



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Hunter New England Area Health Service

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Hunter New England Area Health Service (the Service), which comprises the balance sheets as at 30 June 2009, the operating statements, statements of recognised income and expense, cash flow statements and service group statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Service and the consolidated entity. The consolidated entity comprises the Service and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Service and the consolidated entity as at 30 June 2009, and of their financial performance 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.

Chief Executive's Responsibility for the Financial Report

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

Independence

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

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



Peter Achterstraat
Auditor-General

28 September 2009
SYDNEY

**Certification of Parent/Consolidated Financial Statements
For Period Ended 30 June 2009**

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

- 1) The financial report has been prepared in accordance with:
 - Australian Accounting Standards
 - *Public Finance and Audit Act 1983*
 - *Public Finance and Audit Regulations 2005*
 - *Health Services Act 1997 and its Regulations*
 - the Accounts and Audit Determination
- 2) The financial report exhibits a true and fair view of the financial position and the financial performance of the Hunter New England Area Health Service.
- 3) There are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



Tracey McCosker

Acting Chief Executive

Date 8/9/09.



Mark Jeffrey

Director of Finance

8/9/09

Hunter New England Area Health Service
Operating Statement for the year ended 30 June 2009

	PARENT			CONSOLIDATION			
	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
Expenses excluding losses							
Operating Expenses							
Employee Related							
Personnel Services	994,381	990,299	904,961	3	994,381	990,299	904,961
Visiting Medical Officers	68,681	61,346	67,130	4	68,681	61,346	67,130
Other Operating Expenses	439,822	421,005	391,930	5	439,822	421,005	391,930
Depreciation and Amortisation	56,378	58,777	54,452	2(i), 6	56,378	58,777	54,452
Grants and Subsidies	9,882	13,342	9,528	7	9,882	13,342	9,528
Finance Costs	12,035	12,362	4,225	8	12,035	12,362	4,225
Payments to Affiliated Health Organisations	135,241	139,306	166,771	9	135,241	139,306	166,771
	1,716,420	1,696,437	1,598,997		1,716,420	1,696,437	1,598,997
Revenue							
Sale of Goods and Services	261,839	242,863	204,612	10	261,839	242,863	204,612
Investment Revenue	6,486	6,103	6,581	11	6,486	6,103	6,581
Grants and Contributions	52,089	48,467	46,470	12	32,422	27,853	26,100
Other Revenue	5,661	7,878	12,571	13	5,661	7,878	12,571
	326,075	305,311	270,234		306,408	284,697	249,864
Gain/(Loss) on Disposal	(280)	(907)	(486)	14	(280)	(907)	(486)
Other Gains/(Losses)	47	(781)	(1,414)	15	47	(781)	(1,414)
	1,390,578	1,392,814	1,330,663	33	1,410,245	1,413,428	1,351,033
Government Contributions							
NSW Department of Health							
Recurrent Allocations	1,291,014	1,291,014	1,183,307	2(d)	1,291,014	1,291,014	1,183,307
Capital Allocations	47,606	43,126	40,363	2(d)	47,606	43,126	40,363
(Asset Sale Proceeds transferred to the NSW Department of Health)							
Acceptance by the Crown Entity of Employee Benefits				2(a)(ii)	19,667	20,614	20,370
	1,338,620	1,334,140	1,223,670		1,358,287	1,354,754	1,244,040
RESULT FOR THE YEAR	(51,958)	(58,674)	(106,993)		(51,958)	(58,674)	(106,993)

The accompanying notes form part of these Financial Statements

Hunter New England Area Health Service
Statement of Recognised Income and Expense for the year ended 30 June 2009

PARENT		CONSOLIDATION			
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Budget 2009 \$000	Actual 2008 \$000	
-	-	111,061	-	111,061	
		Net Increase/(Decrease) in Property, Plant and Equipment Asset Revaluation Reserve			
0	0	111,061	0	111,061	
(51,958)	(58,674)	(106,993)	(58,674)	(106,993)	
		TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
(51,958)	(58,674)	4,068	(58,674)	4,068	
		TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR			
		EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS			
-	-	-	-	-	
-	-	-	-	-	
		TOTAL EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS			
-	-	-	-	-	
		29			

The accompanying notes form part of these Financial Statements

**Hunter New England Area Health Service
Balance Sheet as at 30 June 2009**

PARENT			CONSOLIDATION			
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
ASSETS						
Current Assets						
108,153	62,288	66,156	18	108,153	62,288	66,156
43,677	47,879	47,942	19	43,677	47,879	47,942
7,203	6,371	5,167	20	7,203	6,371	5,167
2,070	2,070	-	21	2,070	2,070	-
2,527	2,244	2,244	23	2,527	2,244	2,244
163,630	120,852	121,509		163,630	120,852	121,509
Non-Current Assets						
217	204	204	19	217	204	204
13,384	13,384	-	21	13,384	13,384	-
Property, Plant and Equipment						
958,504	951,587	906,398	22	958,504	951,587	906,398
84,393	81,344	81,844	22	84,393	81,344	81,844
71,260	71,616	73,895	22	71,260	71,616	73,895
1,114,157	1,104,547	1,062,137		1,114,157	1,104,547	1,062,137
1,127,758	1,118,135	1,062,341		1,127,758	1,118,135	1,062,341
1,291,388	1,238,987	1,183,850		1,291,388	1,238,987	1,183,850
LIABILITIES						
Current Liabilities						
102,173	74,230	89,300	25	102,173	74,230	89,300
3,079	1,946	3,494	26	3,079	1,946	3,494
319,424	305,350	269,633	27	319,424	305,350	269,633
1,713	2,341	2,341	28	1,713	2,341	2,341
426,389	383,867	364,768		426,389	383,867	364,768
Non-Current Liabilities						
156,169	157,665	72,792	26	156,169	157,665	72,792
6,990	11,527	6,911	27	6,990	11,527	6,911
405	420	420	28	405	420	420
163,564	169,612	80,123		163,564	169,612	80,123
589,953	553,479	444,891		589,953	553,479	444,891
701,435	685,508	738,959		701,435	685,508	738,959
EQUITY						
222,645	223,048	223,048	29	222,645	223,048	223,048
478,327	462,036	515,486	29	478,327	462,036	515,486
Amounts recognised in equity relating to assets						
463	424	425	23	463	424	425
701,435	685,508	738,959		701,435	685,508	738,959

The accompanying notes form part of these Financial Statements

Hunter New England Area Health Service
Cash Flow Statement for the year ended 30 June 2009

PARENT				CONSOLIDATION		
Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000	Notes	Actual 2009 \$000	Budget 2009 \$000	Actual 2008 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(120,964)	(123,778)	(120,447)	Employee Related	(921,066)	(935,694)	(865,166)
(9,760)	(10,087)	(3,761)	Grants and Subsidies	(120,964)	(123,778)	(120,447)
(1,461,602)	(1,492,189)	(1,344,174)	Finance Costs	(9,760)	(10,087)	(3,761)
			Other	(540,536)	(556,495)	(479,008)
(1,592,326)	(1,626,054)	(1,468,382)	Total Payments	(1,592,326)	(1,626,054)	(1,468,382)
Receipts						
274,028	254,703	203,720	Sale of Goods and Services	274,028	254,703	203,720
5,185	5,067	5,438	Interest Received	5,185	5,067	5,438
80,393	94,888	83,970	Other	80,393	94,888	83,970
359,606	354,658	293,128	Total Receipts	359,606	354,658	293,128
Cash Flows From Government						
1,291,014	1,291,014	1,183,307	NSW Department of Health Recurrent Allocations	1,291,014	1,291,014	1,183,307
47,606	43,126	40,363	NSW Department of Health Capital Allocations	47,606	43,126	40,363
1,338,620	1,334,140	1,223,670	Net Cash Flows from Government	1,338,620	1,334,140	1,223,670
105,900	62,744	48,416	NET CASH FLOWS FROM OPERATING ACTIVITIES	105,900	62,744	48,416
CASH FLOWS FROM INVESTING ACTIVITIES						
2,308	1,765	2,572	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	2,308	1,765	2,572
(106,298)	(98,848)	(55,358)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(106,298)	(98,848)	(55,358)
(103,990)	(97,083)	(52,786)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(103,990)	(97,083)	(52,786)
CASH FLOWS FROM FINANCING ACTIVITIES						
34,125	34,125	1,124	Proceeds from Borrowings and Advances	34,125	34,125	1,124
(4,230)	(4,230)	(1,742)	Repayment of Borrowings and Advances	(4,230)	(4,230)	(1,742)
29,895	29,895	(618)	NET CASH FLOWS FROM FINANCING ACTIVITIES	29,895	29,895	(618)
31,805	(4,444)	(4,988)	NET INCREASE / (DECREASE) IN CASH	31,805	(4,444)	(4,988)
66,156	66,156	71,144	Opening Cash and Cash Equivalents	66,156	66,156	71,144
10,192	576		0 Cash Transferred in/(out) as a result of administrative restructuring	10,192	576	0
108,153	62,288	66,156	CLOSING CASH AND CASH EQUIVALENTS	108,153	62,288	66,156

The accompanying notes form part of these Financial Statements

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

1 The Health Service Reporting Entity

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

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

The **Hunter New England Area** Health Service Special Purpose Service Entity was established as a Division of the Government Service on 17 March 2006 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. These Divisions provide personnel services to enable a Health Service to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Health Service (as the parent entity), the financial report of the special purpose entity Division and the consolidated financial report of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 12, 25, 27 and 33 being especially relevant.

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

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

These financial statements have been authorised for issue by the Chief Executive on **8th September 2009**.

2 Summary of Significant Accounting Policies

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

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

The consolidated entity has a deficiency of working capital of \$262.8m (2008 \$243.3m). 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.

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

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

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Accounting Standard/Interpretation

AASB 127 and AASB 2008-3, Business Combinations, has application in reporting periods beginning on or after 1 July 2009 and determines information to be disclosed in respect of business acquisitions. Its applicability to not for profit entities is yet to be determined.

AASB 8 and AASB 2007-3 Operating Segments, has application in reporting periods beginning on or after 1 January 2009. It relates to for profit entities specifically and is therefore not applicable to the Health Service.

AASB 101, Presentation of Financial Statements, effective for reporting periods beginning on 1 July 2009, has reduced the disclosure requirements for various reporting entities. However, in not for profit entities such as the Health Service there is no change required.

AASB 123 Borrowing Costs, has application in reporting periods beginning on or after 1 January 2009. The Standard, which requires capitalisation of borrowing costs, has not been adopted in 2008/09 nor is adoption expected prior to 2009/10.

AASB 1039, Concise Financial Reports, responds to changes in Section 314 of the Corporations Law. It is not applicable to Health Services.

AASB 2008-1, Share Based Payments has no applicability to the Health Service.

AASB 2008-2, Puttable Financial Instruments and Obligations Arising on Liquidation, effective from 1 July 2009 has no application to the Health Service.

AASB 2008-5 and AASB 2008-6, Annual Improvements Project, has application from 1 July 2009 and comprises changes for presentation, recognition or measurement purposes which are currently assessed as having no material impact on the Health Service.

AASB 2008-7 Investment in a Subsidiary, Jointly Controlled Entity or Associate, has no impact on the Health Service.

AASB 2008-8 Eligible Hedged Items, has application from 1 July 2009 but has no current applicability to the Health Service.

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, has mandatory application from 1 July 2009 and will not be early adopted by the Health Service.

AASB 2008-11 Business Combinations Among Not for Profit, has application from 1 July 2009 and focuses largely on Local Government.

AASB 2008-13, Distribution of Non Cash Assets to Owners, has application in reporting periods beginning on or after 1 July 2009 but is assessed as having no applicability to the Health Service.

AASB 2009-2, Improving Disclosures about Financial Instruments, has mandatory application from 1 July 2009. Changes to be advised by NSW Treasury concerning fair value measurement and liquidity risk will be adopted by the Health Service.

Interpretation 15 Construction of Real Estate, applies from 1 July 2009 but has no impact on the Health Service which is not involved in the construction of real estate for sale.

Interpretation 16, Agreements for the Hedges of a Net Investment in a Foreign Operation, has application from 1 July 2009 but has no relevance to the Health Service.

Interpretation 17 & AASB 2008-13 Distributions of Non Cash Assets to Owners, applies from 1 July 2009 and principally addresses share holder distributions. It is not applicable to the Health Service.

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

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

a) Employee Benefits and Other Provisions

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

At the consolidated level of reporting, liabilities for salaries and wages (including non monetary benefits), annual leave and paid sick leave that 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 2009, such on costs being consistent with actuarial assessment (Comparable on costs for 30 June 2008 were also 17%).

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

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

ii) Long Service Leave and Superannuation

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

Long Service Leave provisions are measured on a short hand basis at an escalated rate of 9.8% (8.1% at 30 June 2008) for all employees with five or more years of service. The escalation applied is consistent with actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

iii) Other Provisions

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

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

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods and Services

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

Patient Fees

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

Investment Revenue

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

Debt Forgiveness

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

Use of Hospital Facilities

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Use of Outside Facilities

The Health Service uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. The cost method of accounting is used for the initial recording of all such services.

Grants and Contributions

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

NSW Department of Health Allocations

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

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

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

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

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

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

f) Inter Area and Interstate Patient Flows

Inter Area Patient Flows

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

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Inter State Patient Flows

Health Services recognise the outflow of acute inpatients that are treated by other States and Territories within Australia who normally reside in the Service's residential area. The Health Services also recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The expense and revenue values reported within the financial statements have been based on 2007/08 activity data using standard cost weighted separation values to reflect estimated costs in 2008/09 for acute weighted inpatient separations. Where treatment is obtained outside the home health service, the State/Territory providing the service is reimbursed by the benefiting Area.

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

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

g) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition except for assets transferred as a result of an administrative restructure. (Note 2(z) refers)

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

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

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

h) Capitalisation Thresholds

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
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i) Depreciation

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Health Service. 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%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

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

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

j) Revaluation of Non Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, "Property, Plant & Equipment" and AASB140, "Investment Property". Investment property is separately discussed at Note 2(o).

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

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

The Health Service revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Area as at 1st July 2007 was completed on 30 June 2008 and was based on an independent assessment.

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.

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

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

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

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

k) Impairment of Property, Plant and Equipment

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

l) Assets Not Able to be Reliably Measured

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

m) Restoration Costs

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

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

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

o) Investment Properties

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

p) Intangible Assets

The Health Service recognises intangible assets only if it is probable that future economic benefits will flow to the Health Service and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Hunter New England Area Health Service
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The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Health Service's intangible assets, the assets are carried at cost less any accumulated amortisation. The Health Service's intangible assets are amortised using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions. In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity the Health Service is effectively exempted from impairment testing (see Note 2[k]).

q) Maintenance

The costs of 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.

r) Leased Assets

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

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

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

s) Inventories

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

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

t) Loans and Receivables

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

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

Hunter New England Area Health Service
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u) Investments

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

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

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency's key management personnel.

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

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

- * *Held to maturity investments* – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Hunter New England Area Health Service has the positive intention and ability to hold to maturity are classified as "held to maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the operating statement when impaired, derecognised or through the amortisation process.
- * *Available for sale investments* - Any residual investments that do not fall into any other category are accounted for as available for sale investments and measured at fair value directly in equity until disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the operating statement. However, interest calculated using the effective interest method and dividends are recognised in the operating statement.

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

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

v) Impairment of financial assets

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

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

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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.

w) De-recognition of financial assets and financial liabilities

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

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

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

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

x) Payables

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

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Health Service.

y) Borrowings

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

z) Equity Transfers

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

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

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

The Statement of Recognised Income and Expense does not reflect the Net Assets or change in equity in accordance with AASB 101 Clause 97.

Hunter New England Area Health Service
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aa) Trust Funds

The Health Service receives monies in a trustee capacity for various trusts as set out in Note 31. As the Health Service performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Health Service's own objectives, they are not brought to account in the financial statements.

ab) Budgeted Amounts

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

ac) Emerging Asset

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

ad) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 30 June 2008 which is then applied to the current period's financial information. Adjustments are made to the allocation, if required, based on current year data. In respect of Assets and Liabilities the Department requires that all Health Services take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, eg. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

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PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
-	-	Salaries and Wages	718,272	660,155
-	-	Awards	30,966	33,956
-	-	Superannuation - defined benefit plans	19,668	20,370
-	-	Superannuation - defined contributions	61,864	55,775
-	-	Long Service Leave	33,132	27,142
-	-	Annual Leave	84,922	68,875
-	-	Sick Leave and Other Leave	28,549	22,472
-	-	Redundancies	633	(25)
-	-	Workers Compensation Insurance	16,105	15,972
-	-	Fringe Benefits Tax	270	269
-	-		994,381	904,961
The following additional information is provided:				
-	-	Employee Related Expenses capitalised - Land and Buildings	-	24
-	-	Employee Related Expenses capitalised - Plant and Equipment	-	-
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
718,272	660,155	Salaries and Wages	-	-
30,966	33,956	Awards	-	-
19,668	20,370	Superannuation - defined benefit plans	-	-
61,864	55,775	Superannuation - defined contributions	-	-
33,132	27,142	Long Service Leave	-	-
84,922	68,875	Annual Leave	-	-
28,549	22,472	Sick Leave and Other Leave	-	-
633	(25)	Redundancies	-	-
16,105	15,972	Workers Compensation Insurance	-	-
270	269	Fringe Benefits Tax	-	-
994,381	904,961		-	-
The following additional information is provided:				
-	24	Personnel Services Expenses capitalised - Land and Buildings	-	-
-	-	Personnel Services Expenses capitalised - Plant and Equipment	-	-
5. Other Operating Expenses				
88,478	77,664	Allocations towards Inter Area Patient Outflows, NSW (see (d) below)	88,478	77,664
5,963	5,443	Blood Services	5,963	5,443
22,863	19,094	Domestic Supplies and Services	22,863	19,094
43,967	40,939	Drug Supplies	43,967	40,939
13,366	10,133	Food Supplies	13,366	10,133
10,757	8,675	Fuel, Light and Power	10,757	8,675
30,544	31,982	General Expenses (See (b) below)	30,544	31,982
17,362	14,012	Hospital Ambulance Transport Costs	17,362	14,012
9,906	6,735	Information Management Expenses	9,906	6,735
1,444	1,637	Insurance	1,444	1,637
8,786	10,469	Interstate Patient Outflows (see (e) below)	8,786	10,469
Maintenance (See (c) below)				
11,608	11,209	Maintenance Contracts	11,608	11,209
13,488	11,912	New/Replacement Equipment under \$10,000	13,488	11,912
10,402	9,396	Repairs	10,402	9,396
58,938	53,545	Medical and Surgical Supplies	58,938	53,545
5,937	6,279	Postal and Telephone Costs	5,937	6,279
4,074	4,115	Printing and Stationery	4,074	4,115
1,934	2,468	Rates and Charges	1,934	2,468
7,356	7,011	Rental	7,356	7,011
52,775	39,651	Special Service Departments	52,775	39,651
11,270	10,351	Staff Related Costs	11,270	10,351
1,985	1,882	Sundry Operating Expenses (See (a) below)	1,985	1,882
6,619	7,328	Travel Related Costs	6,619	7,328
439,822	391,930		439,822	391,930

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	PARENT		CONSOLIDATION	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
(a) Sundry Operating Expenses comprise: Isolated Patient Travel and Accommodation Assistance Scheme	1,985	1,882	1,985	1,882
	1,985	1,882	1,985	1,882
(b) General Expenses include:- Advertising Books, Magazines and Journals Consultancies - Operating Activities - Capital Works Courier and Freight Auditor's Remuneration - Audit of financial reports Auditor's Remuneration - Other Services Data Recording and Storage Legal Services Membership/Professional Fees Motor Vehicle Operating Lease Expense - minimum lease payments Other Operating Lease Expense - minimum lease payments Other Motor Vehicle Expenses Payroll Services Quality Assurance/Accreditation Security Services Translator Services	1,152 674 0 1,794 89 2,047 150 12 30 887 1,179 6,823 1,945 4,607 0 640 855 34	1,608 643 0 1,794 89 2,047 158 67 17 1,048 836 6,923 1,945 4,388 15 331 822 41	1,152 674 2,082 2,047 150 12 30 887 1,179 6,823 1,965 4,607 0 640 855 34	1,608 643 1,794 89 1,356 158 67 17 1,048 836 6,923 1,945 4,388 15 331 822 41
(c) Reconciliation Total Maintenance Maintenance expense - contracted labour and other (non employee related), included in Note 5 Employee related/Personnel Services maintenance expense included in Notes 3 and 4	35,498 10,793	30,461 10,227	35,498 10,793	30,461 10,227
Total maintenance expenses included in Notes 3, 4 and 5	46,291	40,688	46,291	40,688
(d) Details of the allocations applied to Inter Area Patient Out Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:-				
Children's Hospital Westmead Greater Southern Greater Western North Coast Northern Sydney Central Coast South East Illawarra Sydney South West Sydney West	10,777 528 1,404 7,864 26,856 21,597 11,911 7,541	5,383 464 1,435 7,953 24,539 20,235 9,376 8,279	10,777 528 1,404 7,864 26,856 21,597 11,911 7,541	5,383 464 1,435 7,953 24,539 20,235 9,376 8,279
	86,478	77,664	86,478	77,664
(e) Expenses for Interstate Patient Flows are as follows:-				
Australian Capital Territory Northern Territory Queensland South Australia Tasmania Victoria Western Australia	622 218 5,512 56 - 1,228 1,150	751 426 8,669 541 (333) 191 224	622 218 5,512 56 - 1,228 1,150	751 426 8,669 541 (333) 191 224
	8,786	10,469	8,786	10,469

Hunter New England Area Health Service
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PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
6. Depreciation and Amortisation				
35,197	34,359	Depreciation - Buildings	35,197	34,359
	-	Amortisation - Leased Buildings		-
18,257	17,303	Depreciation - Plant and Equipment	18,257	17,303
2,924	2,790	Depreciation - Infrastructure Systems	2,924	2,790
<u>56,378</u>	<u>54,452</u>		<u>56,378</u>	<u>54,452</u>
7. Grants and Subsidies				
9,013	8,894	Non Government Voluntary Organisations	9,013	8,894
869	634	Other	869	634
<u>9,882</u>	<u>9,528</u>		<u>9,882</u>	<u>9,528</u>
8. Finance Costs				
2,275	464	Interest on Bank Overdrafts and Loans	2,275	464
9,760	3,761	Other Interest Charges	9,760	3,761
<u>12,035</u>	<u>4,225</u>	Total Finance Costs	<u>12,035</u>	<u>4,225</u>
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
91,835	91,018	Calvary Mater Newcastle	91,835	91,018
<u>91,835</u>	<u>91,018</u>		<u>91,835</u>	<u>91,018</u>
(b) Capital Sourced				
7,928	4,423	Calvary Mater Newcastle	7,928	4,423
<u>7,928</u>	<u>4,423</u>		<u>7,928</u>	<u>4,423</u>
(c) Non Recurrent				
35,478	71,330	Calvary Mater Newcastle	35,478	71,330
<u>35,478</u>	<u>71,330</u>		<u>35,478</u>	<u>71,330</u>
<u>135,241</u>	<u>166,771</u>	Total Payments to Affiliated Health Organisations	<u>135,241</u>	<u>166,771</u>

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PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
4,592 542	3,943 502	Sale of Prosthesis Pharmacy Sales	4,592 542	3,943 502
(b) Rendering of Services comprise the following:-				
98,651 1,173 44,987 7,193 34,675 1,141 3,783 775 4,612 40,189 214 7 3 780 280 2,850 4,824 10,568	93,198 1,647 33,638 5,010 29,762 617 3,482 740 3,458 6,537 266 3 735 233 3,465 11,701 5,675	Patient Fees [see note 2(d)] Staff-Meals and Accommodation Infrastructure Fees - Monthly Facility Charge [see note 2(d)] - Annual Charge Allocation from Inter Area Patient Inflows, NSW [see note (c) below] Cafeteria/Kiosk Car Parking Child Care Fees Clinical Services (excluding Clinical Drug Trials) Commercial Activities Fees for Medical Records Information Retrieval Linen Service Revenues - Non Health Services Meals on Wheels PADP Patient Copayments Patient Inflows from Interstate [see note (d) below] Services Provided to Non NSW Health Organisations Other	98,651 1,173 44,987 7,193 34,675 1,141 3,783 775 4,612 40,189 214 7 3 780 280 2,850 4,824 10,568	93,198 1,647 33,638 5,010 29,762 617 3,482 740 3,458 6,537 266 - 3 735 233 3,465 11,701 5,675
261,839	204,612		261,839	204,612
(c) Details of the Allocations received for Inter Area Patient Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:				
458 4,691 12,446 12,959 1,084 1,513 1,524	590 4,478 11,174 9,827 1,028 1,360 1,305	Greater Southern Greater Western North Coast Northern Sydney Central Coast South East Illawarra Sydney South West Sydney West	458 4,691 12,446 12,959 1,084 1,513 1,524	590 4,478 11,174 9,827 1,028 1,360 1,305
34,675	29,762		34,675	29,762
(d) Revenues from Patient Inflows from Interstate are as follows:-				
- 3 1,517 110 219 866 135	363 84 2,151 44 50 689 84	Australian Capital Territory Northern Territory Queensland South Australia Tasmania Victoria Western Australia	- 3 1,517 110 219 866 135	363 84 2,151 44 50 689 84
2,850	3,465		2,850	3,465
11. Investment Revenue				
5,235 1,251 -	5,438 1,091 52	Interest Lease and Rental Income Royalties	5,235 1,251 -	5,438 1,091 52
6,486	6,581		6,486	6,581

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PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
12. Grants and Contributions				
505	679	Clinical Drug Trials	505	679
9,746	6,523	Commonwealth Government grants	9,746	6,523
144	115	Commonwealth Teaching Hospital grants	144	115
3,614	5,148	Industry Contributions/Donations	3,614	5,148
7,421	4,850	Cancer Institute grants	7,421	4,850
6,903	6,738	NSW Government grants	6,903	6,738
19,667	20,370	Personnel Services - Superannuation Defined Benefits	-	-
1,345	843	Research grants	1,345	843
2,744	1,204	Other grants	2,744	1,204
52,089	46,470		32,422	26,100
13. Other Revenue				
Other Revenue comprises the following:-				
2	20	Bad Debts recovered	2	20
196	175	Commissions	196	175
906	616	Conference and Training Fees	906	616
31	48	Sale of Merchandise, Old Wares and Books	31	48
120	8	Sponsorship Income	120	8
1,275	9,507	Treasury Managed Fund Hindsight Adjustment	1,275	9,507
3,131	2,197	Other	3,131	2,197
5,661	12,571		5,661	12,571
14. Gain/(Loss) on Disposal				
25,533	16,946	Property, Plant and Equipment	25,533	16,946
23,162	14,235	Less Accumulated Depreciation	23,162	14,235
2,371	2,711	Written Down Value	2,371	2,711
2,075	1,943	Less Proceeds from Disposal	2,075	1,943
(296)	(768)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(296)	(768)
217	473	Assets Held for Sale	217	473
233	755	Less Proceeds from Disposal	233	755
16	282	Gain/(Loss) on Disposal of Assets Held for Sale	16	282
(280)	(486)	Total Gain/(Loss) on Disposal	(280)	(486)
15. Other Gains/(Losses)				
47	(1,414)	Impairment of Receivables	47	(1,414)
47	(1,414)		47	(1,414)

Hunter New England Area Health Service
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PARENT AND CONSOLIDATED

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	3,953	22,085	4,738	30,776
Contributions recognised in amalgamated balance as at 30 June 2008 which were not expended in the current reporting period	4,704	27,324	7,501	39,529
Total amount of unexpended contributions as at balance date	8,657	49,409	12,239	70,305

Comment on restricted assets appears in Note 24

Revenue received during the current year is inclusive of transfer of Pathology Trusts from North Coast & North Sydney Central Coast of \$10.2m

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

17 Service Groups of the Health Service

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Overnight Acute Inpatient Services

Service Description: This service group covers the provision of health care to patients admitted to public hospitals with the intention that their stay will be overnight, including elective surgery and maternity services.

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

Service Group 2.3 - Same Day Acute Inpatient Services

Service Description: This service group covers the provision of health care to patients who are admitted to public hospitals with the intention that they will be admitted, treated and discharged on the same day.

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

	PARENT		CONSOLIDATION	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
18. Current Assets - Cash and Cash Equivalents				
Cash at bank and on hand	56,151	17,156	56,151	17,156
Short Term Deposits	52,002	49,000	52,002	49,000
	108,153	66,156	108,153	66,156
Cash & cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:				
Cash and cash equivalents (per Balance Sheet)	108,153	66,156	108,153	66,156
Closing Cash and Cash Equivalents (per Cash Flow Statement)	108,153	66,156	108,153	66,156

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009 \$000	2008 \$000		2009 \$000	2008 \$000
		19. Receivables		
		Current		
18,681	16,790	(a) Sale of Goods and Services	18,681	16,790
312	1,035	Leave Mobility	312	1,035
791	6,848	NSW Health Department	791	6,848
9,900	7,772	Goods and Services Tax	9,900	7,772
2,929	1,952	Expense/Payments	2,929	1,952
<u>9,710</u>	<u>10,556</u>	Other Debtors	<u>9,710</u>	<u>10,556</u>
42,323	44,953	Sub Total	42,323	44,953
<u>(574)</u>	<u>(830)</u>	Less Allowance for impairment	<u>(574)</u>	<u>(830)</u>
41,749	44,123	Sub Total	41,749	44,123
1,928	3,819	Prepayments	1,928	3,819
<u>43,677</u>	<u>47,942</u>		<u>43,677</u>	<u>47,942</u>
		(b) Movement in the allowance for impairment		
		Sale of Goods & Services		
(357)	(310)	Balance at 1 July	(357)	(310)
151	254	Amounts written off during the year	151	254
128	47	Amounts recovered during the year	128	47
279	301	Increase/(decrease) in allowance recognised in	279	301
		Result for the Year		
<u>(485)</u>	<u>(357)</u>	Balance at 30 June	<u>(485)</u>	<u>(357)</u>
		(c) Movement in the allowance for impairment		
		Other Debtors		
(473)	(259)	Balance at 1 July	(473)	(259)
58	853	Amounts written off during the year	58	853
(384)	214	Amounts recovered during the year	(384)	214
(326)	1,067	Increase/(decrease) in allowance recognised in	(326)	1,067
		Result for the Year		
<u>(89)</u>	<u>(473)</u>	Balance at 30 June	<u>(89)</u>	<u>(473)</u>
<u>(574)</u>	<u>(830)</u>		<u>(574)</u>	<u>(830)</u>
		Non Current		
		(a) Sale of Goods and Services		
263	262	Other Debtors	263	262
<u>-</u>	<u>32</u>	Leave Mobility	<u>-</u>	<u>32</u>
263	294	Sub Total	263	294
<u>(46)</u>	<u>(90)</u>	Less Allowance for impairment	<u>(46)</u>	<u>(90)</u>
217	204	Sub Total	217	204
		Prepayments		
<u>217</u>	<u>204</u>		<u>217</u>	<u>204</u>
		(b) Movement in the allowance for impairment		
		Sale of Goods & Services		
(90)	(44)	Balance at 1 July	(90)	(44)
-	-	Amounts written off during the year	-	-
(44)	46	Amounts recovered during the year	(44)	46
(44)	46	Increase/(decrease) in allowance recognised in	(44)	46
		Result for the Year		
<u>(46)</u>	<u>(90)</u>	Balance at 30 June	<u>(46)</u>	<u>(90)</u>
		(d) Sale of Goods and Services Receivables		
		(Current and Non Current) include:		
1,533	1,006	Patient Fees - Compensable	1,533	1,006
518	389	Patient Fees - Ineligible	518	389
<u>9,832</u>	<u>9,199</u>	Patient Fees - Other	<u>9,832</u>	<u>9,199</u>
<u>11,883</u>	<u>10,594</u>		<u>11,883</u>	<u>10,594</u>

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

	PARENT	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000
20. Inventories					
Current - at cost (held for Distribution)					
Drugs	2,448	2,617	2,617	2,448	2,617
Medical and Surgical Supplies	4,500	2,318	2,318	4,500	2,318
Food and Hotel Supplies	225	219	219	225	219
Engineering Supplies	30	3	3	30	3
Other including Goods in Transit	-	10	10	-	10
	<u>7,203</u>	<u>5,167</u>	<u>5,167</u>	<u>7,203</u>	<u>5,167</u>

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

	PARENT	2009 \$000	2008 \$000
21. Current/Non Current Assets - Other Financial Assets			
Current			
Loans (Other Area Health Services)	2,070	-	-
	<u>2,070</u>	<u>-</u>	<u>-</u>
Non Current			
Loans (Other Area Health Services)	13,384	-	-
	<u>13,384</u>	<u>-</u>	<u>-</u>
		2,070	2008
		\$000	\$000

CONSOLIDATION

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

Loans represent monies outstanding from North Coast & North Sydney Central Coast, transfer of leave liability.
 North Sydney Central Coast \$12.1m, debt to be extinguished 2015/16
 North Coast \$3.3m, debt to be extinguished 2015/16

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT			CONSOLIDATION	
2009	2008		2009	2008
\$000	\$000		\$000	\$000
22. Property, Plant and Equipment				
		Land and Buildings - fair value		
1,656,134	1,569,385	Gross Carrying Amount	1,656,134	1,569,385
697,630	662,987	Less Accumulated depreciation and impairment	697,630	662,987
<u>958,504</u>	<u>906,398</u>	Net Carrying Amount	<u>958,504</u>	<u>906,398</u>
		Plant and Equipment - fair value		
212,709	201,179	Gross Carrying Amount	212,709	201,179
128,316	119,335	Less Accumulated depreciation and impairment	128,316	119,335
<u>84,393</u>	<u>81,844</u>	Net Carrying Amount	<u>84,393</u>	<u>81,844</u>
		Infrastructure Systems - fair value		
117,508	117,219	Gross Carrying Amount	117,508	117,219
46,248	43,324	Less Accumulated depreciation and impairment	46,248	43,324
<u>71,260</u>	<u>73,895</u>	Net Carrying Amount	<u>71,260</u>	<u>73,895</u>
<u>1,114,157</u>	<u>1,062,137</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>1,114,157</u>	<u>1,062,137</u>

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT AND CONSOLIDATED

22. Property, Plant and Equipment - Reconciliations

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2009							
Net Carrying amount at start of year	110,208	761,016	35,174	0	81,844	73,895	1,062,137
Additions	-	50,436	39,807	-	16,055	-	106,298
Reclassifications to Intangibles	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	(480)	(22)	-	-	-	-	(502)
Disposals	(225)	(146)	-	-	(2,000)	-	(2,371)
Administrative restructures - transfers in/(out)	-	-	-	-	4,973	-	4,973
Net revaluation increment less revaluation decrements recognised in reserves	-	-	-	-	-	-	-
Impairment losses (recognised in "other gains/losses)	-	-	-	-	-	-	-
Depreciation expense	-	(35,082)	-	(115)	(18,257)	(2,924)	(56,378)
Reclassifications	-	26,272	(32,604)	4,265	1,778	289	-
Net Carrying amount at end of year	109,503	802,474	42,377	4,150	84,393	71,260	1,114,157

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2008							
Net Carrying amount at start of year	70,895	717,501	34,098	-	81,651	48,738	952,883
Additions	315	465	44,579	-	9,804	193	55,356
Reclassifications to Intangibles	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	-	-	-	-	-	-	-
Disposals	(224)	(125)	-	-	(2,362)	-	(2,711)
Administrative restructures - transfers in/(out)	-	-	-	-	-	-	-
Net revaluation increment less revaluation decrements recognised in reserves	39,032	53,163	-	-	-	18,866	111,061
Impairment losses (recognised in "other gains/losses)	-	-	-	-	-	-	-
Depreciation expense	-	(34,359)	-	-	(17,303)	(2,790)	(54,452)
Reclassifications	190	24,371	(43,503)	-	10,054	8,888	-
Net Carrying amount at end of year	110,208	761,016	35,174	-	81,844	73,895	1,062,137

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

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
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PARENT	2009	2008	CONSOLIDATION		
25. Payables	\$000	\$000	2009	2008	\$000
Current	-	-	26,587	24,019	-
Accrued Salaries and Wages	-	-	5,771	1,579	-
Taxation and Payroll Deductions	32,358	25,598	-	-	-
Accrued Liability - Purchase of Personnel Services	33,739	25,745	33,739	25,745	-
Creditors	2,818	1,310	2,818	1,310	-
Taxation Payables - Goods & Services Tax	-	-	-	-	-
Other Creditors	-	-	-	-	-
- Capital Works	4,166	4,623	4,166	4,623	-
- Intra Health Liability	3,430	2,824	3,430	2,824	-
- Other	25,662	29,200	25,662	29,200	-
Total	102,173	89,300	102,173	89,300	89,300

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

	PARENT	CONSOLIDATION
26. Borrowings		
Current		
Other Loans and Deposits	1,815	1,815
Novacare - Calvary Mater Newcastle PPP	1,264	1,264
	<u>3,079</u>	<u>3,079</u>
Non Current		
Other Loans and Deposits	3,398	3,398
Novacare - Calvary Mater Newcastle PPP	152,771	152,771
	<u>156,169</u>	<u>156,169</u>
		<u>72,792</u>
		<u>72,792</u>
<p>Other loans still to be extinguished represent monies to be repaid to NSW Health Department, \$2.8m and Health Support, \$2.4m.</p> <p>Final repayment of the NSW Health Department loan is scheduled for 2010/11.</p> <p>Final repayment of the Health Support loan is scheduled for 2013/14</p> <p>Liability to Novacare, \$154.0m.</p> <p>Final repayment to Novacare for Calvary Mater Newcastle Hospital PPP Liability is scheduled for 2033/34</p>		
Repayment of Borrowings		
Not later than one year	3,079	3,079
Between one and five years	31,670	31,670
Later than five years	124,499	124,499
	<u>159,248</u>	<u>159,248</u>
Total Borrowings at face value		<u>76,286</u>
		<u>76,286</u>

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

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

PARENT		CONSOLIDATION	
2009 \$000	2008 \$000	2009 \$000	2008 \$000
27. Provisions			
Current Employee benefits and related on-costs			
-	-	69,951	62,810
-	-	58,734	44,923
-	-	15,745	15,015
-	-	174,994	146,885
-	-	-	-
-	-	-	-
319,424	269,633	-	-
319,424	269,633	319,424	269,633
Non Current Employee benefits and related on-costs			
-	-	6,990	6,911
-	-	-	-
-	-	-	-
6,990	6,911	-	-
6,990	6,911	6,990	6,911
Aggregate Employee Benefits and Related On-costs			
319,424	269,633	319,424	269,633
6,990	6,911	6,990	6,911
-	-	32,358	25,598
32,358	25,598	-	-
358,772	302,142	358,772	302,142

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

	PARENT		CONSOLIDATION
	2009 \$000	2008 \$000	2009 \$000
28. Other Liabilities			
Current			
Income in Advance	1,713	2,341	1,713
	<u>1,713</u>	<u>2,341</u>	<u>1,713</u>
Non Current			
Income in Advance	405	420	405
	<u>405</u>	<u>420</u>	<u>405</u>
			<u>2,341</u>

The major components of Income in advance as at the 30th June 2009 relates to rent in advance received from Armidale Private Hospital \$0.40million, deposit on the sale of David Maddison building \$0.62million, Cancer institute funding \$0.26million, Compacts funding \$0.21million, DADHC Grant \$0.09million, Rural Trauma CNC funding \$0.08million, Others \$0.458million.

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

29. PARENT AND CONSOLIDATED

Equity	Accumulated Funds		Asset Revaluation Reserve		Available for Sale Reserves		Total Equity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Balance at the beginning of the financial year	515,486	622,930	223,048	111,342	425	619	738,959	734,891
Correction of errors (specify)	-	-	-	-	-	-	-	-
Restated Opening balance	515,486	622,930	223,048	111,342	425	619	738,959	734,891
Changes in equity - transactions with owners as owners								
Increase/(Decrease) in Net Assets from Administrative Restructure	14,434	-	-	-	-	-	14,434	-
Total	529,920	622,930	223,048	111,342	425	619	753,393	734,891
Changes in equity - other than transactions with owners as owners								
Result for the year	(51,958)	(106,993)	-	-	-	-	(51,958)	(106,993)
Increment/(Decrement) on Revaluation of:								
Land and Buildings	-	-	-	39,032	-	-	-	39,032
Plant and Equipment	-	-	-	53,163	-	-	-	53,163
Infrastructure Systems	-	-	-	18,866	-	-	-	18,866
Increment/(Decrement) on revaluation of available for sale financial assets	-	-	-	-	-	-	-	-
Transfer to Result for Year on disposal of available for sale financial assets	-	-	-	-	-	-	-	-
Total	(51,958)	(106,993)	-	111,061	-	-	(51,958)	4,068
Transfers within equity								
Asset revaluation reserve balances transferred to accumulated funds on disposal of asset	365	(451)	(403)	645	38	(194)	-	-
Total	365	(451)	(403)	645	38	(194)	-	-
Balance at the end of the financial year	478,327	515,486	222,645	223,048	463	425	701,435	738,959

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. This accords with the Health Service's policy on the "Revaluation of Physical Non Current Assets" and "Investments", as discussed in Note 2(j). Admin Restructure was a result of transfer of Net Assets from Pathology merger HNEAHS, North Coast & North Sydney Central Coast.

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

	PARENT		CONSOLIDATION
	2009	2008	2009
	\$000	\$000	\$000
30. Commitments for Expenditure			
(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:			
Not later than one year	15,613	15,223	15,613
Later than one year and not later than five years	1,699	803	1,699
Later than five years			803
	17,312	16,026	17,312
			16,026
Of the commitments reported at 30 June 2009 it is expected that NIL will be met from locally generated moneys.			
(b) Operating Lease Commitments			
Commitments in relation to non-cancellable operating leases are payable as follows:			
Not later than one year	9,192	8,751	9,192
Later than one year and not later than five years	14,128	13,414	14,128
Later than five years	34,223	36,524	34,223
	57,543	58,689	57,543
			58,689
Total Operating Lease Commitments (including GST)			
			58,689
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment			
(c) Contingent Asset related to Commitments for Expenditure			
The total of "Commitments for Expenditure" above, i.e. \$74.9m million as at 30 June 2009 includes input tax credits of \$6.8m that are expected to be recoverable from the Australian Taxation Office.			

Hunter New England Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2009

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

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

When Stage 1 construction was completed in January 2008, the Hunter New England Area Health Service (HNEAHS) transferred the Mater hospital to Calvary Mater Newcastle and recognised the transfer as a grant expense of \$71.33M. The recognition is based on the fact that services are delivered by Little Company of Mary Health Care being a Third Schedule Hospital health care provider which is outside the accounting control of either HNEAHS or the Department. Upon completion of the Project, HNEAHS transferred the other parts of the new Hospital and recognised the transfer of a grant expense of \$35.48M in June 2009.

HNEAHS recognised the new mental health facility as an asset of \$39.29M. The refurbished Convent and McAuley buildings at the Mater hospital site as occupied by HNEAHS, was also recognised as an asset and offsetting liability of \$11.08M. The basis for the accounting treatment is that services will be delivered by HNEAHS on the site of Mater Hospital for the duration of the Head Lease of the these facilities until November 2033.

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

An estimate of the commitments is as follows:

(e) (i) Commitments – Repayment of PPP Liability (Borrowings)	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Not later than one year	1,390	1,832	1,390	1,832
Later than one year and not later than five years	31,099	9,339	31,099	9,339
Later than five years	136,949	59,414	136,949	59,414
Total Capital Expenditure Commitments (including GST)	169,438	70,585	169,438	70,585

Hunter New England Area Health Service
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(ii) Capital Commitments – New Mental Health Building and Refurbished Buildings (PPP interest)

	6,847	4,253
Not later than one year	19,756	29,315
Later than one year and not later than five years	38,209	89,818
	6,847	4,253
	19,756	29,315
	38,209	89,818
Total Other Expenditure Commitments (including GST)	64,812	123,386

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

	29,341	18,856
Not later than one year	106,895	115,354
Later than one year and not later than five years	592,220	652,590
	29,341	18,856
	106,895	115,354
	592,220	652,590
Total Other Expenditure Commitments (including GST)	728,456	786,800

The expenditure commitments include Goods and Services Tax. Related input tax credits of \$85M (2008: \$83M) are expected to be recoverable from the Australian Taxation Office.

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

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PARENT AND CONSOLIDATION

31 Trust Funds

The Health Service holds trust moneys of \$2.963 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Health Service cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash Balance at the beginning of the financial reporting period	1,430	1,346	442	315	719	739	2,591	2,400
Receipts	408	261	1,131	1,055	65,135	49,694	66,674	51,010
Expenditure	(522)	(177)	(888)	(928)	(64,892)	(49,714)	(66,302)	(50,819)
Cash Balance at the end of the financial reporting period	1,316	1,430	685	442	962	719	2,963	2,591

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PARENT AND CONSOLIDATED

32 Contingent Liabilities

a) Claims on Managed Fund

Since 1 July 1989, the Health Service has been a member of the NSW Treasury Managed Fund. The Fund will pay or on behalf of the Health Service all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Health Service. Open public liability claims against the Health Service at 30 June 2009 numbered 84 with an estimate value of \$73.3m (67 claims with an estimate value of \$43.8m at 30 June 2008). As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the Health Service. A Solvency Fund (now called Pre-Managed Fund Reserve was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Health Service.

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2002/03 fund year and an interim adjustment for the 2004/05 fund year were not calculated until 2008/09. As a result, the 2003/04 final and 2005/06 interim hindsight calculations will be paid in 2009/10.

c) Affiliated Health Organisations

Based on the definition of control in Australian Accounting Standard AASB127, Affiliated Health Organisations listed in Schedule 3 of the Health Services Act, 1997 are only recognised in the Department's consolidated Financial Statements to the extent of cash payments made.

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

d) Contingent Liabilities include, A. Bank Guarantee - Fisher & Paykel Australia for sublease of Belford Place Cardiff, \$126k. B. Mater PPP, dispute with Novacare re Mental Health meals, \$1,120k.

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	PARENT		CONSOLIDATION	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
33. Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services				
Net Cash Flows from Operating Activities	105,900	48,416	105,900	48,416
Depreciation	(56,378)	(54,452)	(56,378)	(54,452)
Provision for Doubtful Debts	300	(307)	300	(307)
Acceptance by the Crown Entity of Employee Superannuation Benefits (Increase)/ Decrease in Provisions	(47,935)	(16,484)	(19,667)	(20,370)
Increase / (Decrease) in Prepayments and Other Assets	(5,507)	8,547	(47,935)	(16,484)
(Increase)/ Decrease in Creditors	(48,058)	(92,227)	(5,507)	8,547
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(280)	(486)	(48,058)	(92,227)
(NSW Health Department Recurrent Allocations)	(1,291,014)	(1,183,307)	(280)	(486)
(NSW Health Department Capital Allocations)	(47,606)	(40,363)	(1,291,014)	(1,183,307)
	(1,390,578)	(1,330,663)	(1,410,245)	(1,351,033)

34. 2008/09 Voluntary Services

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

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

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PARENT AND CONSOLIDATED

35 Unclaimed Moneys

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

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

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

36 Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was favourable to budget by \$3.2m. This was due primarily due to higher than anticipated Infrastructure Fees, DVA, User Charges and Grants, offset by higher than anticipated Goods and Services and VMO costs.

Result for the Year

The actual result for the year was \$6.7m favourable. The result for the year was due to favourable Net Cost of Services of \$3.2m as detailed above, and favourable Government Contributions of \$3.5m

Assets and Liabilities

Current Assets were higher than budget by \$42.8m due to higher than anticipated Cash at Bank balance.

Non Current Assets were higher than budget by \$9.6m due to higher than anticipated Capital Expenditure.

Current Liabilities were higher than budget by \$42.5m due to higher than anticipated creditors and Leave Provisions.

Non Current Liabilities are \$6.0m favourable to budget due to Leave Provisions.

Cash Flows

Cash & cash equivalent were \$45.9m higher than budget for 0809 year. Favorability from operating activities due to timing of creditors payments \$33.7m, higher than budgeted cash received for revenue \$5.0m, higher than anticipated capital funding \$4.5m, and cash transferred from trusts accounts due to merge of Pathology Services from other NSW Area Health Services \$9.6m offset by unfavourability in investing activities from higher than budgeted purchases \$(6.9)m.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on **1st July 2008** are as follows:

		\$'000
Initial Allocation		1,128,642
Award Increases (Including Special Project Award Increases)		44,914
Special Projects: -		
High Cost Drugs	5,451	
Aboriginal Health	2,596	
Drug and Alcohol	1,949	
PADP	519	
National Womens Health	428	
AIDS	419	
Other	484	11,846
Other: -		
Inter Area Flows	53,803	
Mater PPP	13,611	
General Liquidity Assistance	10,000	
Financial Assistance	9,553	
Mini Budget Efficiency Dividend	8,058	
VMO	3,990	
Nurse Midwife Strategy	2,915	
Mental Health	2,680	
SASS/SSS Superannuation Adjustments	1,161	
Capital Resource Distribution	974	
Palms Pathology Transfer from NSCC AHS	835	
Workforce Leadership & Development	777	
Ventilated Quadraplegic Assistance	521	
C/W Overseas Trained Specialist	482	
High Patient Cost Pool	421	
Calvary Mater Newcastle Fifth Linear Accelerator	400	
Transfer of Forensic Medicine Services	337	
Calvary Mater Positron Emission Tomography	315	
Other	(1,652)	
Treasury Mananaged Fund	(3,571)	105,610
		1,291,014

Hunter New England Area Health Service
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Note 37 Financial Instruments

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

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

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

a) Financial Instrument Categories

PARENT AND CONSOLIDATED

		Total carrying amounts as per the Balance Sheet	
		2009	2008
		\$000	\$000
Financial Assets			
Class:	Category		
Cash and Cash Equivalents (note 18)	N/A	108,153	66,156
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	32,686	37,475
Other Financial Assets (note 21)	Loans and receivables (at amortised cost)	15,454	-
Total Financial Assets		<u>156,293</u>	<u>103,631</u>
Financial Liabilities			
Borrowings (note 26)	Financial liabilities	159,248	76,286
Payables (note 25) ²	measured at	99,355	87,990
Total Financial Liabilities		<u>258,603</u>	<u>164,276</u>

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)

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b) Credit Risk

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

Credit risk arises from financial assets of the Health Service i.e receivables. No collateral is held by the Health Service nor has it granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 5.66% in 2008/09 compared to 7.42% in the previous year.

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 Health Service will not be able to collect the amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Health Service 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 (2009:\$18.4m; 2008: \$18.7m) and not more than [3] months past due (2009: \$4.1; 2008:\$6.8m) are not considered impaired and together these represent (2009: 86%; 2008: 86%) of the total trade debtors. In addition Patient Fees Compensables are frequently not settled with 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Health Services' debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have not been renegotiated

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

	\$000		
2009	Total	Past due but not impaired	Considered impaired
<3 months overdue	4,116	3,938	178
3 months - 6 months overdue	1,014	969	45
> 6 months overdue	2,725	2,328	397
Total	7,855	7,235	620
2008			
<3 months overdue	6,770	6,506	264
3 months - 6 months overdue	2,729	2,662	67
> 6 months overdue	1,576	987	589
Total	11,075	10,155	920

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

c) Liquidity Risk

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

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

During the current and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Health Service's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Department of Health has indicated its ongoing financial support for the Hunter New England Area Health Service (refer Note 2).

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

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure						Weighted Average Effective int rate
	\$'000						
	Fixed Interest		Variable Interest		Maturity Dates		
	Rate	Amount ¹	Rate	Rate	< 1 Yr	1-5 Yr	> 5Yr
	%	\$	%	\$000	\$000	\$000	\$000
				Non - Interest Bearing			
2009							
Payables:							
Other Loans and Deposits	159,248			99,354	99,354	31,670	124,499
					3,079		
							8%
2008							
Payables:							
Other Loans and Deposits	76,286			87,990	87,990	13,378	59,414
					3,494		6%

Notes:

¹The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities, therefore the amounts disclosed above will not reconcile to the balance sheet in respect of non interest bearing loans negotiated with the NSW Department of Health.

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d) **Market Risk**

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Health Service operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2008. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, Health Services are not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury excepted)

Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. For financial instruments a reasonably possible change of +/-1% is consistent with trends in interest. The Health Service's exposure to interest rate risk is set out below.

\$'000					
		-1%	+1%		
Carrying Amount		Profit	Equity	Profit	Equity
2009					
Financial assets					
Cash and cash equivalents	108,153	(1,082)		1,082	
Receivables	32,686	-		-	
Other financial assets	15,454	-		-	
Financial liabilities					
Payables	99,355	-		-	
Borrowings	159,248	-		-	
2008					
Financial assets					
Cash and cash equivalents	66,156	(662)		662	
Receivables	37,475	-		-	
Other financial assets	-	-		-	
Financial liabilities					
Payables	87,990	-		-	
Borrowings	76,286	-		-	

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Note 38 Post Balance Date Events

Nil

END OF AUDITED FINANCIAL STATEMENTS

