

Independent Audit report

HEALTH ADMINISTRATION CORPORATION (HAC)
FOR THE YEAR ENDED 30 JUNE 2008



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Health Administration Corporation and its Controlled Entity

To Members of the New South Wales Parliament

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

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 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 of the Department of Health is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A. 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 Corporation'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 Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial report.

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


My opinion does *not* provide assurance:

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

Independence

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

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



J. Kheir B. Ec. FCPA
Director, Financial Audit Services

5 December 2008
SYDNEY

Certification of accounts

HEALTH ADMINISTRATION CORPORATION (HAC)
FOR THE YEAR ENDED 30 JUNE 2008

CERTIFICATE OF ACCOUNTS

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

- (iv) The financial statements of the Health Administration Corporation 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.
- (v) The financial statements present fairly the financial position and transactions of the parent and the consolidated entity.
- (vi) 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

HEALTH ADMINISTRATION CORPORATION (HAC)
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
			Expenses excluding losses				
			Operating Expenses				
-	-	-	Employee Related	3	443,923	416,931	371,866
443,923	416,931	371,866	Personnel Services	4	-	-	-
225,488	217,631	192,429	Other Operating Expenses	5	225,488	217,631	192,429
51,340	46,907	35,920	Depreciation and Amortisation	2(h), 6	51,340	46,907	35,920
17,623	17,133	856	Grants and Subsidies	7	17,623	17,133	856
840	845	121	Finance Costs	8	840	845	121
739,214	699,447	601,192	Total Expenses excluding losses		739,214	699,447	601,192
			Revenue				
305,828	261,078	230,434	Sale of Goods and Services	9	305,828	261,078	230,434
2,996	956	2,019	Investment Revenue	10	2,996	956	2,019
15,751	12,073	11,817	Grants and Contributions	11	4,745	1,041	1,331
10,557	22,281	9,028	Other Revenue	12	10,557	22,281	9,028
335,132	296,388	253,298	Total Revenue		324,126	285,356	242,812
(2,846)	(1,191)	(3,357)	Gain/(Loss) on Disposal	13	(2,846)	(1,191)	(3,357)
(17,358)	(25,039)	(12,777)	Other gains/(losses)	14	(17,358)	(25,039)	(12,777)
424,286	429,289	364,028	Net Cost of Services		435,292	440,321	374,514
			Government Contributions				
359,667	359,667	315,896	NSW Department of Health Recurrent Allocations	2(d)	359,667	359,667	315,896
64,435	80,224	62,313	NSW Department of Health Capital Allocations	2(d)	64,435	80,224	62,313
-	-	-	Acceptance by the Crown Entity of employee benefits	2(a)	11,006	11,032	10,486
424,102	439,891	378,209	Total Government Contributions		435,108	450,923	388,695
(184)	10,602	14,181	RESULT FOR THE YEAR	29	(184)	10,602	14,181

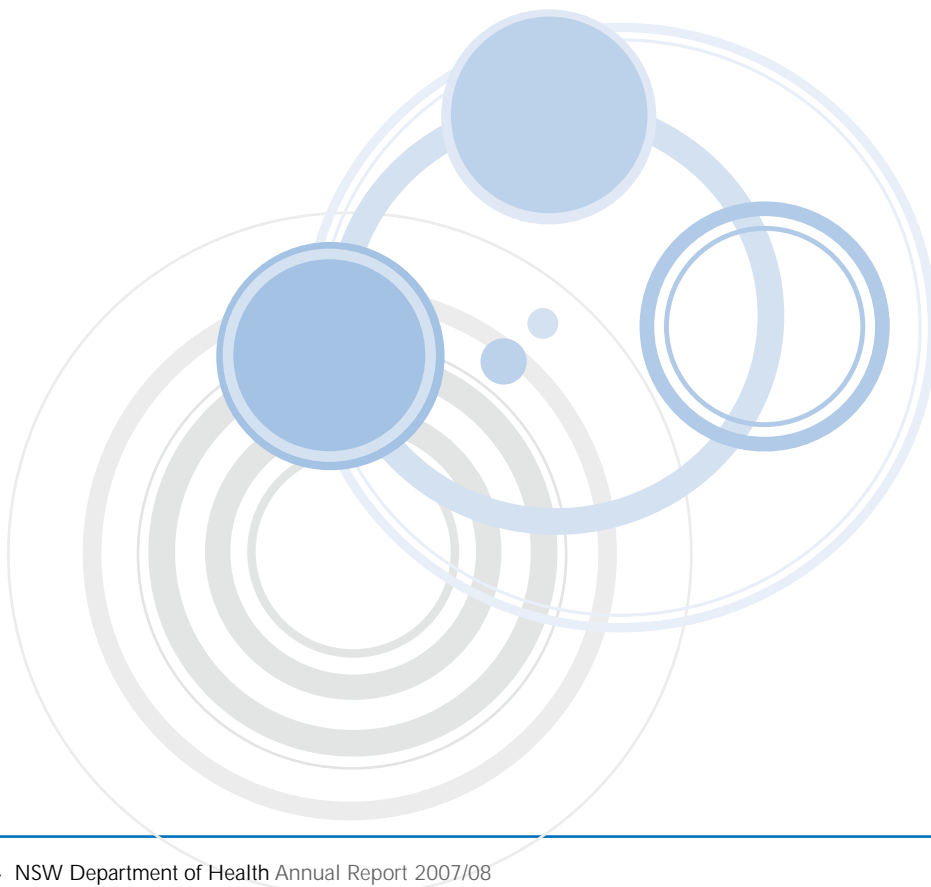
The accompanying notes form part of these Financial Statements

Statement of recognised income and expense

HEALTH ADMINISTRATION CORPORATION (HAC)
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
6,954	–	–	Net increase/(decrease) in Property, Plant and Equipment Asset Revaluation Reserve	29	6,954	–	–
6,954	–	–	TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		6,954	–	–
(184)	10,602	14,181	Result for the Year	29	(184)	10,602	14,181
6,770	10,602	14,181	TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		6,770	10,602	14,181

The accompanying notes form part of these Financial Statements



Balance sheet

HEALTH ADMINISTRATION CORPORATION (HAC)
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
			ASSETS				
			Current Assets				
50,339	50,883	29,457	Cash and Cash Equivalents	17	50,339	50,883	29,457
62,391	46,242	54,858	Receivables	18	62,391	46,242	54,858
3,490	1,798	1,798	Inventories	19	3,490	1,798	1,798
2,880	2,426	2,426	Non Current Assets Held for Sale	20	2,880	2,426	2,426
2,809	1,387	1,763	Other Financial Assets	21	2,809	1,387	1,763
121,909	102,736	90,302	Total Current Assets		121,909	102,736	90,302
			Non-Current Assets				
2,751	652	652	Receivables	18	2,751	652	652
6,526	6,173	6,173	Other Financial Assets	21	6,526	6,173	6,173
			Property, Plant and Equipment				
185,706	155,085	183,363	- Land and Buildings	22	185,706	155,085	183,363
97,538	138,922	109,974	- Plant and Equipment	22	97,538	138,922	109,974
96	96	96	- Infrastructure System	22	96	96	96
283,340	294,103	293,433	Total Property, Plant and Equipment		283,340	294,103	293,433
71,908	66,889	51,619	Intangible Assets	23	71,908	66,889	51,619
364,525	367,817	351,877	Total Non-Current Assets		364,525	367,817	351,877
486,434	470,553	442,179	Total Assets		486,434	470,553	442,179
			LIABILITIES				
			Current Liabilities				
76,538	60,952	57,769	Payables	25	76,538	60,952	57,769
2,337	3,420	3,420	Borrowings	26	2,337	3,420	3,420
137,155	121,468	121,468	Provisions	27	137,155	121,468	121,468
1,007	2,424	2,424	Other	28	1,007	2,424	2,424
217,037	188,264	185,081	Total Current Liabilities		217,037	188,264	185,081
			Non-Current Liabilities				
4,483	12,558	3,762	Provisions	27	4,483	12,558	3,762
6,812	7,797	3,093	Borrowings	26	6,812	7,797	3,093
11,295	20,355	6,855	Total Non-Current Liabilities		11,295	20,355	6,855
228,332	208,619	191,936	Total Liabilities		228,332	208,619	191,936
258,102	261,934	250,243	Net Assets		258,102	261,934	250,243
			EQUITY				
48,250	41,296	41,296	Reserves	29	48,250	41,296	41,296
209,852	220,638	208,947	Accumulated Funds	29	209,852	220,638	208,947
258,102	261,934	250,243	Total Equity		258,102	261,934	250,243

The accompanying notes form part of these Financial Statements

Cash flow statement

HEALTH ADMINISTRATION CORPORATION (HAC)
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
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Payments				
–	–	–	Employee Related		(408,506)	(397,103)	(343,676)
(18,043)	(17,133)	(908)	Grants and Subsidies		(18,043)	(17,133)	(908)
(278)	(845)	(121)	Finance Costs		(278)	(845)	(121)
(651,445)	(611,551)	(539,304)	Other		(242,939)	(214,448)	(195,628)
(669,766)	(629,529)	(540,333)	Total Payments		(669,766)	(629,529)	(540,333)
			Receipts				
296,340	236,039	222,383	Sale of Goods and Services		296,340	236,039	222,383
2,996	956	2,058	Interest Received		2,996	956	2,058
18,851	31,938	15,434	Other		18,851	31,938	15,434
318,187	268,933	239,875	Total Receipts		318,187	268,933	239,875
			CASH FLOWS FROM GOVERNMENT				
359,667	359,667	315,896	NSW Department of Health Recurrent Allocations		359,667	359,667	315,896
66,175	80,224	55,084	NSW Department of Health Capital Allocations		66,175	80,224	55,084
425,842	439,891	370,980	NET CASH FLOWS FROM GOVERNMENT		425,842	439,891	370,980
74,263	79,295	70,522	NET CASH FLOWS FROM OPERATING ACTIVITIES	32	74,263	79,295	70,522
			CASH FLOWS FROM INVESTING ACTIVITIES				
1,397	–	503	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems		1,397	–	503
–	376	1,930	Proceeds from Sale of Investments		–	376	1,930
(19,949)	(47,679)	(50,831)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems		(19,949)	(47,679)	(50,831)
(1,399)	–	(1,930)	Purchase of Investments		(1,399)	–	(1,930)
(32,317)	(15,270)	–	Purchases of Intangibles		(32,317)	(15,270)	–
–	–	4,175	Other		–	–	4,175
(52,268)	(62,573)	(46,153)	Net Cash Flows From Investing Activities		(52,268)	(62,573)	(46,153)
			CASH FLOWS FROM FINANCING ACTIVITIES				
59,276	5,000	46,805	Proceeds from Borrowings and Advances		59,276	5,000	46,805
(60,506)	(296)	(58,306)	Repayment of Borrowings and Advances		(60,506)	(296)	(58,306)
(1,230)	4,704	(11,501)	NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,230)	4,704	(11,501)
20,765	21,426	12,868	NET INCREASE / (DECREASE) IN CASH		20,765	21,426	12,868
29,457	29,457	16,589	Opening Cash and Cash Equivalents		29,457	29,457	16,589
50,222	50,883	29,457	CLOSING CASH AND CASH EQUIVALENTS	17	50,222	50,883	29,457

The accompanying notes form part of these Financial Statements

Program Statement - Expenses and Revenues

HEALTH ADMINISTRATION CORPORATION (HAC) FOR THE YEAR ENDED 30 JUNE 2008

CORPORATION'S EXPENSES AND REVENUES	PROGRAM 1.1*		PROGRAM 1.2*		PROGRAM 1.3*		PROGRAM 2.1*		PROGRAM 2.2*		PROGRAM 2.3*		PROGRAM 3.1*		PROGRAM 4.1*		PROGRAM 5.1*		PROGRAM 6.1*		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		
Expenses excluding losses																											
Operating Expenses																											
Employee Related	3,238	1,172	58	42	9,819	6,813	360,189	314,283	37,241	25,258	4,922	3,414	10,269	7,140	8,328	5,780	495	356	9,364	7,608					443,923	371,866	
Other Operating Expenses	3,589	2,822	196	183	9,190	7,908	147,295	127,205	42,190	35,058	6,563	5,667	6,212	4,690	4,557	3,828	1,012	949	4,684	4,119					225,488	192,429	
Depreciation and Amortisation	1,190	845	48	34	4,186	2,965	25,209	17,395	13,368	9,469	2,047	1,450	1,845	1,309	2,348	1,663	309	219	790	571					51,340	35,920	
Grants and Subsidies	17,312	-	-	-	-	-	-	380	-	-	-	-	-	-	-	-	-	-	311	476					17,623	856	
Finance Costs	-	-	-	-	-	-	-	2	727	103	113	16	-	-	-	-	-	-	-	-	-	-	-	-	840	121	
Total Expenses excluding losses	25,329	4,839	302	259	23,195	17,686	532,693	459,265	93,526	69,888	13,645	10,547	18,326	13,139	15,233	11,271	1,816	1,524	15,149	12,774					739,214	601,192	
Revenue																											
Sale of Goods and Services	20,017	3,099	215	202	17,223	13,449	161,465	129,486	68,121	53,878	10,038	8,060	13,605	10,276	12,155	9,105	1,111	1,042	1,878	1,837					305,828	230,434	
Investment Revenue	38	22	2	1	142	85	1,800	1,250	577	345	88	52	106	64	93	56	13	7	137	137					2,996	2,019	
Grants and Contributions	-	3	-	-	-	49	644	957	-	186	-	26	-	42	4,100	39	-	1	1	28					4,745	1,331	
Other Revenue	14	1	1	-	251	133	8,503	8,017	1,083	568	133	67	222	121	203	112	5	-	142	9					10,557	9,028	
Total Revenue	20,069	3,125	218	203	17,616	13,716	172,412	139,710	69,781	54,977	10,259	8,205	13,933	10,503	16,551	9,312	1,129	1,050	2,158	2,011					324,126	242,812	
Gain / (Loss) on Disposal	(13)	(86)	(1)	(5)	(272)	(446)	(921)	(29)	(1,013)	(1,763)	(142)	(260)	(241)	(351)	(222)	(314)	(4)	(29)	(17)	(74)					(2,846)	(3,357)	
Other Gains / (Losses)	-	-	-	-	(138)	-	(16,366)	(12,777)	(542)	(69)	(69)	-	(126)	-	(117)	-	-	-	-	-	-					(17,358)	(12,777)
Net Cost of Services	5,273	1,800	85	61	5,989	4,416	377,568	332,361	25,300	16,674	3,597	2,602	4,760	2,987	(979)	2,273	691	503	13,008	10,837					435,108	374,514	
Government Contributions **																									435,108	388,695	
Result for the Year																										(184)	14,181

* The name and purpose of each program is summarised in Note 16. The program statement utilises 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 program.

Notes to and forming part of the Financial Statements

HEALTH ADMINISTRATION CORPORATION (HAC)
FOR THE YEAR ENDED 30 JUNE 2008

1. The Health Administration Corporation (HAC) Reporting Entity

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

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

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

On 24 April 2007 the HealthTechnology and HealthSupport units merged to form the Health Support Service unit.

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

With effect from 17 March 2006 fundamental changes to the employment arrangements of Health Services including those reported under HAC were made through amendment to the *Public Sector Employment and Management Act 2002* and other Acts including the *Health Services Act 1997*. The status of the previous

employees of HAC changed from that date. They are now employees of the Government of New South Wales in the service of the Crown rather than employees of HAC. Employees of the Government are employed in Divisions of the Government Service.

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

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

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

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

The 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

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

The consolidated entity has a deficiency of working capital of \$95.128M (2007 \$94.779M). Notwithstanding this deficiency the financial report has been prepared on a going concern basis because the entity has the support of the New South Wales Department of Health.

Property, plant and equipment, assets held for sale 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 statements.

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 HAC.

The following standards were operational from 1 July 2008:

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 on Health entities.

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 Health entities.

AASB1052 regarding disaggregated disclosures

The standard requires disclosure of financial information about

Corporation 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 are operational from 1 July 2009:

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 entities such as HAC.

AASB101 & AASB2007-8, Presentation of Financial Statements

Health agencies are 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 Corporation borrowings are restricted to the Sustainable Energy Development Authority negligible impact is expected

AAS2008-1, Share Based Payments

The standard will not have application to health entities like HAC which comes 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 & 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 includes 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 workers' compensation insurance premiums and fringe benefits which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

ii) Long Service Leave and Superannuation Benefits

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.

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

resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 25, "Payables".

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

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

iii) Death and Disability Scheme

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

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

The Award provides that the eligible employees are required to contribute a percentage of salary. Funds are administered by Pillar Administration in respect of death and total permanent disability from February 2008 whilst death and total permanent disability for the period November 2006 to February 2008 and partial permanent disability are managed within Special Purpose and Trust Fund monies dedicated for this purpose. Actuarial advice obtained indicates inter alia that, in the absence of a significant claims history, the present cash backing is deemed appropriate. An actuarial assessment, drawing upon the greater availability of claims data, will be obtained in 2008/09.

iv) Other Provisions

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

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods and Services

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

Investment Revenue

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

Debt Forgiveness

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

Grants and Contributions

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

NSW Health Department Allocations

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

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

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

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

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

f) Acquisition of Assets

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

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

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

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

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

g) Capitalisation Thresholds

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

h) Depreciation

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

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

Buildings.....	2.5%
Electro Medical Equipment	
- Costing less than \$200,000.....	10.0%
- Costing more than or equal to \$200,000.....	12.5%
Computer Equipment.....	20.0%
Infrastructure Systems.....	2.5%

Passenger Motor VehicleS.....	12.5%
Office Equipment.....	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings.....	5.0%
Ambulance Vehicles.....	11.75%
Trucks and Vans.....	20.0%

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

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

i) Revaluation of Non Current Assets

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

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

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

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

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

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

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

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

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

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

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

j) Impairment of Property, Plant and Equipment

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

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

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

l) Intangible Assets

HAC recognises intangible assets only if it is probable that future economic benefits will flow to HAC and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or

nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met. The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for HAC's intangible assets, the assets are carried at cost less any accumulated amortisation. HAC's intangible assets are amortised using the straight line method over a period of 5 years [for items of computer software]. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity HAC is effectively exempted from impairment testing (see Note 2[j])

m) Maintenance

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

n) Leased Assets

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

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

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

o) Inventories Held for Distribution

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

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

p) Loans and Receivables

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

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

q) Investments

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

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

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

The Hour-Glass Investment facilities are designed at fair value through profit or loss using the second leg of the fair value option 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 HAC has been developed consistent with the investment powers granted under the provision of Public Authorities (Financial Arrangements) Act. T Corp investments are permissible in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposure.

r) Impairment of financial assets

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

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

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

Any reversals of impairment losses are reversed through the operating statement, where there is objective evidence, except reversals of impairment losses on an investment in

an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

s) De-recognition of Financial Assets and Financial Liabilities

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

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

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

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

t) Payables

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

u) Borrowings

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

v) Budgeted Amounts

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

w) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/ functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and is 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 to HAC from Health Services/Government Departments are recognised at the amount at which the asset was recognised by the transferor Health Service/Government Department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

2007/08 Equity Transfer

Information Technology assets of \$1.089M transferred from Sydney West Area Health Service in respect of services now provided by Health Support Service.

2006/07 Equity Transfer

The responsibility for the operation of Linen Services transferred to HealthSupport in 2006/07. This resulted in net assets of \$60.631M being transferred from the Health Services and the Department of Health to HAC, under Section 126B of the *Health Services Act*. Information Technology assets of \$2.077M were also transferred from the Department in respect of services now provided by Health Technology.

x) Trust Funds

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

y) Summary of Capital Management

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

3. Employee Related

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Employee related expenses comprise the following:		
-	-	Salaries and Wages	342,277	288,393
-	-	Superannuation [see note 2(a)] – defined benefit plans	11,006	10,486
-	-	Superannuation [see note 2(a)] – defined contribution plans	20,219	17,192
-	-	Long Service Leave [see note 2(a)]	12,373	10,640
-	-	Annual Leave [see note 2(a)]	35,717	32,819
-	-	Redundancies	21	10
-	-	Workers Compensation Insurance	21,928	12,171
-	-	Fringe Benefits Tax	382	155
-	-		443,923	371,866
		The following additional information is provided:		
-	-	Employee Related Expenses capitalised – Plant and Equipment	6,022	6,022

4. Personnel Services

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Personnel Services comprise the purchase of the following:		
342,277	288,393	Salaries and Wages	-	-
11,006	10,486	Superannuation [see note 2(a)] – defined benefit plans	-	-
20,219	17,192	Superannuation [see note 2(a)] – defined contributions	-	-
12,373	10,640	Long Service Leave [see note 2(a)]	-	-
35,717	32,819	Annual Leave [see note 2(a)]	-	-
21	10	Redundancies	-	-
21,928	12,171	Workers Compensation Insurance	-	-
382	155	Fringe Benefits Tax	-	-
443,923	371,866		-	-

5. Other Operating Expenses

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
10,973	6,801	Domestic Supplies and Services	10,973	6,801
724	646	Food Supplies	724	646
4,901	3,540	Fuel, Light and Power	4,901	3,540
50,261	46,268	General Expenses (See (a) below)	50,261	46,268
46,875	43,520	Information Management Expenses	46,875	43,520
2,557	2,215	Insurance	2,557	2,215
		Maintenance (See (b) below)		
3,129	4,712	– Maintenance Contracts	3,129	4,712
7,987	6,715	– New/Replacement Equipment under Capitalisation threshold	7,987	6,715
15,452	13,058	– Repairs	15,452	13,058
1	116	– Maintenance/Non Contract	1	116
2,855	1,615	– Other	2,855	1,615
8,501	7,326	Medical and Surgical Supplies	8,501	7,326
8,172	7,585	Postal and Telephone Costs	8,172	7,585
1,716	1,368	Printing and Stationery	1,716	1,368
1,778	1,287	Rates and Charges	1,778	1,287
4,073	3,636	Rental	4,073	3,636
1,512	1,171	Staff Related Costs	1,512	1,171
50,011	38,523	Ambulance Aircraft Expenses	50,011	38,523
3,981	2,327	Travel Related Costs	3,981	2,327
29	–	Special Service Departments	29	–
225,488	192,429		225,488	192,429

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		(a) General Expenses include:		
553	322	Advertising	553	322
53	–	Catering Costs	53	–
207	385	Books, Magazines and Journals	207	385
736	638	Legal Expenses	736	638
1,452	1,205	Consultancies, Operating Activities	1,452	1,205
1,207	844	Courier and Freight	1,207	844
278	216	Auditor's Remuneration – Audit of financial reports	278	216
22,608	19,986	Motor Vehicle Operating Lease Expense – minimum lease payments	22,608	19,986
391	252	Other Operating Lease Expense – minimum lease payments	391	252
7,094	8,235	Vehicle Registration/ other Motor vehicle expenses	7,094	8,235
22	69	Payroll Services	22	69
203	154	Data Recording and Storage	203	154
		(b) Reconciliation Total Maintenance		
29,424	25,991	Maintenance expense – contracted labour and other (non employee related), included in Note 5	29,424	25,991
5,141	6,022	Employee related/Personnel Services maintenance expense included in Notes 3 and 4	5,141	6,022
34,565	32,013	Total maintenance expenses included in Notes 3, 4 and 5	34,565	32,013

6. Depreciation and Amortisation

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
6,777	6,749	Depreciation – Buildings	6,777	6,749
32,741	20,884	Depreciation – Plant and Equipment	32,741	20,884
20	–	Amortisation – Leasehold Buildings	20	–
11,802	8,287	Amortisation – Intangible Assets	11,802	8,287
51,340	35,920		51,340	35,920

7. Grants and Subsidies

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
588	569	Non Government Voluntary Organisations	588	569
17,035	287	Other	17,035	287
17,623	856		17,623	856

8. Finance Costs

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
840	121	Interest	840	121
840	121		840	121

9. Sale of Goods and Services

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
246	234	Fees for Medical Records	246	234
144,128	115,202	Patient Transport Fees	144,128	115,202
2,489	2,040	Use of Ambulance Facilities	2,489	2,040
250	161	Salary Packaging Fee	250	161
61,975	51,266	Shared Corporate Services	61,975	51,266
81,792	60,889	Other – Linen Service Revenues	81,792	60,889
14,948	642	Other	14,948	642
305,828	230,434		305,828	230,434

10. Investment Revenue

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
2,330	1,409	Interest from financial assets not at fair value through profit or loss	2,330	1,409
666	610	Lease and Rental Revenue	666	610
2,996	2,019		2,996	2,019

11. Grants and Contributions

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
102	1,226	Industry Contributions/Donations	102	1,226
15,649	10,591	Other Grants	4,643	105
15,751	11,817		4,745	1,331

12. Other Revenue

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Other Revenue comprises the following:		
–	219	Bad Debts recovered	–	219
49	51	Conference and Training Fees	49	51
35	10	Sale of Merchandise	35	10
5,352	6,844	Treasury Managed Fund Hindsight Adjustment	5,352	6,844
5,121	1,904	Other	5,121	1,904
10,557	9,028		10,557	9,028

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

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
28,633	24,970	Property Plant and Equipment	28,633	24,970
(25,321)	(20,745)	Less Accumulated Depreciation	(25,321)	(20,745)
3,312	4,225	Written Down Value	3,312	4,225
(1,098)	(503)	Less Proceeds from Disposal	(1,098)	(503)
(2,214)	(3,722)	Gain/(Loss) on Disposal of Property Plant and Equipment	(2,214)	(3,722)
226	–	Intangibles	226	–
–	–	Less Proceeds from Disposal	–	–
(226)	–	Loss on disposal of Intangible Assets	(226)	–
705	273	Assets Held for Sale	705	273
(299)	(638)	Less Proceeds from Disposal	(299)	(638)
(406)	365	Gain/(Loss) on Disposal of Assets Held for Sale	(406)	365
(2,846)	(3,357)	Total Gain/(Loss) on Disposal	(2,846)	(3,357)

14. Other Gains/(Losses)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
(17,358)	(12,777)	Impairment of Receivables	(17,358)	(12,777)
(17,358)	(12,777)		(17,358)	(12,777)

15. Conditions on Contributions

	PARENT AND CONSOLIDATED		
	Purchase of Assets (\$000)	Other (\$000)	Total (\$000)
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	8	9,526	9,534
Contributions recognised in previous years which were not expended in the current financial year	229	204	433
Total amount of unexpended contributions as at balance date	237	9,730	9,967

Comment on restricted assets appears in Note 24.

16. Programs/Activities of the Health Administration Corporation

Program 1.1 - Primary and Community Based Services

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

Program 1.2 - Aboriginal Health Services

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

Program 1.3 - Outpatient Services

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

Program 2.1 - Emergency Services

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

Program 2.2 - Overnight Acute Inpatient Services

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

Program 2.3 - Same Day Acute Inpatient Services

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

Program 3.1 - Mental Health Services

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

Program 4.1 - Rehabilitation and Extended Care Services

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

17. Cash and Cash Equivalents

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current		
10,890	12,455	Cash at bank and on hand	10,890	12,455
39,449	17,002	Short Term Deposits	39,449	17,002
50,339	29,457		50,339	29,457
		Cash and cash equivalent assets recognised in the Balance Sheet are reconciled to cash at the end of the financial year to the Cash Flow Statement as follows:		
50,339	29,457	Cash and cash equivalents (per Balance Sheet)	50,339	29,457
(117)	–	Bank overdraft *	(117)	–
50,222	29,457	Closing Cash and Cash Equivalents (per Cash Flow Statement)	50,222	29,457

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

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

18. Receivables

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current		
5,627	13,884	(a) Sale of Goods and Services	5,627	13,884
28,745	24,963	Patient Transport fee	28,745	24,963
2,726	377	Leave Mobility	2,726	377
6,139	7,002	Goods and Services Tax	6,139	7,002
6,088	7,229	NSW Department of Health	6,088	7,229
2,437	2,235	Other Debtors	2,437	2,235
18,616	8,558	Intra Health	18,616	8,558
70,378	64,248	Sub Total	70,378	64,248
(20,680)	(15,629)	Less Allowance for impairment	(20,680)	(15,629)
49,698	48,619	Sub Total	49,698	48,619
12,693	6,239	Prepayments	12,693	6,239
62,391	54,858		62,391	54,858
		(b) Movement in the allowance for impairment		
		Sale of Goods & Services		
(15,629)	(14,384)	Balance at 1 July	(15,629)	(14,384)
12,307	11,532	Amounts written off during the year	12,307	11,532
(17,358)	(12,777)	(Increase)/decrease in allowance recognised in profit or loss	(17,358)	(12,777)
(20,680)	(15,629)	Balance at 30 June	(20,680)	(15,629)
		Non Current		
2,751	652	Prepayments	2,751	652
2,751	652		2,751	652

As indicated in Note 2 (f) 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 including financial assets that are either past due or impaired are disclosed in Note 37.

19. Inventories

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current – at cost		
702	627	Medical and Surgical Supplies	702	627
2,788	1,171	Motor Vehicle Parts and Other	2,788	1,171
3,490	1,798		3,490	1,798

20. Non Current Assets or Disposal Groups Held for Sale

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
2,880	2,426	Assets Held for Sale Land and Buildings	2,880	2,426
2,880	2,426		2,880	2,426

21. Other Financial Assets

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current		
2,809	1,763	Advances Receivable – Intra Health	2,809	1,763
		Non Current		
6,526	6,173	Advances Receivable – Intra Health	6,526	6,173

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

22. Property, Plant and Equipment

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Land and Buildings		
359,396	337,349	Gross Carrying Amount	359,396	337,349
(173,690)	(153,986)	Less Accumulated depreciation and impairment	(173,690)	(153,986)
185,706	183,363	Net Carrying Amount at Fair Value	185,706	183,363
		Plant and Equipment		
215,042	210,604	Gross Carrying Amount	215,042	210,604
(117,504)	(100,630)	Less Accumulated depreciation and impairment	(117,504)	(100,630)
97,538	109,974	Net Carrying Amount at Fair Value	97,538	109,974
		Infrastructure Systems		
180	180	Gross Carrying Amount	180	180
(84)	(84)	Less Accumulated depreciation and impairment	(84)	(84)
96	96	Net Carrying Amount at Fair Value	96	96
283,340	293,433	Total Property, Plant and Equipment Net Carrying Amount at Fair Value	283,340	293,433

22. Property, Plant and Equipment Reconciliations

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

PARENT AND CONSOLIDATED						
	Land (\$000)	Buildings (\$000)	Leasehold Buildings (\$000)	Plant and Equipment (\$000)	Infrastructure Systems (\$000)	Total (\$000)
2007						
Carrying amount at start of year	60,072	102,466	–	63,818	–	226,356
Additions	493	4,114	–	32,254	–	36,861
Asset Held for Sale	(524)	(559)	–	–	–	(1,083)
Disposals	(419)	–	–	(3,806)	–	(4,225)
Administrative restructures – transfers in (out)	7,185	19,049	–	36,827	96	63,157
Reclassifications	522	(2,287)	–	1,765	–	–
Depreciation expense	–	(6,749)	–	(20,884)	–	(27,633)
Net Carrying amount at end of year	67,329	116,034	–	109,974	96	293,433

Land and Buildings for the Ambulance Service of NSW were revalued by the NSW Department of Commerce, Property Valuation Services as at 31 May 2006. In 2007/08 advice was obtained from the Department of Lands of the percentage movements that have occurred throughout NSW in the period 1 July 2006 to 30 June 2008. Such indices have been applied to ensure fair value measurement.

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

23. Intangible Assets

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Software		
116,717	84,626	Gross Carrying Amount	116,717	84,626
(44,809)	(33,007)	Less Accumulated Amortisation and Impairment	(44,809)	(33,007)
71,908	51,619	Total Intangible Assets	71,908	51,619

23. Intangibles – Reconciliation

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

PARENT AND CONSOLIDATED		
2007	Software (\$000)	Total (\$000)
Net Carrying amount at start of year	46,080	46,080
Additions (from internal development)	13,826	13,826
Amortisation (recognised in depreciation and amortisation)	(8,287)	(8,287)
Net Carrying amount at end of year	51,619	51,619

24. Restricted Assets

PARENT		Category	CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
9,967	2,240	Specific Purposes	9,967	2,240
9,967	2,240		9,967	2,240

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

25. Payables

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current		
–	–	Accrued Salaries, Wages and On-Costs	9,178	5,797
–	–	Payroll Deductions	6,705	5,274
40,404	34,712	Creditors	40,404	34,712
		Other Creditors		
7,044	1,119	– Capital Works	7,044	1,119
4,044	1,565	– Intra Health Liability	4,044	1,565
9,163	9,302	– Other	9,163	9,302
15,883	11,071	Personnel Service Liability	–	–
76,538	57,769		76,538	57,769

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

26. Borrowings

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current		
117	–	Bank Overdraft	117	–
2,220	3,420	Loans and Deposits – NSW Department of Health	2,220	3,420
2,337	3,420		2,337	3,420
		Non Current		
6,812	3,093	Loans and Deposits – NSW Department of Health	6,812	3,093
6,812	3,093		6,812	3,093

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

27. Provisions

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current Employee benefits and related on-costs		
–	–	Annual Leave – Short Term Benefit	34,509	27,331
–	–	Annual Leave – Long Term Benefit	25,488	25,990
–	–	Long Service Leave – Short Term Benefit	7,936	6,887
–	–	Long Service Leave – Long Term Benefit	69,222	61,260
137,155	121,468	Provision for Personnel Services Liability	–	–
137,155	121,468	Total Current Provisions	137,155	121,468
		Non Current Employee benefits and related on-costs		
–	–	Employee Long Service Leave – Conditional	4,433	3,716
–	–	Sick Leave	50	46
4,483	3,762	Provision for Personnel Services Liability	–	–
4,483	3,762	Total Non Current Provisions	4,483	3,762
		Aggregate Employee Benefits and Related on-costs		
137,155	121,468	Provisions – current	137,155	121,468
4,483	3,762	Provisions – non-current	4,483	3,762
–	–	Accrued Salaries and Wages and on costs (Note 25)	15,883	11,071
15,883	11,071	Accrued Liability – Purchase of Personnel Services (Note 25)	–	–
157,521	136,301		157,521	136,301

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

28. Other Liabilities

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		Current		
1,007	2,424	Income in Advance	1,007	2,424
1,007	2,424		1,007	2,424

29. Parent and Consolidated

CHANGES IN EQUITY	Notes	ACCUMULATED FUNDS		ASSET REVALUATION RESERVE		TOTAL EQUITY	
		2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)	2008 (\$000)	2007 (\$000)
Balance at the beginning of the Financial Year		208,947	132,058	41,296	41,296	250,243	173,354
Changes in equity – transactions with owners as owners							
Increase in Net Assets from Administrative Restructure	33	1,089	62,708	–	–	1,089	62,708
Total		210,036	194,766	41,296	41,296	251,332	236,062
Changes in equity – other than transactions with owners as owners							
Result for the year		(184)	14,181	–	–	(184)	14,181
Increment/(Decrement) on Revaluation of: Land and Buildings	22	–	–	6,954	–	6,954	–
Total		(184)	14,181	6,954	–	6,770	14,181
Balance at the end of the Financial Year		209,852	208,947	48,250	41,296	258,102	250,243

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

30. Commitments for Expenditure

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets contracted for at balance date and not provided for:		
34,962	834	Not later than one year	34,962	834
34,265	–	Later than one year and not later than five years	34,265	–
69,227	834	Total Capital Expenditure Commitments (including GST)	69,227	834
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for the acquisition of ambulance transports and information technology supplies at balance date but not provided for in the accounts:		
33,859	27,511	Not later than one year	33,859	27,511
84,039	71,760	Later than one year and not later than five years	84,039	71,760
19,259	33,810	Later than five years	19,259	33,810
137,157	133,081	Total Other Expenditure Commitments (including GST)	137,157	133,081

30. Commitments for Expenditure (continued)

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
28,974	24,947	Not later than one year	28,974	24,947
61,911	52,345	Later than one year and not later than five years	61,911	52,345
1,383	241	Later than five years	1,383	241
92,268	77,533	Total Operating Lease Commitments (including GST)	92,268	77,533

(d) Contingent Asset related to Commitments for Expenditure

The Total "Expenditure Commitments" above includes input tax credits of \$25.895 million for 2007/08 in relation to both Parent and Consolidated entities that are expected to be recoverable from the Australian Taxation Office. The comparatives for 2006/07 are \$19.223 million for both the Parent and Consolidated entities.

31. Contingent Liabilities

a) Claims on Managed Fund

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

matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against HAC.

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 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 applicable to the Ambulance Service of NSW will be paid in 2008/09.

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

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
74,263	70,522	Net Cash Flows from Operating Activities	74,263	70,522
(51,340)	(35,920)	Depreciation	(51,340)	(35,920)
(17,358)	(12,777)	Allowance for Impairment	(17,358)	(12,777)
-	-	Acceptance by the Crown Entity of Employee Superannuation Benefits	(11,006)	(10,486)
(16,408)	(26,299)	(Increase) in Provisions	(16,408)	(26,299)
1,692	(83)	Increase/ (Decrease) in Inventories	1,692	(83)
18,437	34,521	Increase/ (Decrease) in Receivables	18,437	34,521
8,669	(3,095)	Increase / (Decrease) in Prepayments and Other Assets	8,669	(3,095)
(15,293)	(16,560)	(Increase) /Decrease in Creditors	(15,293)	(16,560)
(359,667)	(315,896)	NSW Department of Health Recurrent Allocations	(359,667)	(315,896)
(64,435)	(55,084)	NSW Department of Health Capital Allocations	(64,435)	(55,084)
(2,846)	(3,357)	Net Gain/ (Loss) on Disposal of Non-Current Assets	(2,846)	(3,357)
(424,286)	(364,028)	Net Cost of Services	(435,292)	(374,514)

33. Non Cash Financing and Investing Activities

PARENT			CONSOLIDATED	
2008 (\$000)	2007 (\$000)		2008 (\$000)	2007 (\$000)
1,089	–	Assets Received by Administrative Transfer	1,089	–

34. Unclaimed Monies Consolidated

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

35. Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was \$435.3 million which closely approximated the budget of \$440.3 million after offsets between expenses and revenue.

Result for the Year

The result for the year was \$0.2 million loss, ie a variation of \$10.8 million from the budget due principally to a \$15.8 million reduction in capital allocation because of anticipated reductions in 2007/08 capital expenditure.

Assets and Liabilities

The variation from budget is \$3.8 million. Principal movements occurring in 2007/08 were an increase of intra health receivables of \$10.1 million, a decrease in Property, Plant & Equipment and Intangible asset acquisitions (\$5.7 million) and an increase in creditors (\$15.5 million).

Cash Flows

Cash decreased by only \$0.661 million reflecting a combination of Net Cashflows from Operating Activities (\$5.032 million), Net Cashflows from Financing Activities (\$5.934 million) and Net Cashflows from Investing Activities \$10.305 million.

36. Trust Funds - Parent and Consolidated

HAC holds trust fund monies of **\$0.301 million** which relate to refundable deposits received for future course attendances. These monies are excluded from the financial statements as HAC cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

REFUNDABLE DEPOSITS		
	2008 (\$000)	2007 (\$000)
Cash Balance at the beginning of the financial reporting period	–	–
Receipts	301	–
Expenditure	–	–
Cash Balance at the end of the financial reporting period	301	–

37. Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT		Total Carrying Amounts as per the Balance Sheet	
CLASS	CATEGORY	2008 (\$'000)	2007 (\$'000)
Financial Assets			
Cash and Cash Equivalents (Note 17)	N/A	50,222	29,457
Receivables at Amortised Cost (note 18) ¹	Loans & Receivables (amortised costs)	43,559	41,617
Other Financial Assets (Note 21)	Loans & Receivables (amortised costs)	9,335	7,936
Total Financial Assets		103,116	79,010
Financial Liabilities			
Borrowings (Note 26)	Financial liability measured at amortised cost	9,149	6,513
Payables (Note 25) ²	Financial liability measured at amortised cost	75,339	56,239
Total Financial Liabilities		84,548	62,752

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)

CONSOLIDATED		Total Carrying Amounts as per the Balance Sheet	
CLASS	CATEGORY	2008 (\$'000)	2007 (\$'000)
Financial Assets			
Cash and Cash Equivalents (note 17)	N/A	50,222	29,457
Receivables at Amortised Cost (note 18) ¹	Loans & Receivables (amortised cost)	43,559	41,617
Other Financial Assets (Note 21)	Loans & Receivables (amortised cost)	9,335	7,936
Total Financial Assets		103,116	79,010
Financial Liabilities			
Borrowings (Note 26)	Financial liability measured at amortised cost	9,149	6,513
Payables (Note 25) ²	Financial liability measured at amortised cost	75,399	56,239
Total Financial Liabilities		84,548	62,752

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 HAC nor has it granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates between 6.58 and 7.86% in 2007/08 compared to 5.87 to 6.05% in the previous year. The TCorp Hour Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at

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

HAC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2008:\$17.830M; 2007: \$11.787M) are not considered impaired and these represent 33.6% (24.9% for 2007) of the total trade debtors. In addition Compensables charges are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the debtors relate to Ambulance Transport of private individuals. Ambulance invoices are generally issued under 21 day payment terms.

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

2008	TOTAL PAST DUE BUT NOT IMPAIRED (\$000)	CONSIDERED IMPAIRED (\$000)
<3 months overdue	6,782	13,588
3 months - 6 months overdue	4,890	5,453
> 6 months overdue	2,806	1,639
2007	TOTAL PAST DUE BUT NOT IMPAIRED (\$000)	CONSIDERED IMPAIRED (\$000)
<3 months overdue	12,633	10,369
3 months - 6 months overdue	4,017	4,269
> 6 months overdue	3,339	991

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

Authority Deposits

HAC has placed funds on deposit with TCorp, which has been rated “AAA” by Standard and Poor’s. These deposits are similar to money market or bank deposits and can be placed “at call” or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call

deposits vary. The deposits at balance date were earning an average interest rate of 7.7% (2007- 6.3%), while over the year the weighted average interest rate was 7.3% (2007- 6.4%) on a weighted average balance during the year of \$8.513 million (2007 - \$3.348 million). None of these assets are past due or impaired.

(c) Liquidity risk

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

as collateral. HAC’s exposure to liquidity risk is considered significant. However the risk is minimised as the NSW Department of Health has indicated its ongoing financial support to the Health Administration Corporation (Refer Note 2).

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

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

During the current and prior year, there were no defaults or breaches on any loans or payable. No assets have been pledged

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

Maturity Analysis and interest rate exposure of financial liabilities

2008	INTEREST RATE EXPOSURE				MATURITY DATES		Weighted Average Effective Interest Rate
	Fixed Interest Rate (%)	Variable Interest Rate (%)	Fixed Interest Rate (\$000)	Non-Interest Bearing (\$000)	< 1 Yr (\$000)	1-5 Yrs (\$000)	
Payables:							
Accrued Salaries, Wages	-	-	-	9,178	9,178	-	-
Payroll Deductions	-	-	-	6,705	6,705	-	-
Creditors	-	-	-	60,655	60,655	-	-
Borrowings:							
Bank Overdraft ¹	-	-	-	117	117	-	-
Other Loans and Deposits	5.97	-	9,032	-	2,220	6,812	5.97
Total			9,032	76,655	78,875	6,812	

Notes:

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

Maturity Analysis and interest rate exposure of financial liabilities

2007	INTEREST RATE EXPOSURE				MATURITY DATES		Weighted Average Effective Int. Rate
	Fixed Interest Rate (%)	Variable Interest Rate (%)	Fixed Interest Rate (\$000)	Non-Interest Bearing (\$000)	< 1 Yr (\$000)	1-5 Yrs (\$000)	
Payables:							
Accrued Salaries, Wages	–	–	–	5,797	5,797	–	–
Payroll Deductions	–	–	–	5,274	5,274	–	–
Creditors	–	–	–	46,698	46,698	–	–
Borrowings:							
Other Loans and Deposits	5.97	–	6,513	–	3,420	3,093	5.97
Total			6,513	57,769	61,189	3,093	

(d) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which HAC operates and the time frame for the assessment (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 HAC's cash and cash equivalents.

HAC is 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. HAC's exposure to interest rate risk is set out below.

	CARRYING AMOUNT (\$000)	-1%		+1%	
		RESULT	EQUITY	RESULT	EQUITY
2008					
Financial assets					
Cash and cash equivalents	50,222	(502)	(502)	502	502
Receivables	43,559	–	–	–	–
Other financial assets	9,335	(93)	(93)	93	93
Financial liabilities					
Payables	75,399	–	–	–	–
Borrowings	9,149	–	–	–	–
2007					
Financial assets					
Cash and cash equivalents	29,457	(295)	(295)	295	295
Receivables	41,617	–	–	–	–
Other financial assets	7,936	(79)	(79)	79	79
Financial liabilities					
Payables	56,239	–	–	–	–
Borrowings	6,513	–	–	–	–

Other price risk - TCorp Hour Glass facilities

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

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

FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2008 (\$000)	2007 (\$000)
Cash facility	Cash, money market instruments	Up to 2 years	13,533	2,926

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

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

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

NSW TCorp provides sensitivity analysis information for the facility, using historically based volatility information. The TCorp Hour Glass Investments are designated at fair value through

profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year. The amount advised by TCorp is 1% thereby impacting on profit/loss by \$135,000 for 2007/08 and \$29,000 for 2006/07.

Fair Value

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

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

38. Post Balance Date Events

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

END OF AUDITED FINANCIAL STATEMENTS

Independent Audit report

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE
SERVICE ENTITY FOR THE YEAR ENDED 30 JUNE 2008



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Health Administration Corporation Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Health Administration Corporation Special Purpose Service Entity (the Entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Entity as at 30 June 2008, and its financial performance and 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 of the Department of Health is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

My opinion does not provide assurance:

- about the future viability of the Entity,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

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

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



J Kheir BEc, FCPA
Director, Financial Audit Services

5 December 2008
SYDNEY


Certification of accounts

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE
SERVICE ENTITY FOR THE YEAR ENDED 30 JUNE 2008

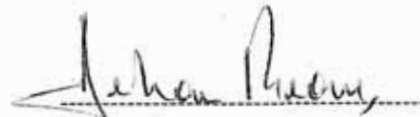
CERTIFICATE OF ACCOUNTS

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

- (i) The attached financial statements of the Health Administration Corporation (HAC) Special Purpose Service Entity 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 HAC Special Purpose Service 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

Income statement

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE
SERVICE ENTITY FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$000	2007 \$000
INCOME		
Personnel Services	432,917	361,380
Acceptance by the Crown Entity of Employee Superannuation Benefits	11,006	10,486
Total Income	443,923	371,866
EXPENSES		
Salaries & Wages	342,277	288,393
Superannuation – Defined Benefit Plans	11,006	10,486
Superannuation – Defined Contributions	20,219	17,192
Long Service Leave	12,373	10,640
Annual Leave	35,717	32,819
Redundancy	21	10
Workers Compensation Insurance	21,928	12,171
Fringe Benefits Tax	382	155
Total Expenses	443,923	371,866
RESULT FOR THE YEAR	-	-

The accompanying notes form part of these Financial Statements.

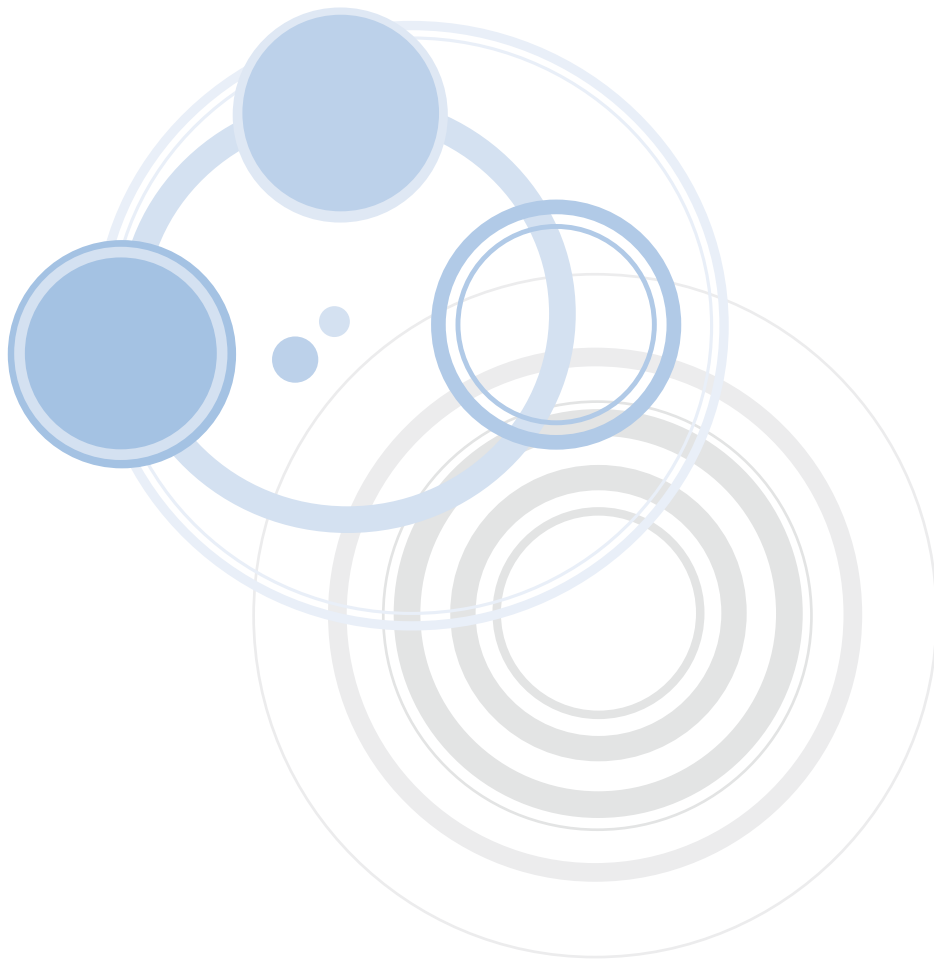


Statement of recognised income and expense

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY FOR THE YEAR ENDED 30 JUNE 2008

	2008 (\$000)	2007 (\$000)
Total Income and Expense Recognised Directly in Equity	-	-
Result for the year	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-	-

The accompanying notes form part of these Financial Statements.

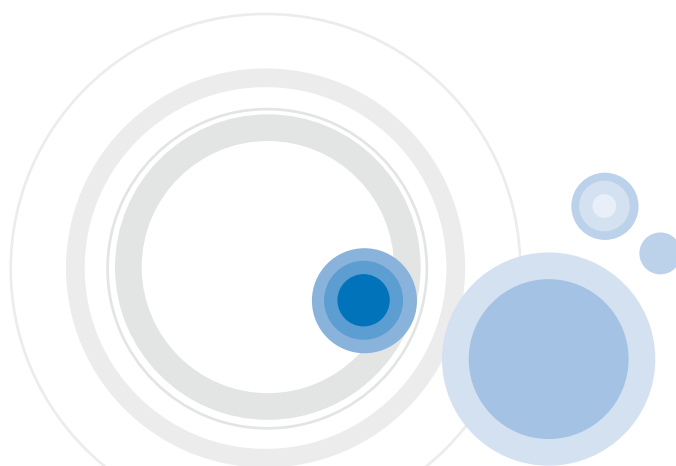


Balance sheet

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE
SERVICE ENTITY AS AT 30 JUNE 2008

ASSETS	Notes	2008 (\$'000)	2007 (\$'000)
Current Assets			
Receivables	2	153,038	132,539
Total Current Assets		153,038	132,539
Non-Current Assets			
Receivables	2	4,483	3,763
Total Non-Current Assets		4,483	3,763
Total Assets		157,521	136,302
LIABILITIES			
Current Liabilities			
Payables	3	15,883	11,071
Provisions	4	137,155	121,468
Total Current Liabilities		153,038	132,539
Non-Current Liabilities			
Provisions	4	4,483	3,763
Total Non-Current Liabilities		4,483	3,763
Total Liabilities		157,521	136,302
Net Assets		-	-
EQUITY			
Accumulated Funds		-	-
Total Equity		-	-

The accompanying notes form part of these Financial Statements.



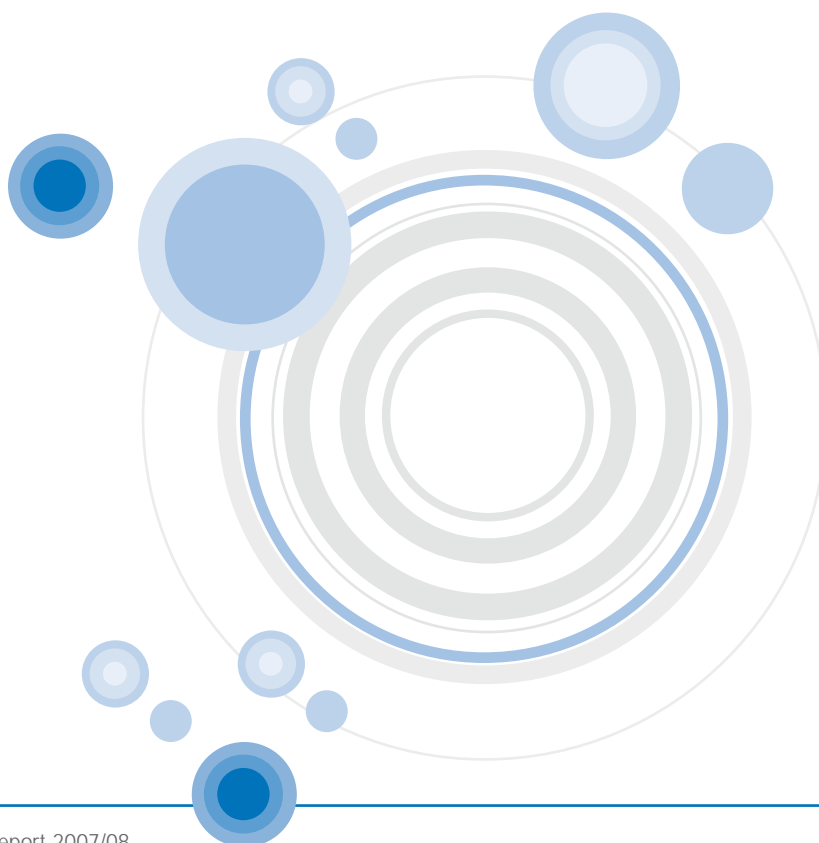
Cash flow statement

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE
SERVICE ENTITY FOR THE YEAR ENDED 30 JUNE 2008

	2008 (\$000)	2007 (\$000)
Net Cash Flows from operating activities	-	-
Net Cash Flows from investing activities	-	-
Net Cash Flows from financing activities	-	-
Net increase/(decrease) in cash	-	-
Operating Cash and Cash Equivalents	-	-
Closing Cash and Cash Equivalents	-	-

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

The accompanying notes form part of these Financial Statements.



Notes to and forming part of the Financial Statements

HEALTH ADMINISTRATION CORPORATION SPECIAL PURPOSE SERVICE ENTITY FOR THE YEAR ENDED 30 JUNE 2008

1. Summary of Significant Accounting Policies

(a) Health Administration Corporation Special Purpose Service Entity

The Health Administration Corporation (HAC) Special Purpose Service Entity is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002* and amendment of the *Health Services Act 1997* in respect of the Ambulance Service of NSW, Health Support Services, the NSW Institute of Medical Education and Training and Health Infrastructure (The latter unit was established with effect from 1 July 2007 under the provisions of the *Health Services Act* as a Public Health System Support Division of HAC. Its function is to provide a broad range of asset services in connection with public health organisations, eg. the management and co-ordination of Government approved capital works projects). HAC is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts.

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

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

The financial report was authorised for issue by the Chief Financial Officer and Director-General on 3 December 2008.

(b) Basis of Preparation

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

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

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

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

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

(c) Comparative information

The financial statements and notes comply with Australian Accounting Standards which include AEIFRS. Comparative figures are, where appropriate, reclassified to give meaningful comparison with the current year.

(d) New Australian Accounting Standards Issued But Not Effective

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

The following standards were operative from 1 July 2008:

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 on Health entities.

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 Health entities.

AASB1052 regarding disaggregated disclosures

The standard requires disclosure of financial information about Corporation 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.

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

Health agencies are 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 Corporation borrowings are restricted to the Sustainable Energy Development Authority negligible impact is expected.

(e) Income

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

(f) Receivables

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

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the

effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the opening statement when impaired, derecognised or through the amortisation process.

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

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

(g) Impairment of Financial Assets

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

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

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

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

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

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

(i) Payables

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

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

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payment with no stated interest rate is measured at the original invoice amount where goods and services received whether or not billed to the Entity.

(j) Employee Benefit Provisions and Expenses

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

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

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

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 8.1% above the salary rates immediately payable at 30 June 2008 (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.

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

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

2. Receivables

	2008 (\$000)	2007 (\$000)
Current		
Accrued Income - Personnel Services Provided	153,038	132,539
Non Current		
Accrued Income - Personnel Services Provided	4,483	3,763
Total Receivables	157,521	136,302

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

3. Payables

	2008 (\$000)	2007 (\$000)
Current		
Accrued Salaries and Wages and On costs	9,178	5,797
Payroll Deductions	6,705	5,274
Total Payables	15,883	11,071

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

4. Provisions

	2008 (\$'000)	2007 (\$'000)
Current Employee benefits and related on-costs		
Annual Leave - Short Term Benefit	34,509	27,331
Annual Leave - Long Term Benefit	25,488	25,990
Long Service Leave - Short Term Benefit	7,936	6,887
Long Service Leave - Long Term Benefit	69,222	61,260
Total Current Provisions	137,155	121,468
Non Current Employee benefits and related on-costs		
Long Service Leave - Conditional	4,433	3,717
Sick leave	50	46
Total Non Current Provisions	4,483	3,763
Aggregate Employee benefits and related on-costs		
Provisions - current	137,155	121,468
Provisions - non-current	4,483	3,763
Accrued Liability, Purchase of Personnel Services (Note 3)	15,883	11,071
Total Provisions	157,521	136,302

5. Financial instruments

The HAC Special Purpose Service Entity's (HACSPSE) financial instruments are outlined below. These financial instruments arise directly from the HACSPSE operations or are required to finance its operations. The HACSPSE does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Director-General has overall responsibility for the establishment and oversight of risk management and reviews and agrees

policies for managing each of these risks. HACSPSE carries minimal risks within its operation as it carries only the value of employee provisions and accrued salaries and wages offset in full by accounts receivable from the Parent Entity. Risk management policies are established by the Parent Entity to identify and analyse the risk faced by the Entity, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/Internal auditors of the Parent Entity on a continuous basis.

(a) Financial Instruments Categories

CLASS	CATEGORY	Total carrying amounts as per the Balance Sheet	
		2008 (\$'000)	2007 (\$'000)
Financial Assets			
Receivables at Amortised Cost ¹ (Note 2)	Loans & Receivables (amortised cost)	157,521	136,302
Total Financial Assets		157,521	136,302
Financial Liabilities			
Payables ² (Note 3)	Financial Liability measured at amortised cost	15,883	11,071
Total Financial Liabilities		15,883	11,071

¹ Excludes statutory receivables and prepayments (ie not within the scope of AASB7).

² Excludes unearned revenue (ie not within the scope of AASB7).

(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 HACSPSE nor has it granted any financial guarantees.

Receivables – trade debtors

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The parent entity of the HAC is the sole debtor of HACSPSE and it is assessed that there is no risk of default. No accounts receivables are classified as "Past Due but not Impaired" or "Considered Impaired".

(c) Liquidity Risk

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due. No such risk exists with the HACSPSE not having any cash flows. All movements that occur in Payables are fully offset by an increase in Receivables from the HAC parent entity.

6. Related Parties

HAC is deemed to control the HACSPSE in accordance with Australian Accounting Standards. The controlling entity is incorporated under the *Health Services Act 1997*.

Transactions and balances in this financial report relate only to the HACSPSE's function as provider of personnel services to the controlling entity. The HACSPSE's total income is sourced from the HAC. Cash receipts and payments are effected by HAC on the HACSPSE's behalf.

7. Post Balance Date Events

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

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The HACSPSE exposures to market risk are considered to be minimal and the HACSPSE has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through interest bearing liabilities.

However the HACSPSE has no such liabilities and the interest rate is assessed as nil. Similarly it is considered that the HACSPSE is not exposed to other price risks.

(e) Fair Value

Financial instruments are generally recognised at cost.

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

END OF AUDITED FINANCIAL STATEMENTS

