

# FINANCIAL REPORT

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# Our performance

## AGAINST 2007/08 BUDGET ALLOCATION

NSW Health is the major provider of health services to the NSW public and comprises around 27% of NSW General Government Sector expenditures as compared to 25% a decade ago.

The Operating Statement identifies that total expenses for 2007-08 amounted to \$13.12 billion which is an 8.9% increase over 2006/07. An average of \$35.84 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 2008, this net cost was \$11.30 billion compared with \$10.35 billion in 2006/07.

The NSW Government increased its funding for operating and capital needs to the NSW Department of Health from the Consolidated Fund by \$569 million or 5.6% to \$10.755 billion in 2007/08.

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:

- \$7.96 billion for salaries and employee related expenses (\$7.39 billion in 2006/07)
- \$89 million for food (\$82 million in 2006/07)
- \$1.16 billion for drugs, medical and surgical supplies (\$1.04 billion in 2006/07)

- \$81 million for fuel, light and power (\$78 million in 2006/07)
- \$520 million for visiting medical staff (\$468 million in 2006/07).

The financial statements identify that, whilst \$449 million was charged for depreciation and amortisation on Property, Plant & Equipment and Intangibles, an amount of \$624 million was incurred in capital expenditure. This constitutes a real increase in the value of health assets and reflects the significant capital works program to improve NSW Health infrastructure.

Since 30 June 2001, the total assets of NSW Health have increased by \$4.086 billion or over 58% to \$11.05 billion. The most significant movement has been the increase in Property, Plant & Equipment and Intangible Assets of \$3.411 billion or 54.6% which, reflects the injection of capital funding referenced above and the independent revaluations of assets.

Cash and Other Financial Assets have also increased by \$406 million since 30 June 2001 to \$864 million flowing from factors such as increased monies held as restricted assets (eg donations) of \$367 million, increased Salaries & Wages accruals of \$151 million and increased superannuation liability of \$42 million duly adjusted for other movements, eg the increase in receivables of \$199 million. The cash/other financial asset movement in 2007/08 was a reduction of \$43 million.

Total Liabilities since June 2001 have increased by some \$1.835 billion or 106% to \$3.56 billion. This generally comprises:

- an increase in Payables of \$704 million stemming from the introduction of the Goods and Services Tax, the reclassification of Salary Accruals and salary related payments from Provisions to Payables in accordance with revised Australian Accounting Standards.
- an increase in employee entitlements or provisions of \$1.11 billion due to various Award movements that have occurred together with changes in the measurement of leave values to accord with revised Australian Accounting Standards.

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 2006	30 June 2007	30 June 2008
Value of General Accounts not paid within 45 days, \$M	1.3	0	75.1
Number of Health Services reporting General Creditors > 45 days	1	0	7

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 2007/08, seven Health Services did not achieve the 45 day requirement at 30 June 2008. The Department continues to work with Health Services to effect improvements in creditor payment and management with further requirements being imposed in 2008/09 to ensure that acceptable payment processes are observed, for example:

- any Health Service which had creditors at 1 July 2008 over its targeted benchmark has been required to articulate how the creditor problem will be eliminated, reduced or otherwise managed. The Health Service is to nominate the estimated date by which it expects that compliance with the benchmark will be achieved
- when a Health Service is contacted by a supplier about non or late payment of an account, the Director of Corporate Services is deemed to be the responsible Health Service executive to satisfactorily resolve the matter. All commitments given to suppliers in respect of future payment arrangements are to be honoured by the Health Service concerned.
- Health Services are to apply best practice protocols for dealing with enquiries from suppliers, e.g. a dedicated

telephone number for enquiries (with the phone number and terms of payment listed on the purchase order), and the monitoring of calls from suppliers.

Note 40: of the Department's financial report indicates that the Net Cost of Services of \$11.298 billion was at variance with the budget by \$411 million or 3.77%. Details of the budget variation are provided in the note and include the impact of new beds, clinical services, leap year costs, private/public partnerships, increased grant payments, etc.

The note disclosures indicate that the variation consists of three key components:

	\$M	%
Specific Treasury approvals	20	0.18
Technical adjustments	242	2.22
Health Service expenditures in excess of available revenues	149	1.37
Total	411	3.77

Exclusive of the specific approvals and technical adjustments the Department's variance was \$149 million, ie a variance of over 1.3% from the initial Net Cost of Service budget of \$10.877 billion. This compares reasonably closely with the tolerance of 0.5% accepted by Treasury for all Budget Sector agencies.

The Department is working with Health Services of concern and the November 2008 Mini Budget provides a number of opportunities for Health Services to improve their performance in 2008/09.

As a going concern the 2007/08 result was inconsistent with prior year trends which reflected a high level of correlation between Health Service actuals and budgets.

# Major funding initiatives

## FINANCIAL YEAR 2007/2008

The 2007/08 State Expenditure Budget was \$12.519 billion, i.e., a 7.1% increase over the initial budget for 2006-07.

The Government focus in the 2007/08 health budget was directed towards addressing a number of demand pressures including a growing and ageing population, changes in morbidity and improved health technology plus increasing consumer expectations.

Key features of the 2007/08 recurrent expenditure on health care in NSW included:

- \$54 million for 70 acute hospital beds, including 30 at Tweed Hospital, 360 community based bed equivalents and 26 bed equivalents for transitional aged care, building on the 1,226 bed and bed equivalents announced in the previous two years to deliver more elective surgery, faster emergency care and treatment in the home;
- \$6 million for four new adult intensive care beds to help people recovering from major illness or surgery, a paediatric intensive care bed, two neonatal intensive care cots, a flexible intensive care cot for babies and coordination of intensive care services, bringing the total additional investment in intensive care services to \$66 million since 2005/06;
- \$105 million additional funding bringing the total funding for mental health services to \$1.05 billion, an 11 per cent boost over 2006/07.
- \$46.5 million in 2007/08 for ongoing Investing in Nurses initiatives with a further \$6 million over four years for 30 new nurse practitioners in nursing and midwifery and \$8 million over four years for 1,600 scholarships for registered and enrolled nurses.
- \$2.5 million over four years for 125 rural midwives to undergo additional education and for a further 125 scholarships to attract midwives to rural communities.
- \$14 million over four years for a further 80 clinical nurse educator positions to increase nursing workforce skills and enhance patient safety, bringing the total number to 420.
- \$25.6 million over four years from 2006/07 for the National Health Call Centre Network so people in NSW can call the nurse-based health advice line 24 hours a day, every day.
- \$14.2 million over four years to establish the NSW Statewide Eyesight Pre-schooler Screening program to check the eyes of all children before they start school.
- \$6.4 million to boost Aboriginal health initiatives bringing funding in 2007/08 to \$60 million.
- \$4.1 million over four years to support people with eating disorders.
- \$83.7 million over four years to continue the Australian Better Health Initiative, announced in 2006/07, to reduce the burden of chronic diseases such as diabetes, stroke and vascular disease by promoting prevention, early intervention and self management.
- \$8 million over four years towards establishing 12 new after-hours GP clinics to alleviate the pressure on hospital emergency departments, bringing the total number of clinics to 30.
- \$6.5 million funding over four years to promote the importance of physical activity, healthy diet and diabetes prevention as part of the Live Life Well initiative.
- An additional \$8 million for oral health - \$4 million to reduce waiting lists for children and \$4 million to increase the number of dental therapists and hygienists and expand Rural Oral Health Centres, bringing the total oral health budget to \$138 million in 2007/08.
- Continued investment in the Healthy School Canteens program providing \$1.6 million over four years targeting schools in need.
- \$2.3 million in 2007/08, with \$12.2 million over four years, to establish HealthOne NSW services. The first roll-out will see a HealthOne NSW in Mt Druitt, Corowa, Cootamundra, Molong, Rylstone, Elderslie and Manilla focusing on health promotion, illness prevention and early intervention to ease the burden of ill health, especially chronic disease.
- the provision of a grant of \$20 million for the Institute of Virology

Initial cash allocations in 2007/08 to health services were increased by over \$510 million or on average by 5.7% compared to 2006-07 as follows:

HEALTH SERVICE	2007-08 \$M	2006-07 \$M	Increase	
			\$M	%
Sydney South West Area Health Service	1,800.5	1,721.9	78.6	4.6
South Eastern Sydney/Illawarra Area Health Service	1,714.4	1,628.1	86.3	5.3
Sydney West Area Health Service	1,291.1	1,215.6	75.5	6.2
Northern Sydney/Central Coast Area Health Service	1,219.5	1,160.7	58.8	5.1
Hunter/New England Area Health Service	1,129.6	1,064.0	65.6	6.2
North Coast Area Health Service	681.0	627.1	53.9	8.6
Greater Southern Area Health Service	536.7	514.6	22.1	4.3
Greater Western Area Health Service	486.5	457.2	29.3	6.4
The Children's Hospital at Westmead	209.3	197.6	11.7	5.9
Ambulance Service	316.3	295.6	20.7	7.0
Justice Health	95.3	83.9	11.4	13.6
<b>Total</b>	<b>9,480.2</b>	<b>8,966.3</b>	<b>513.9</b>	<b>5.7</b>

Note: These figures reflect initial Net Cash Allocations for 2006/07 and 2007/08.

# 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 2007/08 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

	2007-08 (\$M)	2006-07 (\$M)	Increase on previous Year (\$M)	Increase on previous Year (%)
Expenses	13,117	12,040	+1077	+8.9
Revenue	1,870	1,702	+168	+9.9
Net Cost of Service	11,298	10,352	+946	+9.1
Recurrent Appropriation	10,353	9,801	+552	+5.6
Capital Appropriation	402	386	+16	+4.1
Net Assets	7,490	7,441	+49	+0.7
<b>Total Assets</b>	<b>11,049</b>	<b>10,449</b>	<b>+600</b>	<b>+5.7</b>
<b>Total Liabilities</b>	<b>3,559</b>	<b>3,008</b>	<b>+551</b>	<b>+18.3</b>

## 2007/08 Total Expenses Comparisons

Expenses include:	2007-08 (\$M)	2006-07 (\$M)	2005-06 (\$M)	2004-05 (\$M)	2003-04 (\$M)	2002-03 (\$M)
Salaries and employee-related expenses	7,959	7,394	6,961	6,381	5,893	5,339
Food	89	82	81	75	76	73
Drugs, medical and surgical supplies	1,165	1,040	918	842	766	699
Fuel, light and power	81	78	72	64	61	59
Visiting medical staff	520	468	441	402	381	361

## Movement in Key Financial Indicators over the last 6 years

	June 2008 (\$M)	June 2007 (\$M)	June 2006 (\$M)	June 2005 (\$M)	June 2004 (\$M)	June 2003 (\$M)
<b>Assets</b>						
Property, Plant & Equipment & Intangibles	9,656	9,083	8,729	8,408	7,426	6,926
Inventories	105	115	108	72	66	68
Cash & Investments	864	907	860	868	683	666
Receivables	390	317	295	192	162	165
Other	34	27	28	52	42	35
<b>Total</b>	<b>11,049</b>	<b>10,449</b>	<b>10,020</b>	<b>9,592</b>	<b>8,380</b>	<b>7,860</b>
<b>Liabilities</b>						
Payables	1,052	751	711	690	543	525
Provisions	2,331	2,179	2,002	1,700	1,507	1,391
Interest Bearing Liabilities	101	36	48	82	109	105
Other	75	42	75	64	65	77
<b>Total</b>	<b>3,559</b>	<b>3,008</b>	<b>2,836</b>	<b>2,536</b>	<b>2,224</b>	<b>2,098</b>
<b>Equity</b>	<b>7,490</b>	<b>7,441</b>	<b>7,184</b>	<b>7,056</b>	<b>6,156</b>	<b>5,762</b>

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

# 2008/09 and Forward Years

New plans to better manage chronic disease in the community so that hospitals can continue to provide priority access for people who need acute care are the focus of the \$13.15 billion 2008/09 health budget. This constitutes an increase of \$632 million or 5% over that provided in 2007/08.

Demand on our public health system is at an alltime high and will continue to increase as the population ages and gets sicker.

Health spending in NSW has doubled in the past decade, and now comprises 27% of the entire NSW Budget.

The investment in public health services now represents around \$1,850 for every person in NSW and \$36 million every day – an investment that's delivering better services and important health infrastructure.

New strategies will include consolidating referral and access points to community-based services for people with chronic illness, streamlining processes of assessment and care, and promoting chronic disease prevention.

Key initiatives of the 2008/09 Health Budget include:

- An additional 72 beds to expand Medical Assessment Units across NSW
- \$46.4 million over four years for expanded maternity services to care for mothers and babies, with an emphasis on co-locating intensive and neonatal intensive care services
- \$19.8 million for an extra 160 community-based residential or aged care places
- \$12.9 million for an additional 52 acute hospital beds
- \$2 million for additional senior nursing and allied health staff to treat patients in local hospitals closer to home
- 4 additional intensive care beds to be based at Royal Prince Alfred, Wollongong, Nepean and Westmead hospitals, one additional paediatric intensive care bed at Sydney Children's Hospital, and one additional neo-natal intensive care cot at Nepean Hospital
- An additional \$9 million to expand renal services
- \$1.2 million to establish after-hours general practice clinics at Mona Vale and Canterbury
- \$3.3 million towards the HealthOne program
- \$19.1 million over four years commencing in 2008/09 for the Building Strong Foundations for Aboriginal Children, Families and Communities strategy to ensure quality access to early childhood health services for Aboriginal families.

The NSW public health system provides complex health care services delivered by some of the most highly trained staff in the world. The 2008/09 Budget delivers funding for a number of recruitment and retention programs to support our doctors, nurses and other health professionals and ultimately deliver better services to the people of NSW.

Workforce initiatives funded in the 2008/09 budget include:

- \$7.2 million to recruit 75 additional full-time ambulance staff in the Sydney area
- \$4 million for the recruitment and retention of public oral health practitioners across the state
- Recruitment of additional nurses and Clinical Nurse Educators across the state to increase nursing workforce skills and ensure patient safety
- \$3.5 million for 10-hour night shifts at John Hunter, Blacktown, Mt Druitt, Gladesville/Macquarie, Dubbo and Macksville hospitals.

This year's budget recognises the need to strengthen our acute hospital services, with an additional \$32 million in statewide services including funding for additional services for bone marrow transplants, spinal injuries and severe burns.





# Independent Audit report

FOR THE YEAR ENDED 30 JUNE 2008  
NSW DEPARTMENT OF HEALTH



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### The Department of Health and its controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Department of Health (the Department), which comprises the balance sheet as at 30 June 2008, the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes for both the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

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

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

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

#### Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

#### **Independence**

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

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



Peter Achterstraat  
Auditor-General

10 December 2008  
SYDNEY

# Certification of accounts

FOR THE YEAR ENDED 30 JUNE 2008

NSW DEPARTMENT OF HEALTH

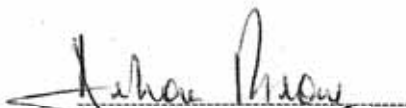
## CERTIFICATE OF ACCOUNTS

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

- (i) The financial statements of the NSW Health Department (parent entity) and the consolidated entity comprising the Department and its controlled activities for the year ended 30 June 2008 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, and its regulations and Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act and the requirements of the Health Administration Act 2000, and its regulations.
- (ii) The financial statements present fairly the financial position and transactions of the Department and the consolidated entity.
- (iii) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Ken Barker  
Chief Financial Officer



Debora Picone  
Director-General

3 December 2008

# Operating statement

NSW DEPARTMENT OF HEALTH  
FOR THE YEAR ENDED 30 JUNE 2008

PARENT				Notes	CONSOLIDATED		
Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000			Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
			<b>Expenses excluding losses</b>				
			Operating Expenses				
121,938	132,022	118,063	– Employee Related	3	7,959,424	7,587,502	7,394,328
489,005	484,620	430,614	– Other Operating Expenses	4	3,674,765	3,617,315	3,365,315
5,099	4,821	4,821	Depreciation and Amortisation	5	448,619	434,474	418,171
10,404,775	10,440,440	9,861,469	Grants and Subsidies	6	1,026,945	886,836	855,498
799	799	4,041	Finance Costs	7	7,629	2,611	6,870
<b>11,021,616</b>	<b>11,062,702</b>	<b>10,419,008</b>	<b>Total Expenses excluding losses</b>		<b>13,117,382</b>	<b>12,528,738</b>	<b>12,040,182</b>
			<b>Revenue</b>				
96,261	140,177	135,937	Sale of Goods and Services	8	1,319,671	1,205,298	1,188,574
18,029	18,029	13,056	Investment Revenue	9	60,252	77,193	71,446
93,372	75,187	68,763	Grants and Contributions	10	358,025	286,334	330,448
4,355	4,355	1,415	Other Revenue	11	132,034	93,474	111,153
<b>212,017</b>	<b>237,748</b>	<b>219,171</b>	<b>Total Revenue</b>		<b>1,869,982</b>	<b>1,662,299</b>	<b>1,701,621</b>
(6,436)	–	(38)	Gain /(Loss) on Disposal	12	(17,074)	–	10,318
(1,299)	–	(85)	Other Losses	13	(33,779)	(20,542)	(23,303)
<b>10,817,334</b>	<b>10,824,954</b>	<b>10,199,960</b>	<b>Net Cost of Services</b>	<b>36</b>	<b>11,298,253</b>	<b>10,886,981</b>	<b>10,351,546</b>
			<b>Government Contributions</b>				
10,353,404	10,360,496	9,800,594	Recurrent Appropriation	15	10,353,404	10,360,496	9,800,594
401,639	385,439	385,735	Capital Appropriation	15	401,639	385,439	385,735
595	595	38,386	Asset Sale Proceeds transferred to Parent		–	–	–
7,444	7,429	5,393	Acceptance by the Crown Entity of Employee Benefits	16	163,216	154,448	147,061
<b>10,763,082</b>	<b>10,753,959</b>	<b>10,230,108</b>	<b>Total Government Contributions</b>		<b>10,918,259</b>	<b>10,900,383</b>	<b>10,333,390</b>
<b>(54,252)</b>	<b>(70,995)</b>	<b>30,148</b>	<b>RESULT FOR THE YEAR</b>	<b>32</b>	<b>(379,994)</b>	<b>13,402</b>	<b>(18,156)</b>

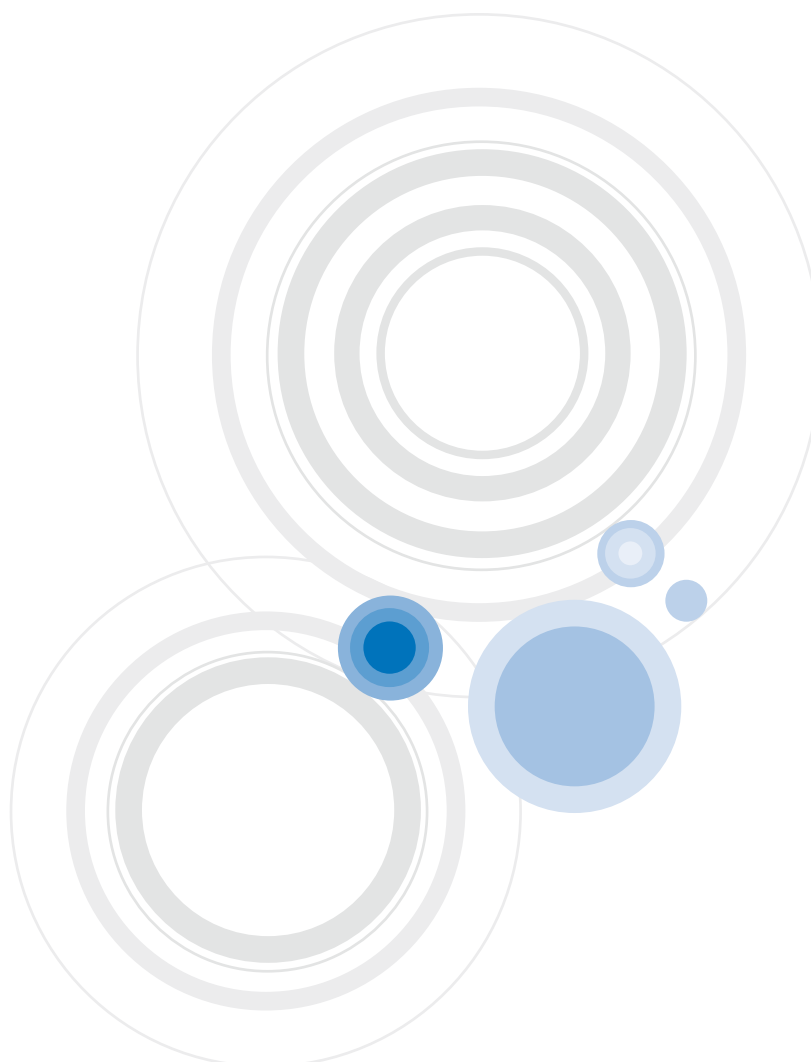
The accompanying notes form part of these Financial Statements

# Statement of recognised income and expense

NSW DEPARTMENT OF HEALTH  
FOR THE YEAR ENDED 30 JUNE 2008

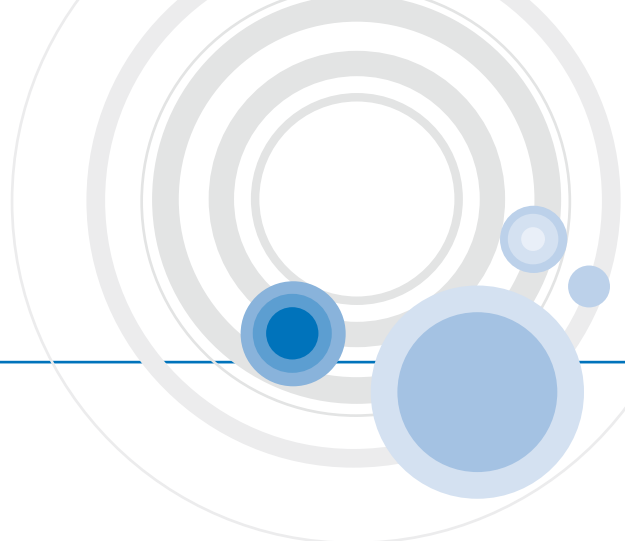
PARENT				Notes	CONSOLIDATED		
Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000			Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
-	-	38,727	Net increase/(decrease) in Property, Plant and Equipment Asset Revaluation Reserve	32	429,100	-	275,357
-	-	<b>38,727</b>	<b>Total Income And Expense Recognised Directly In Equity</b>	<b>32</b>	<b>429,100</b>	<b>-</b>	<b>275,357</b>
(54,252)	(70,995)	30,148	Result for the Year		(379,994)	13,402	(18,156)
<b>(54,252)</b>	<b>(70,995)</b>	<b>68,875</b>	<b>Total Income And Expense Recognised For The Year</b>	<b>32</b>	<b>49,106</b>	<b>13,402</b>	<b>257,201</b>

The accompanying notes form part of these Financial Statements



# Balance sheet

NSW DEPARTMENT OF HEALTH  
AS AT 30 JUNE 2008



PARENT				Notes	CONSOLIDATED		
Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000			Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
			<b>ASSETS</b>				
			<b>Current Assets</b>				
141,961	138,499	183,720	Cash and Cash Equivalents	18	702,787	741,020	736,919
77,871	46,188	46,188	Receivables	19	380,137	304,016	310,405
24,655	38,775	38,775	Inventories	20	105,109	114,357	114,668
-	-	-	Financial Assets at fair value	21	125,900	129,012	129,012
22,007	25,147	31,896	Other Financial Assets	22	-	2,161	2,161
-	-	-	Non Current Assets Held for Sale	24	18,740	4,559	14,123
<b>266,494</b>	<b>248,609</b>	<b>300,579</b>	<b>Total Current Assets</b>		<b>1,332,673</b>	<b>1,295,125</b>	<b>1,307,288</b>
			<b>Non-Current Assets</b>				
-	-	-	Receivables	19	9,380	6,132	6,132
2,086	2,086	2,086	Financial Assets at Fair Value	21	35,324	39,233	39,233
47,319	44,179	34,081	Other Financial Assets	22	-	-	-
			Property, Plant and Equipment				
128,654	128,654	136,255	- Land and Buildings	25	8,551,252	8,052,635	7,978,749
7,708	7,708	8,452	- Plant and Equipment	25	690,459	772,138	724,072
-	-	-	- Infrastructure Systems	25	332,774	316,505	316,505
136,362	136,362	144,707	Total Property, Plant and Equipment		9,574,485	9,141,278	9,019,326
2,485	2,485	3,679	Intangible Assets	26	81,884	64,578	63,578
-	-	-	Other	23	15,081	13,210	13,210
<b>188,252</b>	<b>185,112</b>	<b>184,553</b>	<b>Total Non-Current Assets</b>		<b>9,716,154</b>	<b>9,264,431</b>	<b>9,141,479</b>
<b>454,746</b>	<b>433,721</b>	<b>485,132</b>	<b>Total Assets</b>		<b>11,048,827</b>	<b>10,559,556</b>	<b>10,448,767</b>
			<b>LIABILITIES</b>				
			<b>Current Liabilities</b>				
132,039	124,414	121,143	Payables	28	1,052,208	643,651	750,671
-	-	-	Borrowings	29	4,309	7,472	5,750
14,019	14,457	13,215	Provisions	30	2,234,340	2,188,603	2,073,123
13,015	15,757	-	Other	31	25,750	10,522	10,522
<b>159,073</b>	<b>154,628</b>	<b>134,358</b>	<b>Total Current Liabilities</b>		<b>3,316,607</b>	<b>2,850,248</b>	<b>2,840,066</b>
			<b>Non-Current Liabilities</b>				
-	-	-	Borrowings	29	96,853	98,810	30,693
368	-	686	Provisions	30	96,785	124,769	105,681
2,027	2,558	2,558	Other	31	48,847	31,698	31,698
<b>2,395</b>	<b>2,558</b>	<b>3,244</b>	<b>Total Non-Current Liabilities</b>		<b>242,485</b>	<b>255,277</b>	<b>168,072</b>
<b>161,468</b>	<b>157,186</b>	<b>137,602</b>	<b>Total Liabilities</b>		<b>3,559,092</b>	<b>3,105,525</b>	<b>3,008,138</b>
<b>293,278</b>	<b>276,535</b>	<b>347,530</b>	<b>Net Assets</b>		<b>7,489,735</b>	<b>7,454,031</b>	<b>7,440,629</b>
			<b>EQUITY</b>	<b>32</b>			
94,838	98,459	98,459	Reserves		2,001,189	1,632,356	1,632,356
198,440	178,076	249,071	Accumulated Funds		5,486,780	5,820,933	5,807,531
-	-	-	Amounts Recognised in Equity Relating to Assets Held for Sale	24	1,766	742	742
<b>293,278</b>	<b>276,535</b>	<b>347,530</b>	<b>Total Equity</b>		<b>7,489,735</b>	<b>7,454,031</b>	<b>7,440,629</b>

The accompanying notes form part of these Financial Statements

# Cash flow statement

NSW DEPARTMENT OF HEALTH  
FOR THE YEAR ENDED 30 JUNE 2008

PARENT			Notes	CONSOLIDATED		
Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000		Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000
			<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
			<b>Payments</b>			
(112,528)	(138,499)	(107,969)	Employee Related	(7,537,621)	(7,386,539)	(7,009,062)
(10,362,973)	(10,440,440)	(9,859,455)	Grants and Subsidies	(1,026,945)	(808,836)	(855,764)
(799)	(799)	(4,041)	Finance Costs	(7,629)	(2,611)	(6,870)
(663,609)	(601,114)	(569,683)	Other	(4,114,964)	(4,235,214)	(3,999,972)
<b>(11,139,909)</b>	<b>(11,180,852)</b>	<b>(10,541,148)</b>	<b>Total Payments</b>	<b>(12,687,159)</b>	<b>(12,433,200)</b>	<b>(11,871,668)</b>
			<b>Receipts</b>			
83,174	140,177	148,692	Sale of Goods and Services	1,250,043	1,199,408	1,168,316
10,677	18,029	11,178	Interest Received	48,184	77,193	73,450
233,308	229,542	188,124	Other	1,090,532	947,788	999,069
<b>327,159</b>	<b>387,748</b>	<b>347,994</b>	<b>Total Receipts</b>	<b>2,388,759</b>	<b>2,224,389</b>	<b>2,240,835</b>
			<b>CASH FLOWS FROM GOVERNMENT</b>			
10,365,829	10,360,496	9,800,594	Recurrent Appropriation	10,365,829	10,360,496	9,800,594
401,639	385,439	385,735	Capital Appropriation	401,639	385,439	385,735
595	595	38,386	Asset Sale Proceeds transferred to Parent	-	-	-
<b>10,768,063</b>	<b>10,746,530</b>	<b>10,224,715</b>	<b>NET CASH FLOWS FROM GOVERNMENT</b>	<b>10,767,468</b>	<b>10,745,935</b>	<b>10,186,329</b>
<b>(44,687)</b>	<b>(46,574)</b>	<b>31,561</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>36</b>	<b>469,068</b>	<b>555,496</b>
			<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
298	298	77	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	9,102	51,444	64,567
81,820	27,775	44,689	Proceeds from Sale of Investments	45,319	-	77,541
(2,294)	(2,294)	(2,708)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(561,079)	(562,976)	(561,802)
(76,896)	(24,426)	(21,695)	Purchases of Investments	(28,289)	(20,000)	(14,278)
-	-	-	Other	(32,972)	-	-
<b>2,928</b>	<b>1,353</b>	<b>20,363</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(567,919)</b>	<b>(531,532)</b>	<b>(433,972)</b>
			<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
-	-	-	Proceeds from Borrowings and Advances	88,908	1,157	2,646
-	-	-	Repayment of Borrowings and Advances	(24,308)	(2,648)	(5,240)
-	-	-	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>64,600</b>	<b>(1,491)</b>	<b>(2,594)</b>
<b>(41,759)</b>	<b>(45,221)</b>	<b>51,924</b>	<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(34,251)</b>	<b>4,101</b>	<b>118,930</b>
183,720	183,720	131,796	Opening Cash and Cash Equivalents	736,919	736,919	617,989
<b>141,961</b>	<b>138,499</b>	<b>183,720</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>18</b>	<b>702,668</b>	<b>736,919</b>

The accompanying notes form part of these Financial Statements



# Summary of compliance with financial directives

NSW DEPARTMENT OF HEALTH  
FOR THE YEAR ENDED 30 JUNE 2008

## SUPPLEMENTARY FINANCIAL STATEMENTS

	2008				2007			
	Recurrent Appropriation (\$'000)	Expenditure /Net Claim on Consolidated Fund (\$'000)	Capital Appropriation (\$'000)	Expenditure /Net Claim on Consolidated Fund (\$'000)	Recurrent Appropriation (\$'000)	Expenditure /Net Claim on Consolidated Fund (\$'000)	Capital Appropriation (\$'000)	Expenditure /Net Claim on Consolidated Fund (\$'000)
<b>Original Budget Appropriation/ Expenditure</b>								
Appropriation Act	10,350,496	10,326,304	385,439	385,439	9,821,729	9,770,508	385,685	385,685
Additional Appropriations	10,000	10,000	-	-	-	-	-	-
	<b>10,360,496</b>	<b>10,336,304</b>	<b>385,439</b>	<b>385,439</b>	<b>9,821,729</b>	<b>9,770,508</b>	<b>385,685</b>	<b>385,685</b>
<b>Other Appropriations/Expenditure</b>								
Treasurer's Advance	20,000	20,000	16,200	16,200	26,010	26,010	50	50
Transfers to/from another agency (S32 of the Appropriation Act)	(2,900)	(2,900)	-	-	4,076	4,076	-	-
	<b>17,100</b>	<b>17,100</b>	<b>16,200</b>	<b>16,200</b>	<b>30,086</b>	<b>30,086</b>	<b>50</b>	<b>50</b>
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>10,377,596</b>	<b>10,353,404</b>	<b>401,639</b>	<b>401,639</b>	<b>9,851,815</b>	<b>9,800,594</b>	<b>385,735</b>	<b>385,735</b>
<b>Amount drawn down against Appropriation</b>		<b>10,365,829</b>		<b>401,639</b>		<b>9,800,594</b>		<b>385,735</b>
<b>Liability to Consolidated Fund *</b>		<b>12,425</b>		<b>-</b>		<b>-</b>		<b>-</b>

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

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



# Program statement - expenses and revenues

NSW DEPARTMENT OF HEALTH FOR THE YEAR ENDED 30 JUNE 2008

EXPENSES AND REVENUES	PROGRAM 1.1* Primary and Community based Services		PROGRAM 1.2* Aboriginal Health Services		PROGRAM 1.3* Outpatient Services		PROGRAM 2.1* Emergency Services		PROGRAM 2.2* Overnight Acute Inpatient Services		PROGRAM 2.3* Same Day Acute Inpatient Services		PROGRAM 3.1* Mental Health Services		PROGRAM 4.1* Rehabilitation & Extended Care Services		PROGRAM 5.1* Population Health Services		PROGRAM 6.1* Teaching and Research		Not Attributable		TOTAL								
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000						
<b>Expenses excluding losses</b>																															
Operating Expenses																															
Employee Related	612,905	573,279	25,922	23,919	790,943	732,253	950,872	876,626	3,192,679	2,956,289	442,289	403,833	724,330	670,842	634,655	612,149	186,761	172,853	398,068	372,285							7,959,424	7,394,328			
Other Operating Expenses	209,405	189,039	12,074	14,205	376,302	396,287	355,988	304,202	1,628,034	1,474,949	366,235	267,731	197,251	193,465	177,644	228,274	240,669	174,915	111,163	122,248							3,674,765	3,365,315			
Depreciation and Amortisation	28,131	27,172	1,207	1,022	52,544	49,165	56,494	48,623	195,715	183,116	30,803	28,393	27,315	27,449	34,322	33,138	7,322	6,754	14,766	13,339							448,619	418,171			
Grants and Subsidies	136,396	106,259	16,602	13,987	100,414	89,001	38,780	26,840	277,978	274,140	23,455	16,817	87,897	72,508	159,062	154,893	122,419	48,035	63,942	53,018							1,026,945	855,498			
Finance Costs	504	511	30	5	449	443	332	319	4,897	4,262	667	588	370	176	345	498	35	24	-	44							7,629	6,870			
<b>Total Expenses excluding losses</b>	<b>987,341</b>	<b>896,260</b>	<b>55,835</b>	<b>53,138</b>	<b>1,320,652</b>	<b>1,267,149</b>	<b>1,402,466</b>	<b>1,256,610</b>	<b>5,299,303</b>	<b>4,892,756</b>	<b>863,449</b>	<b>717,362</b>	<b>1,037,163</b>	<b>964,440</b>	<b>1,006,028</b>	<b>1,028,952</b>	<b>557,206</b>	<b>402,581</b>	<b>587,939</b>	<b>560,934</b>							<b>13,117,382</b>	<b>12,040,182</b>			
<b>Revenue</b>																															
Sale of Goods and Services	52,506	26,431	1,175	3,655	111,310	84,067	117,102	98,760	621,701	575,626	157,357	65,560	48,302	54,347	138,986	190,584	8,850	14,302	62,382	75,242							1,319,671	1,188,574			
Investment Revenue	4,492	4,577	69	134	5,588	6,053	4,770	3,631	22,670	24,786	3,630	4,730	2,915	2,629	5,611	6,832	1,275	2,332	9,232	15,742							60,252	71,446			
Grants and Contributions	36,114	36,167	3,769	6,699	23,169	14,756	10,778	7,123	89,324	60,234	9,956	13,938	12,336	10,003	38,707	56,799	46,458	25,843	87,414	98,886							358,025	330,448			
Other Revenue	9,063	14,696	115	401	9,655	7,435	13,379	11,793	41,372	29,750	6,340	5,488	3,307	4,192	12,026	10,646	11,426	8,502	25,351	18,250							132,034	111,153			
<b>Total Revenue</b>	<b>102,175</b>	<b>81,871</b>	<b>5,128</b>	<b>10,889</b>	<b>149,722</b>	<b>112,311</b>	<b>146,029</b>	<b>121,307</b>	<b>775,067</b>	<b>690,396</b>	<b>177,283</b>	<b>89,716</b>	<b>66,860</b>	<b>71,171</b>	<b>195,330</b>	<b>264,861</b>	<b>68,009</b>	<b>50,979</b>	<b>184,379</b>	<b>208,120</b>							<b>1,869,982</b>	<b>1,701,621</b>			
Gain/(Loss) on Disposal	(962)	620	(916)	35	(2,369)	869	(2,921)	1,003	(4,849)	4,225	(890)	799	(1,059)	684	(1,131)	1,133	(642)	118	(1,335)	832							(17,074)	10,318			
Other Losses	(411)	(313)	(486)	(14)	(1,303)	(522)	(18,442)	(13,206)	(10,934)	(7,163)	(604)	(931)	(299)	(124)	(607)	(651)	(192)	(99)	(502)	(280)							(33,779)	(23,303)			
<b>Net Cost of Services</b>	<b>886,539</b>	<b>814,082</b>	<b>52,109</b>	<b>42,228</b>	<b>1,174,602</b>	<b>1,154,491</b>	<b>1,277,800</b>	<b>1,147,506</b>	<b>4,540,019</b>	<b>4,205,298</b>	<b>687,660</b>	<b>627,778</b>	<b>971,661</b>	<b>892,709</b>	<b>812,436</b>	<b>763,609</b>	<b>490,031</b>	<b>351,583</b>	<b>405,397</b>	<b>352,262</b>							<b>11,298,253</b>	<b>10,351,546</b>			
Government Contributions**																	10,918,259	10,333,390										10,918,259	10,333,390		
<b>RESULT FOR THE YEAR</b>																												<b>(379,994)</b>	<b>(18,156)</b>		
Administered Revenues																															
Consolidated Fund/Taxes, Fees and Fines																												652	640	652	640
<b>Total Administered Revenues</b>																												<b>652</b>	<b>640</b>	<b>652</b>	<b>640</b>

\* The name and purpose of each program is summarised in Note 17.

The program statement uses statistical data to 31 December 2007 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.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008 - NSW DEPARTMENT OF HEALTH

## 1. The NSW Department of Health Reporting Entity

- (a) The NSW Department of Health (the Department), as a reporting entity, comprises all the entities under its control, namely Area Health Services constituted under the *Health Services Act, 1997*: the Royal Alexandra Hospital for Children, the Justice Health Service, the Clinical Excellence Commission, HealthQuest, and the Health Administration Corporation (which for both years includes the operations of the Ambulance Service of NSW, Health Support Services, the NSW Institute of Medical Education and Training and from 1 July 2007 includes Health Infrastructure). All of these entities are reporting entities that produce financial statements in their own right.

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

- (b) The Department's consolidated financial statements also include results for the parent entity thereby capturing the Central Administrative function of the Department.
- (c) The consolidated accounts are those of the consolidated entity comprising the Department of Health (the parent entity) and its controlled entities. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.
- (d) The Department is a NSW Government Department. The Department is a not for profit entity (as profit is not its principal objective). The reporting entity is consolidated as part of the NSW Total State Sector Accounts.
- (e) This consolidated financial report for the year ended 30 June 2008 has been authorised for issue by the Chief Financial Officer and Director-General on 3 December 2008.

## 2. Summary of Significant Accounting Policies

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

accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983 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, assets held for sale and financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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

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

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

The following standards were operative from 1 July 2008:

*AASB3, AASB127 & AASB2008-3, Business Combinations*  
The changes address business combinations and the Australian Accounting Standards Board has indicated that it is yet to consider its suitability for combinations among not-for-profit entities.

*AASB8 & AASB2007-3, Operating Segments*  
The changes do not apply to not-for-profit entities and have no application within NSW Health.

*AASB101 & AASB2007-8, Presentation of Financial Statements*  
The Department is currently required to present a statement of recognised income and expense and no variation is expected.

*AASB123 & AASB2007-6, Borrowing Costs*  
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. As Health Service borrowings are restricted to the Sustainable Energy Development Authority negligible impact is expected.

*AASB1004, Contributions*

The requirements on contributions from AASB27, 29 and 31 have been relocated, substantially unamended in AASB4.

*AASB1049, Whole of Government and General Government Sector Financial Reporting*

The standard aims to provide the harmonisation of Government Finance Statistics and Generally Accepted Accounting Principles (GAAP) reporting. The impact of changes will be considered in conjunction with the reporting requirements of the Financial Reporting Code for Budget Dependent General Government Sector Agencies.

*AASB1050 regarding administered items*

The requirements of AAS29 have been relocated, substantially unamended and are not expected to have material effect.

*AASB1051 regarding land under roads*

The standard will require the disclosure of "accounting policy for land under roads". It is expected that all such assets will need to be recognised "at fair value". The standard will have negligible impact on the Department

*AASB1052 regarding disaggregated disclosures*

The standard requires disclosure of financial information about service costs and achievements. Like other standards not yet effective the requirements have been relocated from AAS29 largely unamended.

*AASB2007-9 regarding amendments arising from the review of AAS27, AAS29 and AAS31*

The changes made are aimed at removing the uncertainties that previously existed over cross references to other Australian Accounting Standards and the override provisions in AAS29.

The following standards will be operative from 1 July 2009:

*AAS2008-1, Share Based Payments*

The standard will not have application to health entities under the control of the NSW Department of Health.

*AASB2008-2 regarding puttable financial instruments*

The standard introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation. Nil impact is anticipated.

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**

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

All annual leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 17% are applied to the value of leave payable at 30 June 2008, such on costs being consistent with actuarial assessment (Comparable on costs for 30 June 2007 were 21.7% which in addition to the 17% increase also included the impact of awards immediately payable at 30 June 2007).

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

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

**ii) Long Service Leave and Superannuation**

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

Long service leave provisions are measured on a short hand basis at an escalated rate of 8.1% (also 8.1% at 30 June 2007) 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 T07/04. The parent entity's liability for long service leave is assumed by the Crown Entity.

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

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

**iii) Other Provisions**

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

**(b) Insurance**

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

**(c) Finance Costs**

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

**(d) Income Recognition**

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

**i) Parliamentary Appropriations and Contributions**

Parliamentary appropriations and contributions from other bodies (including grants and donations), are generally

recognised as income when the agency obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

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

**ii) Sale of Goods and Services**

Revenue from the sale of goods and services comprises revenue from the provision of products or services 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 Revenue**

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

**iv) Grants and Contributions**

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

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

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

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

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

**(f) Intangible Assets**

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

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

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

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

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

**(g) Acquisition of Assets**

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

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

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

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

**(h) Capitalisation Thresholds**

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

**(i) Depreciation**

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

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

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

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

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

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

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

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

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

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



movements in the period between revaluations. Values assigned to Land and Buildings and Infrastructure have been modified accordingly.

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

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

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

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

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

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

#### (k) Impairment of Property, Plant & Equipment

As a not for profit entity 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 cost and current replacement cost. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

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

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

#### (p) Investments

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

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

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

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option, 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 these assets is provided internally on that basis to the agency's key management personnel.

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

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

#### (q) Loans and Receivables

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

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

#### (r) Impairment of Financial Assets

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

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

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

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

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

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

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

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

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

#### (t) Payables

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

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

#### (u) Borrowings

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

#### (v) Trust Funds

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

#### (w) Administered Activities

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

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

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

### (x) Budgeted Amounts

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

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

### (y) Exemption from Public Finance and Audit Act 1983

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

### (z) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/ functions and parts thereof between NSW public sector agencies is designated as a contribution by owners by NSWTPP 08-3 and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

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

### (aa) Emerging Assets

NSW Health's emerging interest in car parks at Sydney Hospital, Prince of Wales Hospital and St George Hospital has been valued in accordance with "Accounting for Privately Financed Projects" (TPP06-8). Bowral Private Hospital, Prince of Wales Private Hospital, Bowral Private Medical Imaging and the Bankstown Medical General Practitioner Service have been similarly assessed. This policy required the Health Services to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period using the annuity method and the Government Bond rate at commencement of the concession period.

### (ab) Summary of Capital Management

With effect from 1 July 2008 project management for all capital projects over \$10 million will be provided by Health Infrastructure, a division of the Health Administration Corporation created with the purpose of managing and coordinating approved capital works projects within time, budget and quality standards specified by the Department.

## 3. Employee Related Expenses

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
90,057	90,774	Employee related expenses comprise the following specific items:		
7,954	7,302	Salaries and Wages	6,355,762	5,882,343
6,049	4,384	Superannuation – defined benefit plans	168,683	148,970
4,586	3,257	Superannuation – defined contributions plans	486,034	451,383
6,590	5,192	Long Service Leave	213,600	194,184
1,164	1,350	Recreation Leave	603,635	584,464
5,538	5,804	Worker's Compensation Insurance	124,741	126,048
		Payroll Tax and Fringe Benefit Tax	6,969	6,936
<b>121,938</b>	<b>118,063</b>		<b>7,959,424</b>	<b>7,394,328</b>
		The following additional information is provided:		
-	-	Employee Related Expenses capitalised – Land and Buildings	208	2,257
-	-	Employee Related Expenses capitalised – Plant and Equipment	2,225	1,052
-	-		<b>2,433</b>	<b>3,309</b>



4. Other Operating Expenses

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
-	-	Blood and Blood Products	64,836	70,369
528	319	Domestic Supplies and Services	83,652	82,472
175,807	94,935	Drug Supplies	622,876	516,901
-	-	Food Supplies	88,564	81,562
265	360	Fuel, Light and Power	81,207	78,264
51,407	66,826	General Expenses (b)	211,393	179,499
10,317	10,927	Information Management Expenses	124,056	112,326
203,940	209,969	Insurance	215,855	219,610
-	6,581	Interstate Patient Outflows, NSW	110,128	98,284
3,754	1,379	Medical and Surgical Supplies	541,965	522,867
		Maintenance (c)		
823	-	Maintenance Contracts	89,518	82,438
941	3,599	New/Replacement Equipment under capitalisation threshold	88,739	121,649
3,526	3,228	Repairs	86,830	77,593
-	78	Maintenance/Non Contract	51,740	38,551
2	-	Other Maintenance	3,791	10,627
253	455	Operating Lease Rental Expense - minimum lease payments	38,096	41,678
2,209	2,529	Postal and Telephone Costs	54,044	50,563
3,470	3,102	Printing and Stationery	46,026	42,728
175	74	Rates and Charges	14,230	12,934
6,351	6,066	Rental	37,938	34,402
70	-	Special Service Departments	256,868	216,157
22,806	17,342	Staff Related Costs	66,184	48,281
-	-	Sundry Operating Expenses (a)	111,083	98,580
2,361	2,845	Travel Related Costs	64,837	59,037
-	-	Visiting Medical Officers	520,309	467,943
<b>489,005</b>	<b>430,614</b>		<b>3,674,765</b>	<b>3,365,315</b>
		<b>(a) Sundry Operating Expenses comprise:</b>		
-	-	Aircraft Expenses (Ambulance)	50,011	38,523
-	-	Contract for Patient Services	51,909	50,909
-	-	Isolated Patient Travel and Accommodation Assistance Scheme	9,163	9,148
-	-		<b>111,083</b>	<b>98,580</b>
		<b>(b) General Expenses include:</b>		
2,173	1,910	Advertising	10,609	10,983
349	346	Books, Magazines and Journals	7,916	8,285
		Consultancies		
1,706	1,361	Operating Activities	12,379	11,565
1,826	1,034	Capital Works	5,056	1,853
1,787	442	Courier and Freight	13,414	11,905
430	274	Auditors Remuneration - Audit of financial reports	3,847	2,640
960	1,806	Legal Services	7,346	10,698
241	228	Motor Vehicle Operating Lease Expense - minimum lease payments	65,564	63,913
269	-	Membership/Professional Fees	4,929	4,665
9	-	Payroll Services	504	304
358	-	Translator Services	3,275	2,435
-	-	Quality Assurance/Accreditation	2,386	1,561
1,003	-	Data Recording and Storage	3,721	1,721
		<b>(c) Reconciliation - Total Maintenance</b>		
5,292	6,905	Maintenance expense - contracted labour and other (non employee related), included in Note 4 above	320,618	330,858
-	-	Employee related maintenance expense included in Note 3	72,384	70,933
<b>5,292</b>	<b>6,905</b>	<b>Total maintenance expenses included in Notes 3 and 4</b>	<b>393,002</b>	<b>401,791</b>

## 5. Depreciation and Amortisation

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
1,853	1,874	Depreciation - Buildings	280,338	260,243
2,052	1,656	Depreciation - Plant and Equipment	138,789	134,049
–	–	Depreciation - Infrastructure Systems	12,379	11,686
–	–	Amortisation - Leased Buildings	211	1,844
1,194	1,291	Amortisation - Intangibles	16,902	10,349
<b>5,099</b>	<b>4,821</b>		<b>448,619</b>	<b>418,171</b>

## 6. Grants and Subsidies

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
15,265	9,169	Payments to the National Blood Authority and the Red Cross Blood Transfusion Service net of payments recognised in Note 4	15,265	9,169
–	–	Operating Payments to Other Affiliated Health Organisations	565,495	485,694
18,666	–	Capital Payments to Affiliated Health Organisations	23,089	7,356
		Grants –		
139,509	113,198	Cancer Institute NSW	139,509	113,198
18,879	5,060	External Research	41,510	23,315
2,135	1,959	NSW Institute of Psychiatry	2,135	1,959
1,814	3,646	National Drug Strategy	1,814	3,646
59,803	45,981	Non Government Voluntary Organisations	138,914	119,089
10,108,565	9,650,342	Payments to Controlled Health Entities	–	–
40,139	32,114	Other Payments	99,214	92,072
<b>10,404,775</b>	<b>9,861,469</b>		<b>1,026,945</b>	<b>855,498</b>

## 7. Finance Costs

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
–	–	Finance Lease Interest Charges	1,678	2,061
799	4,041	Other Interest Charges	5,951	4,809
<b>799</b>	<b>4,041</b>		<b>7,629</b>	<b>6,870</b>

## 8. Sale of Goods and Services

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>(a) Sale of Goods comprise the following:</b>		
–	–	Sale of Prosthesis	37,242	34,027
–	–	Cafeteria/Kiosk	21,587	19,353
–	–	Linen Service Revenues - Non Health Services	15,332	13,156
–	–	Meals on Wheels	2,908	2,984
–	–	Pharmacy Sales	5,978	4,896

8. Sale of Goods and Services (continued)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>(b) Rendering of Services comprise the following:</b>		
-	-	Patient Fees	407,063	341,876
-	-	Staff - Meals and Accommodation	8,056	9,613
		Infrastructure Fees		
-	-	- Monthly Facility Charge	192,016	166,891
-	-	- Annual Charge	48,537	44,222
55,522	52,833	Department of Veterans' Affairs Agreement Funding	296,343	315,974
-	-	Ambulance Non Hospital User Charges	69,253	57,129
-	-	Use of Ambulance Facilities	3,304	2,504
-	28,529	Motor Accident Authority Third Party Receipts	28,500	28,529
-	-	Car Parking	20,132	19,561
-	-	Child Care Fees	8,310	7,072
-	-	Clinical Services	16,995	4,862
-	-	Commercial Activities	32,031	21,423
-	-	Fees for Medical Records	2,210	1,907
-	-	Services Provided to Non NSW Health Organisations	17,844	15,680
-	-	PADP Patient Copayments	935	631
2,734	2,672	Personnel Services - Institute of Psychiatry	2,734	2,672
5,615	4,710	Personnel Services - Health Professional Registration Boards	5,615	4,710
4,785	2,493	Patient Inflows from Interstate	368	2,493
-	4	Computer Support Charges - Health Services	99	-
27,605	44,696	Other	76,279	66,409
<b>96,261</b>	<b>135,937</b>		<b>1,319,671</b>	<b>1,188,574</b>

9. Investment Revenue

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
-	-	Interest		
		TCorp Hour Glass Investment Facilities designated at Fair Value through profit or loss	7,848	32,109
17,656	12,789	Other	38,354	26,988
-	-	Lease and Rental Income	13,003	11,443
373	267	Other	1,047	906
<b>18,029</b>	<b>13,056</b>		<b>60,252</b>	<b>71,446</b>

10. Grants and Contributions

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
-	-	Clinical Drug Trials	18,263	16,437
57,158	18,317	Commonwealth Government grants	99,532	91,949
23,000	23,050	Health Super Growth	23,000	23,050
-	-	Industry Contributions/Donations	74,029	70,721
5,500	6,500	Grants from Cancer Institute of NSW	62,310	65,092
153	-	Research grants	33,997	28,906
-	-	University Commission grants	135	475
7,561	20,896	Other grants	46,759	33,818
<b>93,372</b>	<b>68,763</b>		<b>358,025</b>	<b>330,448</b>

## 11. Other Revenue

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Other Revenue comprises the following:-		
–	–	Commissions	2,738	2,697
–	–	Conference and Training Fees	5,683	4,016
65	246	Treasury Managed Fund Hindsight Adjustment	69,286	58,390
–	–	Sale of Merchandise, Old Wares and Books	52	1,590
–	–	Rights to Receive Fixed Assets	8,534	1,551
4,290	1,169	Sundry Revenue	45,741	42,909
<b>4,355</b>	<b>1,415</b>		<b>132,034</b>	<b>111,153</b>

## 12. Gain/(Loss) on Disposal

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
8,802	1,369	Property, Plant and Equipment	249,131	122,586
(2,713)	(1,254)	Less Accumulated Depreciation	(224,366)	(80,613)
6,089	115	Written Down Value	24,765	41,973
347	(77)	Less Proceeds from Disposal	(8,043)	(46,573)
<b>(6,436)</b>	<b>(38)</b>	<b>Gain/(Loss) on Disposal of Property Plant and Equipment</b>	<b>(16,722)</b>	<b>4,600</b>
77,855	79,190	Financial Assets at Fair Value	–	–
(77,855)	(79,190)	Less Proceeds from Disposal	–	–
<b>0</b>	<b>0</b>	<b>Gain/(Loss) on Disposal of Financial Assets at Fair Value</b>	<b>0</b>	<b>0</b>
–	–	Intangible Assets	229	–
–	–	Less Proceeds from Disposal	(3)	–
<b>0</b>	<b>0</b>	<b>Gain/(Loss) on Disposal of Intangible Assets</b>	<b>(226)</b>	<b>0</b>
–	–	Assets Held for Sale	1,179	13,423
–	–	Less Proceeds from Disposal	(1,053)	(19,141)
<b>0</b>	<b>0</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>(126)</b>	<b>5,718</b>
<b>(6,436)</b>	<b>(38)</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(17,074)</b>	<b>10,318</b>

## 13. Other (Losses)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
(1,299)	(85)	Impairment of Receivables	(33,779)	(23,303)
<b>(1,299)</b>	<b>(85)</b>		<b>(33,779)</b>	<b>(23,303)</b>

## 14. Conditions on Contributions - Consolidated

	Purchase of Assets (\$000)	Health Promotion, Education and Research (\$000)	Other (\$000)	Total (\$000)
Contributions recognised as revenues during current year for which expenditure in manner specified had not occurred as at balance date	9,290	61,511	61,717	132,518
Contributions recognised in previous years which were not expended in the current financial year	53,973	384,337	79,432	517,742
<b>Total amount of unexpended contributions as at balance date</b>	<b>63,263</b>	<b>445,848</b>	<b>141,149</b>	<b>650,260</b>

Comment on restricted assets appears in Note 27

## 15. Appropriations

	PARENT AND CONSOLIDATED	
	2008 (\$000)	2007 (\$000)
<b>Recurrent appropriations</b>		
Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	10,365,829	9,800,594
Less Liability to Consolidated Fund (per Summary of Compliance)	(12,425)	-
<b>Total</b>	<b>10,353,404</b>	<b>9,800,594</b>
Comprising: Recurrent appropriations (per Operating Statement)	10,353,404	9,800,594
<b>Total</b>	<b>10,353,404</b>	<b>9,800,594</b>
<b>Capital appropriations</b>		
Total capital draw-downs from NSW Treasury (per Summary of Compliance)	401,639	385,735
<b>Total</b>	<b>401,639</b>	<b>385,735</b>
Comprising: Capital appropriations (per Operating Statement)	401,639	385,735
<b>Total</b>	<b>401,639</b>	<b>385,735</b>

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

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:		
2,934	2,412	Superannuation - Defined Benefit	158,706	144,080
4,334	2,836	Long Service Leave	4,334	2,836
176	145	Payroll Tax	176	145
<b>7,444</b>	<b>5,393</b>		<b>163,216</b>	<b>147,061</b>

## 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 lifestyle.

### 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 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.

## 18. Cash and Cash Equivalents

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
141,961	183,720	Cash at bank and on hand	348,292	486,319
-	-	Short Term Deposits	354,495	250,600
<b>141,961</b>	<b>183,720</b>		<b>702,787</b>	<b>736,919</b>
		Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:		
141,961	183,720	Cash and Cash Equivalents (per Balance Sheet)	702,787	736,919
-	-	Bank Overdraft *	(119)	-
<b>141,961</b>	<b>183,720</b>	<b>Closing Cash and Cash Equivalents (per Cash Flow Statement)</b>	<b>702,668</b>	<b>736,919</b>

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

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

## 19. Receivables

PARENT		CURRENT	CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
52,056	18,422	<b>(a) Sale of Goods and Services</b>	264,212	197,869
11,195	5,128	Goods and Services Tax	68,585	66,712
1,026	903	Personnel Services - Institute of Psychiatry	1,026	903
1,784	1,717	Personnel Services - HPRB	1,784	1,717
3,902	183	Other Debtors	43,877	40,002
<b>69,963</b>	<b>26,353</b>	<b>Sub Total</b>	<b>379,484</b>	<b>307,203</b>
(1,286)	(177)	Less Allowance for Impairment	(46,658)	(38,290)
9,194	20,012	Prepayments	47,311	41,492
<b>77,871</b>	<b>46,188</b>		<b>380,137</b>	<b>310,405</b>
		<b>(b) Movement in the allowance for impairment</b>		
		Sale of Goods and Services		
(177)	(102)	Balance at 1 July	(32,913)	(32,322)
190	10	Amounts written off during the year	23,759	20,956
-	-	Amounts recovered during the year	(452)	(5)
(1,299)	(85)	(Increase)/decrease in allowance recognised in profit or loss	(29,782)	(21,542)
<b>(1,286)</b>	<b>(177)</b>	<b>Balance at 30 June</b>	<b>(39,388)</b>	<b>(32,913)</b>
		<b>(c) Movement in the allowance for impairment</b>		
		Other Debtors		
-	-	Balance at 1 July	(5,377)	(4,334)
-	-	Amounts written off during the year	1,316	328
-	-	Amounts recovered during the year	-	(120)
-	-	(Increase)/decrease in allowance recognised in profit or loss	(3,209)	(1,251)
<b>-</b>	<b>-</b>	<b>Balance at 30 June</b>	<b>(7,270)</b>	<b>(5,377)</b>

19. Receivables (continued)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Non-Current</b>		
		<b>(a) Sale of Goods and Services</b>		
-	-	Other Debtors	2,547	2,724
			596	-
-	-	<b>Sub-total</b>	<b>3,143</b>	<b>2,724</b>
-	-	Less Allowance for Impairment	(1,682)	(1,228)
-	-	Prepayments	7,919	4,636
-	-		<b>9,380</b>	<b>6,132</b>
		<b>(b) Movement in the allowance for impairment</b>		
		Sale of Goods and Services		
-	-	Balance at 1 July	(894)	(751)
-	-	Amounts written off during the year	226	168
-	-	Amounts recovered during the year	-	-
-	-	(Increase)/decrease in allowance recognised in profit or loss	(681)	(311)
-	-	<b>Balance at 30 June</b>	<b>(1,349)</b>	<b>(894)</b>
		<b>(c) Movement in the allowance for impairment</b>		
		Other Debtors		
-	-	Balance at 1 July	(334)	(157)
-	-	Amounts written off during the year	108	22
-	-	Amounts recovered during the year	-	-
-	-	(Increase)/decrease in allowance recognised in profit or loss	(107)	(199)
-	-	<b>Balance at 30 June</b>	<b>(333)</b>	<b>(334)</b>
		<b>Receivables (both Current and Non Current) includes:</b>		
-	-	Patient Fees - Compensable	16,068	17,156
-	-	Patient Fees - Ineligibles	16,687	13,886
-	-	Patient Fees - Other	65,766	54,087

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

20. Inventories

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current - Held for Distribution</b>		
17,961	32,553	Drugs	52,834	65,308
6,694	6,222	Medical and Surgical Supplies	40,570	40,886
-	-	Food Supplies	2,294	2,244
-	-	Engineering Supplies	521	617
-	-	Other including Goods in Transit	8,890	5,613
<b>24,655</b>	<b>38,775</b>		<b>105,109</b>	<b>114,668</b>

21. Financial Assets at Fair Value

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
-	-	TCorp Hour Glass Investment Facilities	125,900	128,735
-	-	Shares	-	277
-	-		<b>125,900</b>	<b>129,012</b>
		<b>Non-Current</b>		
-	-	TCorp Hour Glass Investment Facilities	33,238	37,147
2,086	2,086	Shares	2,086	2,086
<b>2,086</b>	<b>2,086</b>		<b>35,324</b>	<b>39,233</b>

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

## 22. Other Financial Assets

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
-	-	Other Loans and Deposits	-	2,161
22,007	31,896	Advances Receivable - Intra Health	-	-
<b>22,007</b>	<b>31,896</b>		<b>-</b>	<b>2,161</b>
		<b>Non-Current</b>		
47,319	34,081	Advances Receivable - Intra Health	-	-
<b>47,319</b>	<b>34,081</b>		<b>-</b>	<b>-</b>

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

## 23. Other Assets

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
-	-	<b>Non Current</b>		
-	-	Emerging Rights to Assets (Refer to Note 2 (aa))	15,081	13,210
<b>-</b>	<b>-</b>		<b>15,081</b>	<b>13,210</b>

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

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Assets Held for Sale</b>		
-	-	Land and Buildings	18,566	13,993
-	-	Infrastructure Systems	174	130
<b>-</b>	<b>-</b>		<b>18,740</b>	<b>14,123</b>
		<b>Amounts recognised in equity relating to assets held for sale</b>		
-	-	Available for sale financial asset revaluation increments/(decrements) - Note 32 refers	1,766	742
<b>-</b>	<b>-</b>		<b>1,766</b>	<b>742</b>

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

## 25. Property, Plant and Equipment

	PARENT	
	2008 (\$000)	2007 (\$000)
<b>Land and Buildings</b>		
Gross Carrying Amount	185,557	193,634
Less Accumulated Depreciation and impairment	(56,903)	(57,379)
<b>Net Carrying Amount at Fair Value</b>	<b>128,654</b>	<b>136,255</b>
<b>Plant and Equipment</b>		
Gross Carrying Amount	29,973	29,049
Less Accumulated Depreciation and impairment	(22,265)	(20,597)
<b>Net Carrying Amount at Fair Value</b>	<b>7,708</b>	<b>8,452</b>
<b>Total Property, Plant and Equipment Net Carrying Amount at Fair Value</b>	<b>136,362</b>	<b>144,707</b>



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

	PARENT			
	Land (\$000)	Buildings (\$000)	Plant and Equipment (\$000)	Total (\$000)
<b>Year Ended 30 June 2008</b>				
Net Carrying amount at start of year	79,137	57,118	8,452	144,707
Additions	-	-	1,649	1,649
Disposals	(5,062)	(686)	(341)	(6,089)
Depreciation expense	-	(1,853)	(2,052)	(3,905)
<b>Net Carrying amount at end of year</b>	<b>74,075</b>	<b>54,579</b>	<b>7,708</b>	<b>136,362</b>
<b>Year Ended 30 June 2007</b>				
Net Carrying amount at start of year	66,925	34,227	10,505	111,657
Additions	-	-	1,794	1,794
Disposals	-	-	(115)	(115)
Net revaluation increment less revaluation decrements	13,542	25,185	-	38,727
Administrative restructures transfers in/(out)	(1,330)	(420)	(2,076)	(3,826)
Depreciation expense	-	(1,874)	(1,656)	(3,530)
<b>Net Carrying amount at end of year</b>	<b>79,137</b>	<b>57,118</b>	<b>8,452</b>	<b>144,707</b>

All Land and Buildings for the parent entity were valued by the State Valuation Office independently of the Department on 1 July 2006. Plant and Equipment is predominantly recognised on the basis of depreciated cost.

	CONSOLIDATED	
	Plant and Equipment (\$000)	Total (\$000)
<b>Land and Buildings</b>		
Gross Carrying Amount	14,418,458	13,237,535
Less Accumulated Depreciation and impairment	(5,867,206)	(5,258,786)
<b>Net Carrying Amount at Fair Value</b>	<b>8,551,252</b>	<b>7,978,749</b>
<b>Plant and Equipment</b>		
Gross Carrying Amount	1,945,924	1,996,664
Less Accumulated Depreciation and impairment	(1,255,465)	(1,272,592)
<b>Net Carrying Amount at Fair Value</b>	<b>690,459</b>	<b>724,072</b>
<b>Infrastructure Systems</b>		
Gross Carrying Amount	563,857	489,532
Less Accumulated Depreciation and impairment	(231,083)	(173,027)
<b>Net Carrying Amount at Fair Value</b>	<b>332,774</b>	<b>316,505</b>
<b>Total Property, Plant and Equipment Net Carrying Amount at Fair Value</b>	<b>9,574,485</b>	<b>9,019,326</b>

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

	CONSOLIDATED					
	Land (\$000)	Buildings (\$000)	Leased Buildings (\$000)	Plant and Equipment (\$000)	Infrastructure Systems (\$000)	Total (\$000)
<b>Year Ended 30 June 2008</b>						
Net Carrying amount at start of year	1,510,114	6,416,941	51,694	724,072	316,505	9,019,326
Additions	12,012	463,222	–	113,848	1,720	590,802
Reclassifications to Intangibles	–	–	–	(2,465)	–	(2,465)
Assets Held for Sale	(3,008)	(2,745)	–	–	(43)	(5,796)
Disposals	(6,480)	(7,631)	–	(10,654)	–	(24,765)
Net revaluation increment less revaluation decrements recognised in reserves	136,892	272,704	1,937	–	17,567	429,100
Depreciation expense	–	(280,338)	(211)	(138,789)	(12,379)	(431,717)
Reclassifications	22,575	(35,294)	(1,132)	4,447	9,404	–
<b>Net Carrying amount at end of year</b>	<b>1,672,105</b>	<b>6,826,859</b>	<b>52,288</b>	<b>690,459</b>	<b>332,774</b>	<b>9,574,485</b>
<b>Year Ended 30 June 2007</b>						
Net Carrying amount at start of year	1,494,399	6,094,494	51,527	713,057	322,072	8,675,549
Additions	1,341	389,771	2,010	136,561	135	529,818
Recognition of Assets Held for Sale	(8,870)	(2,603)	–	–	(130)	(11,603)
Disposals	(13,699)	(16,207)	–	(10,801)	(1,266)	(41,973)
Net revaluation increment less revaluation decrements	36,230	231,724	–	–	7,403	275,357
Depreciation expense	–	(260,243)	(1,844)	(134,049)	(11,686)	(407,822)
Reclassifications	713	(19,995)	1	19,304	(23)	–
<b>Net Carrying amount at end of year</b>	<b>1,510,114</b>	<b>6,416,941</b>	<b>51,694</b>	<b>724,072</b>	<b>316,505</b>	<b>9,019,326</b>

Land and Buildings include land owned by the Health Administration Corporation and administered by either the Department or its controlled entities.

Valuations for each of the Health Services are performed regularly within a three year cycle. Revaluation details are included in the individual entities' financial reports.

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

**26. Intangible Assets**

	PARENT	
	2008 (\$000)	2007 (\$000)
<b>Software</b>		
Cost (Gross Carrying Amount)	8,945	8,945
Less Accumulated Amortisation and Impairment	(6,460)	(5,266)
<b>Net Carrying Amount</b>	<b>2,485</b>	<b>3,679</b>
<b>Total Intangible Assets at Net Carrying Amount</b>	<b>2,485</b>	<b>3,679</b>

**Intangible Assets - Reconciliation**

	PARENT
	SOFTWARE (\$000)
<b>Year Ended 30 June 2008</b>	
Net Carrying amount at start of year	3,679
Amortisation (recognised in depreciation and amortisation)	(1,194)
<b>Net Carrying amount at end of year</b>	<b>2,485</b>
<b>Year Ended 30 June 2007</b>	
Net Carrying amount at start of year	4,056
Additions - Internal Development	914
Amortisation (recognised in depreciation and amortisation)	(1,291)
<b>Net Carrying amount at end of year</b>	<b>3,679</b>

26. Intangible Assets (continued)

	CONSOLIDATION	
	2008 (\$000)	2007 (\$000)
<b>Software</b>		
Cost (Gross Carrying Amount)	141,382	136,914
Less Accumulated Amortisation and Impairment	(59,818)	(73,336)
<b>Net Carrying Amount</b>	<b>81,564</b>	<b>63,578</b>
<b>Other</b>		
Cost (Gross Carrying Amount)	946	-
Less Accumulated Amortisation and Impairment	(626)	-
<b>Net Carrying Amount</b>	<b>(320)</b>	<b>-</b>
<b>Total Intangible Assets at Net Carrying Amount</b>	<b>81,884</b>	<b>63,578</b>

Intangible Assets - Reconciliation

	CONSOLIDATION		
	SOFTWARE (\$000)	OTHER (\$000)	TOTAL (\$000)
<b>Year Ended 30 June 2008</b>			
Net Carrying amount at start of year	63,578	-	63,578
Additions - Internal Development	32,495	477	32,972
Reclassifications from Plant & Equipment	2,465	-	2,465
Amortisation (recognised in depreciation and amortisation)	(16,745)	(157)	(16,902)
Disposals	(229)	-	(229)
<b>Net Carrying amount at end of year</b>	<b>81,564</b>	<b>320</b>	<b>81,884</b>
<b>Year Ended 30 June 2007</b>			
Net Carrying amount at start of year	52,434	852	53,286
Additions - Internal Development	20,641	-	20,641
Amortisation (recognised in depreciation and amortisation)	(10,349)	-	(10,349)
Reclassifications	852	(852)	-
<b>Net Carrying amount at end of year</b>	<b>63,578</b>	<b>-</b>	<b>63,578</b>

27. Restricted Assets

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
-	-	The Department's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.		
-	-	Specific Purposes	323,475	278,359
-	-	Perpetually Invested Funds	6,880	6,783
-	-	Research Grants	137,879	165,599
-	-	Private Practice Funds	155,669	117,971
-	-	Other	26,357	51,586
-	-		<b>650,260</b>	<b>620,298</b>

Details of Conditions on Contributions appear 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

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
427	202	Accrued Salaries, Wages and On-Costs	220,371	163,354
3,176	3,016	Taxation and Other Payroll Deductions	78,589	38,705
41,748	32,168	Superannuation Guarantee Charge Payables	41,748	32,168
		Creditors		
19,152	56,178	Other Creditors	644,619	477,453
-	-	- Capital Works	66,881	38,991
67,536	29,579	- Intra Health Liability	-	-
<b>132,039</b>	<b>121,143</b>		<b>1,052,208</b>	<b>750,671</b>

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

## 29. Borrowings

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
-	-	Bank Overdraft* - Unsecured	119	-
-	-	Treasury Advances Repayable - Secured	1,137	3,202
-	-	Finance Leases [See note 33(d)] - Secured	3,053	2,548
-	-		<b>4,309</b>	<b>5,750</b>
		<b>Non Current</b>		
-	-	Treasury Advances Repayable - Secured	7,423	8,795
-	-	Finance Leases [See note 33(d)] - Secured	18,845	21,898
-	-	Other - Mater PPP	70,585	-
-	-		<b>96,853</b>	<b>30,693</b>
		<b>Repayment of Borrowings (Excluding Finance Leases)</b>		
-	-	Not later than one year	1,353	3,202
-	-	Between one and five years	7,073	8,795
-	-	Later than five years	70,838	-
-	-	<b>Total Borrowings at face value (Excluding Finance Leases)</b>	<b>79,264</b>	<b>11,997</b>

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

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

## 30. Provisions

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current Employee Benefits and Related On-Costs</b>		
5,243	5,265	Recreation Leave - Short Term Benefit	606,465	589,441
5,074	4,863	Recreation Leave - Long Term Benefit	402,426	364,441
370	309	Long Service Leave - Short Term Benefit	127,408	108,149
3,332	2,778	Long Service Leave - Long Term Benefit	1,097,426	1,010,438
-	-	Sick Leave - Long Term Benefit	615	654
<b>14,019</b>	<b>13,215</b>	<b>Total current provisions</b>	<b>2,234,340</b>	<b>2,073,123</b>
		<b>Non Current Employee Benefits and Related On-Costs</b>		
368	686	Long Service Leave - Conditional	96,735	105,635
-	-	Sick Leave - Long Term Benefit	50	46
<b>368</b>	<b>686</b>	<b>Total non current provisions</b>	<b>96,785</b>	<b>105,681</b>

### 30. Provisions (continued)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
14,019	13,215	Provisions - current	2,234,340	2,073,123
368	686	Provisions - non current	96,785	105,681
45,351	35,386	Accrued Salaries, Wages and On-Costs (refer to Note 28)	340,708	234,227
<b>59,738</b>	<b>49,287</b>		<b>2,671,833</b>	<b>2,413,031</b>

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 12 months.

### 31. Other Liabilities

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>Current</b>		
590	-	Income in Advance	13,280	10,522
12,425	-	Liability to Consolidated Fund	12,425	-
-	-	Other	45	-
<b>13,015</b>	<b>-</b>		<b>25,750</b>	<b>10,522</b>
		<b>Non Current</b>		
-	-	Income in Advance	46,820	31,698
2,027	2,558	Other	2,027	-
<b>2,027</b>	<b>2,558</b>		<b>48,847</b>	<b>31,698</b>

Income in advance has been received as a consequence of Health Services entering into agreements for the sale of surplus properties and the provision and operation of private health facilities and car parks.

### 32. Changes in Equity

PARENT	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		TOTAL EQUITY	
	2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)
<b>Balance at the beginning of the Financial Year</b>	<b>249,071</b>	<b>222,749</b>	<b>98,459</b>	<b>59,732</b>	<b>347,530</b>	<b>282,481</b>
<b>Changes in Equity - transactions with owners as owners</b>						
Decrease in net assets from administrative restructure	-	(3,826)	-	-	-	(3,826)
<b>Total</b>	<b>-</b>	<b>(3,826)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,826)</b>
<b>Changes in Equity - other than transactions with owners as owners</b>						
Result for the Year	(54,252)	30,148	-	-	(54,252)	30,148
Increment on Revaluation of Land and Buildings	-	-	-	38,727	-	38,727
<b>Total</b>	<b>(54,252)</b>	<b>30,148</b>	<b>-</b>	<b>38,727</b>	<b>(54,252)</b>	<b>68,875</b>
<b>Transfer within Equity</b>						
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	3,621	-	(3,621)	-	-	-
<b>Total</b>	<b>3,621</b>	<b>-</b>	<b>(3,621)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at the end of the financial year</b>	<b>198,440</b>	<b>249,071</b>	<b>94,838</b>	<b>98,459</b>	<b>293,278</b>	<b>347,530</b>

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 2006/07 relates to the transfer of Plant and Equipment and Intangibles to the Health Administration Corporation.

**32. Changes in Equity (continued)**

CONSOLIDATED	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		NOT CURRENT ASSETS HELD FOR SALE RESERVES		TOTAL EQUITY	
	2008 (\$'000)	2007 (\$'000)	2008 (\$'000)	2007 (\$'000)	2008 (\$'000)	2007 (\$'000)	2008 (\$'000)	2007 (\$'000)
Balance at the beginning of the Financial Year	5,807,531	5,822,340	1,632,356	1,360,017	742	1,071	7,440,629	7,183,428
<b>Changes in Equity - transactions with owners as owners</b>								
Result for the Year	(379,994)	(18,156)	-	-	-	-	(379,994)	(18,156)
Increment on Revaluation of:								
Land and Buildings	-	-	411,533	267,954	-	-	411,533	267,954
Plant and Equipment	-	-	-	-	-	-	-	-
Infrastructure Systems	-	-	17,567	7,403	-	-	17,567	7,403
<b>Total</b>	<b>(379,994)</b>	<b>(18,156)</b>	<b>429,100</b>	<b>275,357</b>	<b>-</b>	<b>-</b>	<b>49,106</b>	<b>257,201</b>
<b>Transfer within Equity</b>								
Available for sale reserves transferred to Asset revaluation reserve	(84)	50	(940)	279	1024	(329)	-	-
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	-	3,297	-	(3,297)	-	-	-	-
Other transfers	59,327	-	(59,327)	-	-	-	-	-
<b>Total</b>	<b>59,243</b>	<b>3,347</b>	<b>(60,267)</b>	<b>(3,018)</b>	<b>1024</b>	<b>(329)</b>	<b>-</b>	<b>-</b>
<b>Balance at the end of the financial year</b>	<b>5,486,780</b>	<b>5,807,531</b>	<b>2,001,189</b>	<b>1,632,356</b>	<b>1,766</b>	<b>742</b>	<b>7,489,735</b>	<b>7,440,629</b>

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

**33. Commitments for Expenditure**

PARENT			CONSOLIDATED	
2008 (\$'000)	2007 (\$'000)		2008 (\$'000)	2007 (\$'000)
		<b>(a) Capital Commitments</b>		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets contracted for at balance date and not provided for :		
-	-	Not later than one year	364,817	336,651
-	-	Later than one year and not later than five years	332,622	283,192
-	-	Later than five years	738,909	570,893
-	-	<b>Total Capital Expenditure Commitments (including GST)</b>	<b>1,436,348</b>	<b>1,190,736</b>

The Government is committed to capital expenditures as follows in accordance with the Department's Asset Acquisition Program:	2008 (\$'000)	2007 (\$'000)
Not later than one year	668,621	642,976
Later than one year and not later than five years	1,281,956	2,113,899
Later than five years	289,268	506,401
<b>Total Capital Program</b>	<b>2,239,845</b>	<b>3,263,276</b>

Contractual Commitments are confined to the values reported above for 2008 (\$1.406 billion) and 2007 (\$1.191 billion).

33. Commitments for Expenditure (continued)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		<b>(b) Other Expenditure Commitments</b>		
		Aggregate other expenditure contracted for at balance date and not provided for:		
11,196	13,274	Not later than one year	271,228	151,872
6,939	1,431	Later than one year and not later than five years	354,312	444,750
-	-	Later than five years	1,969,496	1,094,328
<b>18,135</b>	<b>14,705</b>	<b>Total Other Expenditure Commitments (including GST)</b>	<b>2,595,036</b>	<b>1,690,950</b>
		Major commitments relate to contracts for Public Private Partnership provision of services - see Notes 33 (f) to (h)		
		<b>(c) Operating Lease Commitments</b>		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
7,563	7,938	Not later than one year	108,665	107,767
7,724	7,646	Later than one year and not later than five years	195,607	168,279
-	-	Later than five years	72,433	102,947
<b>15,287</b>	<b>15,584</b>	<b>Total Operating Lease Commitments (including GST)</b>	<b>376,705</b>	<b>378,993</b>
		The operating leases include motor vehicles arranged through a lease facility negotiated by NSW Treasury as well as electro medical equipment. Operating leases have also been included for information technology equipment. These operating lease commitments are not recognised in the financial statements as liabilities.		
		<b>(d) Finance Lease Commitments</b>		
		Minimum lease payment commitments in relation to finance leases payable as follows:		
-	-	Not later than one year	4,745	4,649
-	-	Later than one year and not later than five years	16,110	17,919
-	-	Later than five years	9,435	12,370
<b>-</b>	<b>-</b>	<b>Minimum Lease Payments ( including GST)</b>	<b>30,290</b>	<b>34,938</b>
-	-	Less: Future Financing Charges	(5,638)	(7,316)
-	-	Less: GST Component	(2,754)	(3,176)
		<b>Present Value of Minimum Lease Payments</b>	<b>21,898</b>	<b>24,446</b>
-	-	Current (Note 29)	3,053	2,548
-	-	Non-Current (Note 29)	18,845	21,898
		<b>Total</b>	<b>21,898</b>	<b>24,446</b>
		The present value of finance lease commitments is as follows:		
-	-	Not later than one year	3,053	2,548
-	-	Later than one year and not later than five years	14,033	13,347
-	-	Later than five years	4,812	8,551
<b>-</b>	<b>-</b>	<b>Total</b>	<b>21,898</b>	<b>24,446</b>
		The finance lease commitment is in respect of Hawkesbury Private Hospital. The term of the lease is 20 years at which time the ownership of the buildings transfers to the NSW State Government.		

**(e) Contingent Asset related to Commitments for Expenditure**

The total "Expenditure Commitments" above includes input tax credits of \$3M in relation to the Parent Entity and \$402M in relation to NSW Health that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2006/07 are \$3M and \$300M respectively.

**(f) Calvary Mater Newcastle Hospital 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, refurbishment of existing buildings, facilities management and delivery of ancillary non-clinical services on the site until November 2033. The redevelopment will be completed in three stages. Stage 1 was completed on 9 January 2008 and full service commencement is anticipated in mid 2009.

When Stage 1 construction was completed in January 2008 the Hunter New England Area Health Service (HNEAHS) transferred the Mater Hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71M. The recognition is based on the fact

that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either HNEAHS or the Department. After completion of the project, HNEAHS will transfer the other parts of the new hospital and will recognise the transfer of a grant expense of \$35M.

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 offsetting

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.

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	2008 (\$000)	2007 (\$000)
Not later than one year	4,253	1,401
Later than one year and not later than five years	29,315	26,156
Later than five years	89,818	97,230

**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	2008 (\$000)	2007 (\$000)
Not later than one year	11,896	8,426
Later than one year and not later than five years	86,955	113,460
Later than five years	586,801	748,034

The expenditure commitments include Goods & Services Tax. Related input tax credits of \$74M (2007: \$90M) are expected to be recoverable from the Australian Taxation Office.

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

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

When construction is completed, Justice Health, a statutory health corporation, will operate and recognise the new Hospital, the Operations Building and the Pharmacy Building as an asset of \$86M. The basis for the accounting treatment is that services will be delivered by Justice Health for the duration of the term until July 2034.

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

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

**(a) Capital Commitments - New Forensic Hospital and Operations Building**

NOMINAL	2008 (\$000)	2007 (\$000)
Not later than one year	6,499	–
Later than one year and not later than five years	43,095	38,820
Later than five years	228,941	239,715

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

NOMINAL	2008 (\$000)	2007 (\$000)
Not later than one year	4,837	–
Later than one year and not later than five years	34,082	29,804
Later than five years	303,137	312,253

The expenditure commitments include Goods & Services Tax. Related input tax credits of \$56M (2007: \$56M) are expected to be recoverable from the Australian Taxation Office.



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

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

When construction is completed, the Greater Western Area Health Service (GWAHS) will operate and recognise the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities as an asset of \$162M, and the Radiotherapy/expanded Oral/Bloodbank Units at \$12M. The basis for the accounting treatment is that services will be delivered by GWAHS for the duration of the term until December 2035.

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

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

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

NOMINAL	2008 (\$000)	2007 (\$000)
Not later than one year	5,841	-
Later than one year and not later than five years	52,398	-
Later than five years	509,968	-

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

NOMINAL	2008 (\$000)	2007 (\$000)
Not later than one year	15,391	-
Later than one year and not later than five years	100,134	-
Later than five years	970,036	-

The expenditure commitments include Goods & Services Tax. Related input tax credits of \$150M (2007: \$Nil) are expected to be recoverable from the Australian Taxation Office.

**34. Trust Funds**

The NSW Department of Health's controlled entities hold Trust Fund monies of \$56.384 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	
	2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)
Cash Balance at the beginning of the financial year	4,306	3,873	19,797	20,876	12,886	16,862	36,989	41,611
Receipts	3,979	5,476	8,073	96,802	316,632	281,645	328,684	383,923
Expenditure	(3,729)	(5,043)	(18,847)	(97,881)	(286,713)	(285,621)	(309,289)	(388,545)
<b>Cash Balance at the end of the financial year</b>	<b>4,556</b>	<b>4,306</b>	<b>9,023</b>	<b>19,797</b>	<b>42,805</b>	<b>12,886</b>	<b>56,384</b>	<b>36,989</b>

### 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 2001/02 fund year and an interim adjustment for the 2003/04 fund year were not calculated until 2007/08. As a result, the 2002/03 final and 2004/05 interim hindsight calculations will be paid in 2008/09.

#### (c) Affiliated Health Organisations

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

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

#### (d) Mater 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, Novacare Project Partnerships for financing, design, construction and commissioning of a range of health facilities.

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

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

The liability to pay PPP Solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving floating interest rate bank debt. An interest rate adjustment will be made in accordance with interest rate movements over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

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

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

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

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

#### (g) Other Legal Matters

Eleven legal matters are currently on foot, which carry a potential total liability of \$980,000 (inclusive of costs).

#### (h) Claim by Lessee of Certain Property

The 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.

It is considered that the likelihood of success of the claim is minimal and accordingly no provision in relation to this matter has been reflected in the financial statements.

As part of the original agreement for construction of the private hospital, the lessee constructed a private car park on the land leased from SSWAHS. The lease was cancelled in March 2000 and, after an interlocutory hearing, SSWAHS was granted the right to operate the car park from 26 June 2000. In doing so, SSWAHS is entitled to collect parking fees and pay costs associated with operating the car park, retaining any excess in trust pending resolution of matters referred to above. At year end this excess amounted to \$4,585,786. The car park has not been recognised as an asset in the financial statements as ownership has not been transferred.

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

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
(44,687)	31,561	Net Cash Used on Operating Activities	469,068	555,496
(5,099)	(4,821)	Depreciation	(448,619)	(418,171)
(1,299)	(85)	Allowance for Impairment	(33,779)	(23,303)
(7,444)	(5,393)	Acceptance by the Crown of Employee Benefits	(163,216)	(147,061)
(486)	403	(Increase)/ Decrease in Provisions	(152,321)	(176,797)
23,065	2,899	Increase / (Decrease) in Prepayments and Other Assets	100,907	58,863
(23,276)	(918)	(Increase)/ Decrease in Creditors	(306,024)	(25,282)
(6,436)	(38)	Net Gain/(Loss) on Sale of Property, Plant and Equipment	(17,074)	10,318
(10,353,404)	(9,800,594)	Recurrent Appropriation	(10,353,404)	(9,800,594)
(401,639)	(385,735)	Capital Appropriation	(401,639)	(385,735)
-	-	Revaluation of Investment	7,848	-
3,371	(37,239)	Other	-	720
<b>(10,817,334)</b>	<b>(10,199,960)</b>	<b>Net Cost of Services</b>	<b>(11,298,253)</b>	<b>(10,351,546)</b>

### 37. Non Cash Financing and Investing Activities

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
-	-	Assets Received by Donation	1,836	720
-	-	<b>Total</b>	<b>1,836</b>	<b>720</b>

### 38. 2007/08 Voluntary Services

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

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

### 39. Unclaimed Monies

Unclaimed salaries and wages of Health Services are paid to the credit of 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.

### 40. Budget Review (Consolidated)

#### Net Cost of Services

The actual Net Cost of Services of \$11.298 billion was at variance with the budget by \$411 million. The following line item variations were not recognised in the budget:

Increased Employee Related Costs, e.g. for new beds, clinical services, leap year costs and services sourced from increased revenues. .... **\$372 million**

Additional other Operating Expenses including the expensing of capital projects that do not satisfy asset measurement criteria, e.g. individual assets exceeding \$10,000 in value..... **\$57 million**

Grants and subsidies payments including \$20 million to the University of NSW Institute of Virology, St Vincent's Bio Hub Technology project \$14 million, the Newcastle Mater Private Public Partnership \$18 million, Cancer Institute payments of \$57 million and Capital expensing of Third Schedule Hospitals projects \$23 million ..... **\$140 million**

Increased revenues (Sale of Goods & Services \$114 million, Grants & Contributions \$72 million and reduced Investment Revenues (\$17) million and Other Revenue \$39 million which has been applied in turn to increased expenses generated in the provision of health services..... **\$(208) million**

Loss in disposal of assets or relating to estimates made for debts that are likely to prove irrecoverable. .... **\$31 million**

Depreciation charges due to the increased value of Property, Plant and Equipment ..... **\$14 million**

Increased finance costs ..... **\$5 million**

**TOTAL ..... \$411 million**

The Department has dissected the variation into the following key components:

**Budget Committee Decisions, Protected Items and Commonwealth Monies**

The variation includes Treasury approvals for Beds/Emergency Medical, Maternity, Clinical Services Redesign Program and the NSW Institute of Virology. .... **\$20 million**

**Technical Adjustments**

Leap Year Costs, Capital Expensing, utilisation of Inventory, St Vincent's BioHub expenditures and standardisation of practices through the transition to Health System Support, Leave Adjustments, Superannuation, Depreciation, Loss on disposal of assets and impairments..... **\$242 million**

Health Service Expenditure in excess of Available Revenues ..... **\$149 million**

**TOTAL ..... \$411 million**

**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:

Variation from budget for Net Cost of Services as detailed above ..... **\$411 million**

Reduction in recurrent appropriation due principally to annual expenditures accrued but not yet paid ..... **\$7 million**

Increase in capital appropriation ..... **\$(16) million**

Crown acceptance of employee liabilities (a non-cash expense to the Department) ..... **\$(9) million**

**TOTAL ..... \$393 million**

**Assets and Liabilities**

Net assets increased by \$35 million from budget. This included the following variations:

The restatement of Property, Plant and Equipment (\$433M), Intangibles (\$17M) & Assets Held for Sale (\$14M) per independent asset valuations, additional capital funding, and a variation in asset sales ..... **\$464 million**

Increase in Leave Provisions due mainly to awards and actuarial assessment of accumulated leave entitlements .... **\$(18) million**

Increase in Receivables ..... **\$79 million**

Increase in Current Payables ..... **\$(409) million**

Decrease in Cash/Other Financial Assets ..... **\$(47) million**

Decrease in Inventories ..... **\$(9) million**

Decrease in Borrowings ..... **\$5 million**

Increase in Other Liabilities ..... **\$(32) million**

Other ..... **\$2 million**

**TOTAL ..... \$35 million**

**Cash Flow**

**Cash Flows from Operating Activities**

**Payments**

2007/08 total payments exceeded the budget by \$254 million, the principal components of which were increased Employee Related payments of \$151 million, Grants & Subsidies of \$218 million, an increase in finance costs of \$5 million and a reduction in Other Payments of \$120 million.

The increased payments were sourced from increased Revenue/ Cash at Bank or through the increase in Accounts Payable.

**Receipts**

2007/08 total revenue receipts were \$164 million more than budget estimates due principally to the increased revenues of \$208 million reported in the Operating Statement adjusted for the effects of increased receivables.

**Cash Flows from Government**

The increase of \$22 million in Cash Flows from Government results from additional funding of \$12.3 million provided via the Appropriation (Budget Variations) Bill 2008 for additional hospital beds and the Bathurst Hydrotherapy Pool as well as Treasurer's Advances net of savings in protected allocations (e.g. Awards) to cover additional expenditure on items such as research, additional beds and clinical services.

## 41. Financial Instruments

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

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

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

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

### (a) Financial Instrument Categories

#### PARENT

		Total Carrying Amounts as per the Balance Sheet	
CLASS	CATEGORY	2008 (\$000)	2007 (\$000)
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 18)	N/A	141,961	183,720
Receivables at Amortised Cost (note 19) <sup>1</sup>	Loans & Receivables (amortised costs)	57,482	21,048
Financial Assets at Fair Value designated as such per initial recognition (note 21)		2,086	2,086
Other Financial Assets (Note 22)	Loans & Receivables (amortised costs)	69,326	65,977
<b>Total Financial Assets</b>		<b>270,855</b>	<b>272,831</b>
<b>Financial Liabilities</b>			
Payables (Note 28) <sup>2</sup>	Loans & Receivables (amortised costs)	84,152	85,038
Other (Note 31)	N/A	14,452	2,558
<b>Total Financial Liabilities</b>		<b>98,604</b>	<b>87,596</b>

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

#### CONSOLIDATION

		Total Carrying Amounts as per the Balance Sheet	
CLASS	CATEGORY	2008 (\$000)	2007 (\$000)
<b>Financial Assets</b>			
Cash and Cash Equivalents (note 18)	N/A	702,787	736,919
Receivables at Amortised Cost (note 19) <sup>1</sup>	Loans & Receivables (amortised costs)	265,702	203,697
Financial Assets at Fair Value designated as such per initial recognition (note 21)		161,224	168,245
Other Financial Assets (Note 22)	Loans & Receivables (amortised costs)	-	2,161
<b>Total Financial Assets</b>		<b>1,129,713</b>	<b>1,111,022</b>
<b>Financial Liabilities</b>			
Borrowings (Note 29)	Loans & Receivables (amortised costs)	101,162	36,443
Payables (Note 28) <sup>2</sup>	N/A	993,090	703,074
Other (Note 31)		14,497	-
<b>Total Financial Liabilities</b>		<b>1,108,749</b>	<b>739,517</b>

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

### b) Credit Risk

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. The maximum exposure to credit risk is generally represented by the carrying amount of the

financial assets (net of any allowance for impairment). Credit risk arises from financial assets of the Entity i.e receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

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

### Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates between 5.25% and 6.25% for the Parent and between 5% and 8% for the Consolidation. This compares to rates between 4.45% and 6.60% in the previous year. The TCorp Hour Glass cash facility is discussed in para (d) below.

### Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect the amounts due. The evidence includes past experience

and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Debtors that are not past due (Parent 2008: \$44.429M; 2007: \$10.586M; Consolidated 2008 \$109.973M; 2007 \$99.048M) plus those not more than 3 months past due but not impaired (Parent 2008: \$0.818M; 2007: \$1.754M; Consolidated 2008 \$57.708M; 2007 \$43.479M) but for which no provision for impairment is warranted represent 86.9% (2007 74.4%) of the total trade debtors reported by the Parent and 62.9% (2007 71.1%) reported in the consolidation. In addition Patient Fees Compensables are frequently not settled with 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the debtors of the Department and its controlled entities are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have not been renegotiated.

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

#### PARENT

2008	TOTAL (\$000)	PAST DUE BUT NOT IMPAIRED (\$000)	CONSIDERED IMPAIRED (\$000)
<3 months overdue	856	818	38
3 months - 6 months overdue	505	467	38
> 6 months overdue	6,266	5,056	1,210
<b>Total</b>	<b>7,627</b>	<b>6,341</b>	<b>1,286</b>
2007	TOTAL (\$000)	PAST DUE BUT NOT IMPAIRED (\$000)	CONSIDERED IMPAIRED (\$000)
<3 months overdue	1,754	1,754	0
3 months - 6 months overdue	24	24	0
> 6 months overdue	4,218	4,041	177
<b>Total</b>	<b>5,996</b>	<b>5,819</b>	<b>177</b>

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2008	TOTAL (\$000)	PAST DUE BUT NOT IMPAIRED (\$000)	CONSIDERED IMPAIRED (\$000)
<3 months overdue	70,714	57,708	13,006
3 months - 6 months overdue	41,015	37,440	6,575
> 6 months overdue	42,057	20,901	21,156
<b>Total</b>	<b>156,786</b>	<b>116,049</b>	<b>40,737</b>
2007	TOTAL (\$000)	PAST DUE BUT NOT IMPAIRED (\$000)	CONSIDERED IMPAIRED (\$000)
<3 months overdue	54,035	43,479	10,556
3 months - 6 months overdue	17,005	12,125	4,880
> 6 months overdue	30,505	12,134	18,371
<b>Total</b>	<b>101,545</b>	<b>67,738</b>	<b>33,807</b>

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

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

**Authority Deposits**

Controlled entities of the Department have placed funds on deposit with TCorp, which has been rated “AAA” by Standard and Poor’s. These deposits are similar to money market or bank deposits and can be placed “at call” or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits vary. The deposits at balance date across Health Services under the control of the NSW Department of Health ranged between -3.92% and 7.92% (2007 6.27% and 9.53%) while over the year the weighted average interest rates reported by Health Services ranged between -1.32% and 7.9% (2007 6.22% and 6.53%). None of these assets are past due or impaired.

**c) Liquidity Risk**

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

The Department and its controlled entities have negotiated no loan outside of arrangements with the Sustainable Energy

Development Authority or the Private Public Partnership arrangements negotiated through Treasury.

During the current and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Department’s controlled entities’ exposure to liquidity risk is significant. However, this risk is minimised as the NSW Department of Health has indicated its ongoing financial report to those entities. Risks to the Department are not considered significant as the Department is a budget dependent agency that is funded to continue to provide essential health services.

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

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

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

**Maturity Analysis and interest rate exposure of financial liabilities**

**PARENT**

	INTEREST RATE EXPOSURE						MATURITY DATES			Weighted Average Effective Int. Rate
	Fixed Interest Rate (%)	Variable Interest Rate %	Nominal Amount (\$000)	Fixed Interest Rate (\$000)	Variable Interest Rate (\$000)	Non-Interest Bearing (\$000)	< 1 Yr (\$000)	1-5 Yrs (\$000)	> 5 Yrs (\$000)	
<b>2008</b>										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	2,973	-	-	2,973	2,973	-	-	-
Creditors	-	-	81,179	-	-	81,179	81,179	-	-	-
<b>Total</b>	-	-	<b>84,152</b>	-	-	<b>84,152</b>	<b>84,152</b>	-	-	-
<b>2007</b>										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	2,378	-	-	2,378	2,378	-	-	-
Creditors	-	-	82,494	-	-	82,494	82,494	-	-	-
<b>Total</b>	-	-	<b>84,872</b>	-	-	<b>84,872</b>	<b>84,872</b>	-	-	-



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	INTEREST RATE EXPOSURE						MATURITY DATES			Weighted Average Effective Int. Rate
	Fixed Interest Rate (%)	Variable Interest Rate %	Nominal Amount (\$000)	Fixed Interest Rate (\$000)	Variable Interest Rate (\$000)	Non-Interest Bearing (\$000)	< 1 Yr (\$000)	1-5 Yrs (\$000)	> 5 Yrs (\$000)	
<b>2008</b>										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	298,330	-	-	298,330	298,330	-	-	-
Creditors	-	-	694,760	-	-	694,760	694,760	-	-	-
Borrowings:										
Bank Overdraft	-	-	119	-	-	119	119	-	-	-
Other Loans and Deposits	5.2-6.6	6.0	79,145	79,145	-	-	1,137	6,997	71,011	5.99
Finance leases	-	6.6 - 7.1	21,898	-	21,898	-	3,053	14,033	4,812	6.9
<b>Total</b>			<b>1,094,252</b>	<b>79,145</b>	<b>21,898</b>	<b>993,209</b>	<b>997,399</b>	<b>21,030</b>	<b>75,823</b>	
<b>2007</b>										
Payables:										
Accrued Salaries, Wages and Payroll Deductions	-	-	201,219	-	-	201,219	201,219	-	-	-
Creditors	-	-	501,855	-	-	501,855	501,855	-	-	-
Borrowings:										
Other Loans and Deposits	5.2-6.6	-	11,997	11,997	-	-	3,202	8,449	346	5.87
Finance leases	-	6.3 - 6.7	24,446	-	24,446	-	2,548	13,347	8,551	6.5
<b>Total</b>			<b>739,517</b>	<b>11,997</b>	<b>24,446</b>	<b>703,074</b>	<b>708,824</b>	<b>21,796</b>	<b>8,897</b>	

**d) Market risk**

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

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

balance sheet date. The analysis is performed on the same basis for 2007. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

PARENT

	CARRYING AMOUNT (\$000)	-1%		+1%	
		RESULT	EQUITY	RESULT	EQUITY
<b>2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents	141,961	(1,420)	(1,420)	1,420	1,420
Receivables	57,482	-	-	-	-
Financial assets at fair value	2,086	(21)	(21)	21	21
Other financial assets	69,326	(693)	(693)	693	693
<b>Financial liabilities</b>					
Payables	84,152	-	-	-	-
Other	14,452	145	145	(145)	(145)

PARENT

2007	CARRYING AMOUNT (\$000)	-1%		+1%	
		RESULT	EQUITY	RESULT	EQUITY
<b>Financial assets</b>					
Cash and cash equivalents	183,720	(1,837)	(1,837)	1,837	1,837
Receivables	21,048	-	-	-	-
Financial assets at fair value	2,086	(21)	(21)	21	21
Other financial assets	65,977	(660)	(660)	660	660
<b>Financial liabilities</b>					
Payables	85,038	-	-	-	-
Other	2,558	26	26	(26)	(26)

CONSOLIDATED

	CARRYING AMOUNT (\$000)	-1%		+1%	
		RESULT	EQUITY	RESULT	EQUITY
<b>2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents	702,787	(7,028)	(7,028)	7,028	7,028
Receivables	265,702	-	-	-	-
Financial assets at fair value	161,224	(1,612)	(1,612)	1,612	1,612
Other financial assets	-	-	-	-	-
<b>Financial liabilities</b>					
Borrowings	101,162	1,012	1,012	(1,012)	(1,012)
Payables	993,090	-	-	-	-
Other	14,497	145	145	(145)	(145)
<b>2007</b>					
<b>Financial assets</b>					
Cash and cash equivalents	736,919	(7,369)	(7,369)	7,369	7,369
Receivables	203,697	-	-	-	-
Financial assets at fair value	168,245	(1,682)	(1,682)	1,682	1,682
Other financial assets	2,161	(22)	(22)	22	22
<b>Financial liabilities</b>					
Borrowings	36,443	364	364	(364)	(364)
Payables	703,074	-	-	-	-
Other	-	-	-	-	-

#### Other price risk - TCorp Hour Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes. Neither the Department nor its controlled entities have direct equity investments. Units in the following Hour-Glass investment trusts are confined to controlled entities only with the Parent unit having no such investments:

FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2008 (\$000)	2007 (\$000)
Cash facility	Cash, money market instruments	Up to 2 years	142,934	116,424
Bond market facility	Cash, money market instruments, Australian bonds	2 years to 4 years	17,718	16,815
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	4 years to 7 years	49,422	46,662
Long term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	7 years and over	91,998	102,405

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

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

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

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

#### Impact on profit/loss

	CHANGE IN UNIT PRICE	2008 (\$000)	2007 (\$000)
Hour Glass Investment - Cash facility	-0.43% to 1%	1,234	1,113
Hour Glass Investment - Bond market facility	4.64%	596	(185)
Hour Glass Investment - medium term growth facility	-0.18%	(61)	(650)
Hour Glass Investment - long term growth facility	-5.73% to 15%	2,956	4,793

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year for each facility (as advised by TCorp).

#### e) Fair Value

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

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

## 42. After Balance Date Events

### Graythwaite Property

The Graythwaite property at North Sydney was bequeathed to NSW in 1915 and is subject to a charitable trust to be used for the specific purpose of providing a convalescent home for "sick and injured soldiers and sailors" and when not required for that purpose as a convalescent home for "distressed subjects of the British Empire regardless of sect or creed".

In 2006 NSCCAHS lodged an application with the Supreme Court to approve a cy-pres scheme in respect of the Graythwaite Trust. A cy-pres case runs in two stages. First the court must consider whether the original objects of the Trust can continue to be met. If it decides in the negative, the Trustee can apply for approval of a cy-pres scheme which applies the trust property for a purpose "as near as possible" to the original purpose.

In August 2007 the Supreme Court determined the original objects of the trust cannot be met, and that the provision of residential aged care on the Graythwaite property was contrary to the original intent of the Trust. The Court determined that cy-pres schemes would be invited by public advertisement. Two cy-pres schemes were before the Court - State of NSW (DOH / NSCCAHS) and the RSL/St Vincent's Mater Hospital.

The State of NSW Scheme proposes that the Graythwaite sale proceeds be applied to the construction of a 30 - 60 bed 'Graythwaite Rehabilitation Centre' on the Ryde Hospital campus for patients of the public health system.

On 20 November 2008 the Court decided in favour of the State of NSW scheme, as it was as near as possible to the original objectives of the Trust. However the decision in favour of the State scheme is subject to a number of conditions, namely the property at Ryde where the rehabilitation facility is intended to be built must be transferred to the Crown by 20 May 2009 and all necessary government approvals required for capital expenditure of the proceeds of sale must be obtained by 20 May 2009. Once the two mentioned conditions have been met the trust property must be sold by 20 November 2009 for a sale price not less than \$16.8 million.

The conditions must be satisfied before the sale of Graythwaite takes place. If the State of NSW is unable to comply with the conditions the matter will return to Court for further consideration. The other parties to the proceedings also have a right to appeal.

### Relocation of Health Services from Callan Park Site

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

However based on transfer of 40 hectares the potential reduction in the Area's land and buildings and infrastructure assets approximates \$52M.

### Royal North Shore Hospital Rebuild

On 28 October 2008, the Government entered into a \$721 million public private partnership project with InfraShore which will consolidate 53 outdated buildings into high purpose built facilities for acute hospital care and community health.

Work is expected to commence in late 2008, with the completion of the community health building expected in the first quarter of 2011. The new main property building is scheduled for completion by the end of 2012.

No contractual commitments existed as at 30 June 2008 and therefore have not been included in the Department's commitment disclosures.