous years which were not expended in the current financial year	283	1,377	1,660
Total amount of unexpended contributions as at balance date	379	1,898	2,277

Comment on restricted assets appears in Note 24

16. Programs/Activities of the Health Service

Program 1.1 Primary and Community Based Services

Objective: To improve, maintain or restore health through health promotion, early intervention, assessment, therapy and treatment services for clients in a home or community setting.

Program 1.2 Aboriginal Health Services

Objective: To raise the health status of Aborigines and to promote a healthy life style.

Program 1.3 Outpatient Services

Objective: To improve, maintain or restore health through diagnosis, therapy, education and treatment services for ambulant patients in a hospital setting.

Program 2.1 Emergency Services

Objective: To reduce the risk of premature death and disability for people suffering injury or acute illness by providing timely emergency diagnostic, treatment and transport services.

Program 2.2 Overnight Acute Inpatient Services

Objective: To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital on an overnight basis.

Program 2.3 Same Day Acute Inpatient Services

Objective: To restore or improve health and manage risks of illness, injury and childbirth through diagnosis and treatment for people intended to be admitted to hospital and discharged on the same day.

Program 3.1 Mental Health Services

Objective: To improve the health, well being and social functioning of people with disabling mental disorders and to reduce the incidence of suicide, mental health problems and mental disorders in the community.

Program 4.1 Rehabilitation and Extended Care Services

Objective: To improve or maintain the well being and independent functioning of people with disabilities or chronic conditions, the frail aged and the terminally ill.

Program 5.1 Population Health Services

Objective: To promote health and reduce the incidence of preventable disease and disability by improving access to opportunities and prerequisites for good health.

Program 6.1 Teaching and Research

Objective: To develop the skills and knowledge of the health workforce to support patient care and population health. To extend knowledge through scientific enquiry and applied research aimed at improving the health and well being of the people of New South Wales.

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		17. Current Assets – Cash and Cash Equivalents		
8,341	1,075	Cash at bank and on hand	8,341	1,075
1,750	-----	Short Term Deposits	1,750	-----
6,654	1,971	Other (Short Term Deposits)	6,654	1,971
16,745	3,046		16,745	3,046
		Cash assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:		
16,745	3,046	Cash and cash equivalents (per Balance Sheet)	16,745	3,046
(156)	(1,102)	Bank overdraft	(156)	(1,102)
16,589	1,944	Closing Cash and Cash Equivalents (per Cash Flow Statement)	16,589	1,944
		18. Current/Non Current Receivables		
		Current		
167	-----	(a) Sale of Goods and Services	167	-----
17,749	15,323	Patient Transport fee	17,749	15,323
1,883	-----	Leave Mobility	1,883	-----
2,181	1,353	Goods and Services Tax	2,181	1,353
4,391	783	NSW Department of Health	4,391	783
2,971	3,174	Other Debtors	2,971	3,174
12,544	619	Intra Health	12,544	619
41,886	21,252	Sub Total	41,886	21,252
(5,695)	(1,219)	Less Allowance for impairment	(5,695)	(1,219)
(6,147)	(12,179)	Less Provision for Write Backs	(6,147)	(12,179)
30,044	7,854	Sub Total	30,044	7,854
9,499	1,136	Prepayments	9,499	1,136
39,543	8,990		39,543	8,990
		(b) Impairment of Receivables during the year		
9,543	8,432	– Current receivables, Sale of Good and Services	9,543	8,432
9,543	8,432	Sub Total	9,543	8,432
		Non Current		
488	494	Prepayments	488	494
488	494		488	494
		19. Inventories		
		Current – at cost		
614	427	Uniform	614	427
285	231	Fuel and Oil	285	231
621	515	Medical and Surgical Supplies	621	515
361	354	Motor Vehicle Parts and Other	361	354
1,881	1,527		1,881	1,527

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		20. Current/Non Current Assets – Other Financial Assets		
		Current		
----	1,850	Other Loans and Deposits	----	1,850
----	1,850		----	1,850
		21. Non Current Assets held for sale		
1616	668	Assets held for Sale Land and Buildings	1,616	668
1616	668		1,616	668
		22. Property, Plant and Equipment		
		Land and Buildings		
282,905	232,399	Gross Carrying Amount	282,905	232,399
(124,664)	(110,858)	Less Accumulated depreciation and impairment	(124,664)	(110,858)
158,241	121,541	Net Carrying Amount at Fair Value	158,241	121,541
		Plant and Equipment		
73,379	51,713	Gross Carrying Amount	73,379	51,713
(31,842)	(30,615)	Less Accumulated depreciation and impairment	(31,842)	(30,615)
41,537	21,098	Net Carrying Amount at Fair Value	41,537	21,098
		Vehicle and Aircraft		
38,924	41,949	Gross Carrying Amount at Fair Value	38,924	41,949
(16,643)	(23,725)	Less Accumulated Depreciation and impairment	(16,643)	(23,725)
22,281	18,224	Net Carrying Amount at Fair Value	22,281	18,224
4,297	1,487	Capital works in progress	4,297	1,487
226,356	162,350	Total Property, Plant and Equipment	226,356	162,350
		Net Carrying Amount at Fair Value		

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	Land \$'000	Buildings \$'000	Work in Progress \$'000	PARENT Plant and Equipment and \$'000	Vehicles and Aircraft \$'000	Total \$'000
22. Property, Plant and Equipment Reconciliations						
2006						
Carrying amount at start of year	50,819	70,722	1,487	21,098	18,224	162,350
Additions	-----	-----	25,963	15,518	-----	41,481
Reclassifications	1,275	3,430	(23,153)	8,798	9,650	-----
Recognition of Assets Held for Sale	(781)	(835)	-----	-----	-----	(1,616)
Disposals	(852)	(4,183)	-----	(4,196)	(12,674)	(21,905)
Administrative restructures – transfers in (out)	-----	-----	-----	1,547	-----	1,547
Adjustment of depreciation concerning disposals	-----	3,208	-----	4,191	11,190	18,589
Net revaluation increment less revaluation decrements recognised in reserves	9,611	31,685	-----	-----	-----	41,296
Depreciation expense	-----	(5,858)	-----	(5,419)	(4,109)	(15,386)
Net Carrying amount at end of year	60,072	98,169	4,297	41,537	22,281	226,356
2005						
Carrying amount at start of year	51,211	75,917	1,549	20,225	18,139	167,041
Additions	-----	-----	12,849	6	-----	12,855
Reclassifications	440	1,214	(12,911)	4,817	6,440	-----
Recognition of Assets Held for Sale	(494)	(174)	-----	-----	-----	(668)
Disposals	(338)	(441)	-----	(1,551)	(14,821)	(17,151)
Adjustment of depreciation concerning disposals	-----	(128)	-----	1,546	12,941	14,359
Depreciation expense	-----	(5,666)	-----	(3,945)	(4,475)	(14,086)
Net Carrying amount at end of year	50,819	70,722	1,487	21,098	18,224	162,350

	CONSOLIDATED					Total \$'000
	Land \$'000	Buildings \$'000	Work in Progress \$'000	Plant and Equipment and Aircraft \$'000	Vehicles \$'000	
22. Property, Plant and Equipment Reconciliations						
2006						
Carrying amount at start of year	50,819	70,722	1,487	21,098	18,224	162,350
Additions	-----	-----	25,963	15,518	-----	41,481
Reclassifications	1,275	3,430	(23,153)	8,798	9,650	-----
Recognition of Assets Held for Sale	(781)	(835)	-----	-----	-----	(1,616)
Disposals	(852)	(4,183)	-----	(4,196)	(12,674)	(21,905)
Administrative restructures – transfers in (out)	-----	-----	-----	1,547	-----	1,547
Adjustment of depreciation concerning disposals	-----	3,208	-----	4,191	11,190	18,589
Net revaluation increment less revaluation decrements recognised in reserves	9,611	31,685	-----	-----	-----	41,296
Depreciation expense	-----	(5,858)	-----	(5,419)	(4,109)	(15,386)
Net Carrying amount at end of year	60,072	98,169	4,297	41,537	22,281	226,356

2005						
Carrying amount at start of year	51,211	75,917	1,549	20,225	18,139	167,041
Additions	-----	-----	12,849	6	-----	12,855
Reclassifications	440	1,214	(12,911)	4,817	6,440	-----
Recognition of Assets Held for Sale	(494)	(174)	-----	-----	-----	(668)
Disposals	(338)	(441)	-----	(1,551)	(14,821)	(17,151)
Adjustment of depreciation concerning disposals	-----	(128)	-----	1,546	12,941	14,359
Depreciation expense	-----	(5,666)	-----	(3,945)	(4,475)	(14,086)
Net Carrying amount at end of year	50,819	70,722	1,487	21,098	18,224	162,350

PARENT			CONSOLIDATED	
2006 \$'000	2005 \$'000		2006 \$'000	2005 \$'000
		23. Intangible Assets		
		Software		
70,799	-----	Gross Carrying Amount	70,799	-----
(24,719)	-----	Less Accumulated Amortisation and Impairment	(24,719)	-----
46,080	-----	Total Intangible Assets	46,080	-----

PARENT			CONSOLIDATED	
Software \$'000	Total \$'000		Software \$'000	Total \$'000
		23. Intangible Reconciliation		
-----	-----	Net Carrying amount at start of year	-----	-----
22,445	22,445	Additions (from internal development or acquired separately)	22,445	22,445
23,635	23,635	Transfers from Department of Health Parent Entity	23,635	23,635
-----	-----	Amortisation (recognised in depreciation and amortisation)	-----	-----
46,080	46,080	Net Carrying amount at end of year	46,080	46,080

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		24. Restricted Assets		
		Category		
2,277	2,060	Specific Purposes	2,277	2,060
2,277	2,060		2,277	2,060
		The assets are only available for application in accordance with the terms of the donor restrictions.		
		25. Payables		
		Current		
-----	4,109	Accrued Salaries and Wages	3,230	4,109
-----	780	Payroll Deductions	6,333	780
29,994	11,781	Creditors	29,994	11,781
196	-----	Refundable Deposits	196	-----
		Other Creditors		
1,199	1,230	– Capital Works	1,199	1,230
1,793	1,990	– Intra Health Liability	1,793	1,990
9,563	-----	Personel Service Liability	-----	-----
42,745	19,890		42,745	19,890
		26. Current/Non Current Borrowings		
		Current		
156	1,102	Bank Overdraft	156	1,102
16,555	700	Intra Health Loans and Deposits	16,555	700
16,711	1,802		16,711	1,802
		Non Current		
-----	1,093	Other Loans and Deposits	-----	1,093
-----	1,093		-----	1,093
		Loans still to be extinguished represent monies to be repaid to the NSW Department of Health. Repayment is scheduled for 2006/07		
		Repayment of Borrowings		
		(excluding Finance Leases)		
16,711	1,802	Not later than one year	16,711	1,802
-----	1,093	Between one and five years	-----	1,093
16,711	2,895	Total Borrowings at face value (excluding Finance Leases)	16,711	2,895

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		27. Provisions		
		Current Employee benefits and related on-costs		
----	21,275	Employee Annual Leave – Short Term Benefit	24,107	21,275
----	8,991	Employee Annual Leave – Long Term Benefit	10,852	8,991
----	3,748	Employee Long Service Leave – Short Term Benefit	4,272	3,748
----	44,666	Employee Long Service Leave – Long Term Benefit	51,234	44,666
90,465	----	Provision for Personnel Services Liability	----	----
90,465	78,680	Total Current Provisions	90,465	78,680
		Non Current Employee benefits and related on-costs		
----	1,863	Employee Long Service Leave – Conditional	2,395	1,863
----	148	Sick Leave	121	148
2,516	----	Provision for Personnel Services Liability	----	----
2,516	2,011	Total Non Current Provisions	2,516	2,011
		Aggregate Employee Benefits and Related On-costs		
----	78,680	Provisions – current	90,465	78,680
----	2,011	Provisions – non-current	2,516	2,011
92,981	----	Provisions for Personnel Services Liability	----	----
----	4,889	Accrued Salaries and Wages and on costs (Note 25)	9,563	4,889
9,563	----	Accrued Liability – Purchase of Personnel Services (Note 25)	----	----
102,544	85,580		102,544	85,580
		As indicated in Note 2 a) (i) leave is classified as current if the employee has an unconditional right to payment. Short Term/Long Term Classification is dependent on whether or not payment is anticipated within the next twelve months.		
		28. Other Liabilities		
		Current		
968	101	Income in Advance	968	101
----	2,000	Other	----	2,000
968	2,101		968	2,101

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	Accumulated Funds		PARENT Asset Revaluation Reserve		Total Equity	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
29. Equity						
Balance at the beginning of the financial reporting period	16,749	25,730	56,672	56,990	73,421	82,720
Restated Opening Balance	16,749	25,730	56,672	56,990	73,421	82,720
Changes in equity – transactions with owners as owners						
Increase in Net Assets from Administrative Restructure	25,365	-----	-----	-----	25,365	-----
Total	42,114	25,730	56,672	56,990	98,786	82,720
Changes in equity – other than transactions with owners as owners						
Result for the year	39,222	(9,299)	-----	-----	39,222	(9,299)
Increment/(Decrement) on Revaluation of: – Land and Buildings	-----	-----	41,296	-----	41,296	-----
Total	39,222	(9,299)	41,296	-----	80,518	(9,299)
Transfers within equity						
Asset revaluation reserve balances transferred to accumulated funds on disposal of asset	240	318	(240)	(318)	-----	-----
Total	240	318	(240)	(318)	-----	-----
Balance at the end of the financial reporting period	81,576	16,749	97,728	56,672	179,304	73,421

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

	CONSOLIDATED					
	Accumulated Funds		Asset Revaluation Reserve		Total Equity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
29. Equity						
Balance at the beginning of the financial reporting period	16,749	25,730	56,672	56,990	73,421	82,720
Restated Opening Balance	16,749	25,730	56,672	56,990	73,421	82,720
Changes in equity – transactions with owners as owners						
Increase in Net Assets from Administrative Restructure	25,365	-----	-----	-----	25,365	-----
Total	42,114	25,730	56,672	56,990	98,786	82,720
Changes in equity – other than transactions with owners as owners						
Result for the year	39,222	(9,299)	-----	-----	39,222	(9,299)
Increment/(Decrement) on Revaluation of: Land and Buildings	-----	-----	41,296	-----	41,296	-----
Total	39,222	(9,299)	41,296	-----	80,518	(9,299)
Transfers within equity						
Asset revaluation reserve balances transferred to accumulated funds on disposal of asset	240	318	(240)	(318)	-----	-----
Total	240	318	(240)	(318)	-----	-----
Balance at the end of the financial reporting period	81,576	16,749	97,728	56,672	179,304	73,421

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

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		30. Commitments for Expenditure		
		(a) Capital Commitments		
		Aggregate capital expenditure contracted for at balance date but not provided for in the accounts:		
327	1,455	Not later than one year	327	1,455
327	1,455	Total Capital Expenditure Commitments (including GST)	327	1,455
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for at balance date but not provided for in the accounts:		
3,396	257	Not later than one year	3,396	257
3,396	257	Total Other Expenditure Commitments (including GST)	3,396	257
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
18,375	17,692	Not later than one year	18,375	17,692
38,543	36,731	Later than one year and not later than five years	38,543	36,731
1,383	2,508	Later than five years	1,383	2,508
58,301	56,931	Total Operating Lease Commitments (including GST)	58,301	56,931
		The above leases relate to motor vehicles and premises of the NSW Ambulance Service		
		(d) Contingent Asset related to Commitments for Expenditure		
		The Total " Expenditure Commitments" above includes input tax credits of \$5.639 million in relation to both Parent and Consolidated entities that are expected to be recoverable from the Australian Taxation Office for the 2005/06 year. The comparatives for 2004/05 are \$ 5.331 million.		

31. Contingent Liabilities

(a) Claims on Managed Fund

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

(b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 1999/2000 fund year and an interim adjustment for the 2001/2002 fund year were not calculated until 2005/06. As a result, the 2000/2001 final and 2002/03 interim hindsight calculations applicable to the NSW Ambulance Service will be paid in 2006/07.

Health Administration Corporation

Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

PARENT			CONSOLIDATED	
2006	2005		2006	2005
\$'000	\$'000		\$'000	\$'000
		32. Reconciliation of Net Cost of Services to Net Cash Flows from Operating Activities		
57,446	10,318	Net Cash Flows from Operating Activities	54,644	10,318
(15,386)	(14,086)	Depreciation	(15,386)	(14,086)
(9,591)	(6,400)	Allowance for Impairment	(9,591)	(6,400)
(9,670)	(19,963)	Acceptance by the Crown Entity of Employee Superannuation Benefits	(9,670)	(19,963)
354	42	Increase/(Decrease) in Inventories	354	42
13,573	5,002	Increase/(Decrease) in Receivables	13,573	5,002
22,853	3,463	Increase/(Decrease) in Prepayments and Other Assets	22,853	3,463
(23,656)	1,729	(Increase)/Decrease in Creditors	(23,656)	1,729
(296,569)	(258,580)	NSW Department of Health Recurrent Allocations	(296,569)	(258,580)
(67,757)	(15,034)	NSW Department of Health Capital Allocations	(67,757)	(15,034)
125	968	Asset Sale Proceeds transferred to the NSW Department of Health	125	968
(12,291)	(10,811)	Provision for Employee Entitlements/Personnel Services Liability	(12,291)	(10,811)
94	(129)	Net Gain/(Loss) on Disposal of Non-Current Assets	94	(129)
4,488	1,573	Industry Contribution in kind	4,488	1,573
(335,987)	(301,908)	Net Cost of Services	(338,789)	(301,908)

Consolidated

33. Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the *Industrial Arbitration Act, 1940*, as amended.

34. Budget Review

Net Cost of Services

The actual Net Cost of Services was higher than budget by \$ 16.6 million, this was primarily due to the expensing of capital allocations.

Result for the Year

The result for the year is derived as the difference between the above Net Cost of Services and the amount provided as Government Contributions. The applicable value of \$16.6 million also primarily relates to the increase in Operating Expenses.

Assets and Liabilities

Net assets increased by \$ 33 Million over budget. This included the following variations:

	\$M
■ Increase in Cash	7
■ Additional Property, Plant and Equipment and Intangibles Assets	52
■ Increase in Payables net of movements in Receivables	(5)
■ Increase in Borrowings	(17)
■ Increase in Leave Provisions	(6)
■ Other	2
■ Total	33

Cash Flows

Net Cash Inflows exceeded budget by \$8.6 million due to:

■ Variation in Receipts/Payments	(2.9)
■ Reduction in Net Cash Flows from Government	(20.8)
■ Reduction in Investing Activities	16.8
■ Increase from Financing Activities	15.5
■ Total	8.6

Health Administration Corporation Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

35. Financial Instruments

Interest Rate Risk

Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Health Administration Corporation's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the Balance Sheet date are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:					Non-interest bearing		Total carrying amount as per the Balance Sheet
			PARENT							
	2006 \$000	2005 \$000	1 year or less	Over 1 to 5 years	2006 \$000	2005 \$000	2006 \$000	2005 \$000		
Financial Assets										
Cash	13,076	802	3,620	2,197	-----	-----	49	47	16,745	3,046
Receivables	-----	-----	-----	-----	-----	-----	30,044	7,854	30,044	7,854
Other Loans and Deposits:Other	-----	-----	-----	1,850	-----	-----	-----	-----	-----	1,850
Total Financial Assets	13,076	802	3,620	4,047	-----	-----	30,093	7,901	46,789	12,750
Financial Liabilities										
Borrowings-Bank Overdraft	156	1,102	-----	-----	-----	-----	-----	-----	156	1,102
Borrowings - Other	-----	-----	-----	700	-----	1,093	16,555	-----	16,555	1,793
Payables	-----	-----	-----	-----	-----	-----	42,745	19,890	42,745	19,890
Other	-----	-----	-----	-----	-----	-----	968	2,101	968	2,101
Total Financial Liabilities	156	1,102	-----	700	-----	1,093	60,268	21,991	60,424	24,886

35. Financial Instruments

Interest Rate Risk

Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Health Administration Corporation's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the Balance Sheet date are as follows:

Financial Instruments	CONSOLIDATED									
	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount	
	2006 \$000	2005 \$000	1 year or less	2006 \$000	2005 \$000	Over 1 to 5 years	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Financial Assets										
Cash	13,076	802	3,620	2,197	-----	-----	49	47	16,745	3,046
Receivables	-----	-----	-----	-----	-----	-----	30,044	7,854	30,044	7,854
Other Loans and Deposits:Other	-----	-----	-----	1,850	-----	-----	-----	-----	-----	1,850
Total Financial Assets	13,076	802	3,620	4,047	-----	-----	30,093	7,901	46,789	12,750
Financial Liabilities										
Borrowings – Bank Overdraft	156	1,102	-----	-----	-----	-----	-----	-----	156	1,102
Borrowings – Other	-----	-----	-----	700	-----	1,093	16,555	-----	16,555	1,793
Payables	-----	-----	-----	-----	-----	-----	42,745	19,890	42,745	19,890
Other	-----	-----	-----	-----	-----	-----	968	2,101	968	2,101
Total Financial Liabilities	156	1,102	-----	700	-----	1,093	60,268	21,991	60,424	24,886

Health Administration Corporation Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

35. Financial Instruments

b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder. HAC's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the consolidated Balance Sheet.

Credit Risk by classification of counterparty.

	Governments		Banks		PARENT			Total		
					Patients					
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000		2005 \$000	
Financial Assets										
Cash	5,254	46	11,488	2,999	-----	-----	3	1	16,745	3,046
Receivables	20,963	2,136	-----	105	5,907	1,924	3,174	3,689	30,044	7,854
Other Loans and Deposits	-----	-----	-----	1,850	-----	-----	-----	-----	-----	1,850
Total Financial Assets	26,217	2,182	11,488	4,954	5,907	1,924	3,177	3,690	46,789	12,750

	Governments		Banks		CONSOLIDATED			Total		
					Patients					
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000		2005 \$000	
Financial Assets										
Cash	5,254	46	11,488	2,999	-----	-----	3	1	16,745	3,046
Receivables	20,963	2,136	-----	105	5,907	1,924	3,174	3,689	30,044	7,854
Other Loans and Deposits	-----	-----	-----	1,850	-----	-----	-----	-----	-----	1,850
Total Financial Assets	26,217	2,182	11,488	4,954	5,907	1,924	3,177	3,690	46,789	12,750

c) Derivative Financial Instruments

The Health Administration Corporation holds no Derivative Financial Instruments.

Health Administration Corporation Special Purpose Entity Independent Audit Report

The Accounts of the Health Administration Corporation Special Purpose Entity at the time of tabling in Parliament the 2005/06 Annual Report of the NSW Department of Health are still subject to audit and are therefore "unaudited financial statements".

Health Administration Corporation Special Purpose Entity Certification of Accounts

Certificate of Accounts reserved to be signed by the Director General and Chief Financial Officer when unaudited financial statements have been subject to audit review.

Health Administration Corporation Special Purpose Entity Income Statement

for the period ended 30 June 2006

	2006 \$000
Income	
Personnel Services	84,833
Acceptance by the Crown Entity of Employee Superannuation Benefits	2,802
Total income	87,635
Expenses	
Salaries and Wages	66,852
Superannuation – Defined Benefit Plans	2,802
Superannuation – Defined Contributions	3,714
Long Service Leave	2,355
Annual Leave	7,789
Sick Leave	2
Redundancy	12
Workers Compensation Insurance	3,502
Fringe Benefits Tax	607
Total Expenses	87,635
RESULT FOR THE YEAR	-----

The accompanying notes form part of these Financial Statements

Health Administration Corporation Special Purpose Entity Statement of Changes in Equity

for the year ended 30 June 2006

	2006 \$000
Result for the Year	-----
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-----

The accompanying notes form part of these Financial Statements

Health Administration Corporation Special Purpose Entity Balance Sheet

as at 30 June 2006

	Notes	2006 \$000
Assets		
Current Assets		
Receivables	2	100,028
Total Current Assets		100,028
Non-Current Assets		
Receivables	2	2,516
Total Non-Current Assets		2,516
Total Assets		102,544
Liabilities		
Current Liabilities		
Payables	3	9,563
Provisions	4	90,465
Total Current Liabilities		100,028
Non-Current Liabilities		
Provisions	4	2,516
Total Non-Current Liabilities		2,516
Total Liabilities		102,544
Net Assets		-----
Equity		
Accumulated funds		-----
Total Equity		-----

The accompanying notes form part of these Financial Statements

Health Administration Corporation Special Purpose Entity Cash Flow Statement

for the year ended 30 June 2006

	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments	
Employee Related	-----
Total Payments	-----
Receipts	
Sale of Goods and Services	-----
Total Receipts	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	-----
NET INCREASE/(DECREASE) IN CASH	-----
Opening Cash and Cash Equivalents	-----
CLOSING CASH AND CASH EQUIVALENTS	-----

The accompanying notes form part of these Financial Statements

The Special Purpose Service Entity does not hold any cash or cash equivalent assets and therefore there are nil cash flows.

Health Administration Corporation Special Purpose Entity Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

1. Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

The Entity commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of HAC. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by the Chief Executive on 21 November 2006. The report will not be amended and reissued as it has been audited.

(b) Basis of preparation

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the requirements of the *Health Services Act 1997* and its regulations including observation of the Accounts and Audit Determination.

This is the first financial report prepared on the basis of Australian equivalents to International Financial Reporting Standards.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations.

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

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

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

(c) Comparative information

As this is the Entity's first financial report, comparative information for the previous year is not provided.

(d) Income

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

(e) Goods and Services Tax (GST)

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

- the amount of GST incurred by the Special Purpose Entity 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
- receivables and payables are stated with the amount of GST included.

(f) Receivables

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

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial.

An invoiced receivable is due for settlement within thirty days of invoicing.

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

(g) Payables

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

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

A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.

(h) Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as fringe benefits tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

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" and "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".

Long-term Long Service Leave (ie that is not expected to be taken within twelve months) is measured on a short hand basis at an escalated rate of 17.4 per cent for short term entitlements and 7.6 per cent for long term entitlements above the salary rates immediately payable at 30 June 2006 for all employees with five or more years of service.

Actuarial assessment has found that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

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

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

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

(i) Accounting standards issued but not yet effective

The following Accounting Standards are being early adopted from 1 July 2005:

- AASB 2005-4 regarding the revised AAS139 fair value option
- UIG 9 regarding the reassessment of embedded derivatives
- AASB 2005-06, which excludes from the scope of AASB 3, business combinations involving entities or businesses under common control.

Health Administration Corporation Special Purpose Entity Notes to and forming part of the Financial Statements

for the year ended 30 June 2006

	2006 \$000
2. Current/Non Current Receivables	
Current	
Accrued Income – Personnel Services Provided	100,028
Total Current Receivable	100,028
Non Current	
Accrued Income Personnel Services Provided	2,516
Total Non Current Receivable	2,516
3. Payables	
Current	
Accrued Salary and Wages	3,230
Payroll Deductions	6,333
Total Current Payables	9,563
4. Provisions	
Current Employee benefits and related on-costs	
Employee Annual Leave – Short Term Benefit	24,107
Employee Annual Leave – Long Term Benefit	10,852
Employee Long Service Leave – Short Term Benefit	4,272
Employee Long Service Leave – Long Term Benefit	51,234
Total Current Provisions	90,465
Non Current Employee benefits and related on-costs	
Employee Long Service Leave – Conditional	2,395
Employee Sick Leave	121
Total Non Current Provisions	2,516
Aggregate Employee Benefits and Related On-costs	
Provisions – current	90,465
Provisions – non-current	2,516
Accrued Liability, Purchase of Personnel Services (Note 3)	9,563
	102,544

5. Financial Instruments

(a) Interest Rate Risk

Interest rate risk, is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The HAC Special Purpose Entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised, at the Balance Sheet date are as follows:

	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount as per the Balance Sheet
		1 year or less	Over 1 to 5 years	More than 5 years		
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Financial Instruments						
Financial Assets						
Receivables	----	----	----	----	102,544	102,544
Total Financial Assets	----	----	----	----	102,544	102,544
Financial Liabilities						
Payables	----	----	----	----	9,563	9,563
Total Financial Liabilities	----	----	----	----	9,563	9,563

Weighted average effective interest rate is not applicable for non interest bearing financial instruments.

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder. The HAC Special Purpose Entity's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Balance Sheet.

Credit Risk by classification of counterparty.

	Governments	Banks	Patients	Other	Total
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
Financial Assets					
Receivables	102,544	----	----	----	102,544
Total Financial Assets	102,544	----	----	----	102,544

(c) Derivative Financial Instruments

The HAC Special Purpose Entity holds no Derivative Financial Instruments.