



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Justice Health

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Justice Health, which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows and service group statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both Justice Health and the consolidated entity. The consolidated entity comprises Justice Health 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 statements:

- present fairly, in all material respects, the financial position of Justice Health and the consolidated entity as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements 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 statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 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 statements.

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

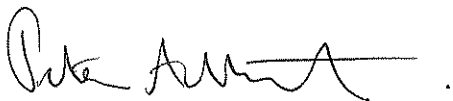
My opinion does *not* provide assurance:

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

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
- 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.



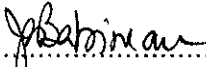
Peter Achterstraat
Auditor-General


12 November 2010
SYDNEY

Certification of Justice Health
for the period ended 30 June 2010

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 2010*
 - *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 financial performance of Justice Health.
- 3) there are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.


.....
Julie Babin
Chief Executive
11 November 2010


.....
David Hugo
Executive Director of Financial Operations
11 November 2010

Justice Health
Statement of Financial Positions as at 30 June 2010

PARENT			CONSOLIDATION				
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	
ASSETS							
Current Assets							
12,560	10,267	2,855		12,560	10,267	2,855	
2,950	3,230	8,381	15	2,950	3,230	5,903	
354	177	177	16	354	177	177	
147	281	51	17	147	281	51	
<u>16,011</u>	<u>13,955</u>	<u>11,444</u>	20	<u>16,011</u>	<u>13,955</u>	<u>8,986</u>	
Total Current Assets							
Non-Current Assets							
97,353	96,850	98,501		97,353	96,850	98,501	
4,429	4,810	3,987	18	4,429	4,810	3,987	
<u>101,782</u>	<u>101,660</u>	<u>102,468</u>	18	<u>101,782</u>	<u>101,660</u>	<u>102,468</u>	
Total Non-Current Assets							
<u>117,793</u>	<u>115,615</u>	<u>113,912</u>		<u>117,793</u>	<u>115,615</u>	<u>111,454</u>	
Total Assets							
LIABILITIES							
Current Liabilities							
9,737	20,201	9,236		9,737	20,201	9,187	
26,666	15,025	25,887	21	26,666	15,025	23,534	
985	-----	1,050	22	985	-----	1,059	
<u>37,388</u>	<u>35,226</u>	<u>36,182</u>	23	<u>37,388</u>	<u>35,226</u>	<u>33,780</u>	
Total Current Liabilities							
Non-Current Liabilities							
852	560	616		852	560	560	
83,032	84,543	83,916	22	83,032	84,543	83,916	
<u>83,884</u>	<u>85,103</u>	<u>84,532</u>	23	<u>83,884</u>	<u>85,103</u>	<u>84,476</u>	
Total Non-Current Liabilities							
<u>121,272</u>	<u>120,329</u>	<u>120,714</u>		<u>121,272</u>	<u>120,329</u>	<u>118,256</u>	
Total Liabilities							
<u>(3,479)</u>	<u>(4,714)</u>	<u>(6,802)</u>		<u>(3,479)</u>	<u>(4,714)</u>	<u>(6,802)</u>	
Net Assets							
EQUITY							
<u>(3,479)</u>	<u>(4,714)</u>	<u>(6,802)</u>		<u>(3,479)</u>	<u>(4,714)</u>	<u>(6,802)</u>	
Accumulated Funds							
<u>(3,479)</u>	<u>(4,714)</u>	<u>(6,802)</u>		<u>(3,479)</u>	<u>(4,714)</u>	<u>(6,802)</u>	
Total Equity							

The accompanying notes form part of these financial statements

Justice Health
Statement of Changes in Equity for the Year Ended 30 June 2010

	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 July 2009		(6,802)	(6,802)
Restated Total Equity at 1 July 2009		<u>(6,802)</u>	<u>(6,802)</u>
Result For The Year		3,323	3,323
Total Comprehensive Income For The Year		<u>(3,479)</u>	<u>(3,479)</u>
Balance at 30 June 2010		<u><u>(3,479)</u></u>	<u><u>(3,479)</u></u>
Balance at 1 July 2008		(766)	(766)
Restated Total Equity at 1 July 2008		<u>(766)</u>	<u>(766)</u>
Result For The Year		(6,036)	(6,036)
Other Comprehensive Income		----	----
Total Other Comprehensive Income		<u>(6,802)</u>	<u>(6,802)</u>
Total Comprehensive Income For The Year		<u>(6,802)</u>	<u>(6,802)</u>
Balance at 30 June 2009		<u><u>(6,802)</u></u>	<u><u>(6,802)</u></u>

The accompanying notes form part of these financial statements.

Justice Health
Statement of Cash Flows for the Year Ended 30 June 2010

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(105,631)	(106,090)	(88,139)		(105,631)	(106,090)	(88,139)
(1,154)	(1,845)	(1,018)		(1,154)	(1,845)	(1,018)
(5,952)	(7,324)	(5,296)		(5,952)	(7,324)	(5,296)
(32,646)	(31,104)	(28,324)		(32,646)	(31,104)	(28,324)
<u>(145,383)</u>	<u>(148,383)</u>	<u>(122,777)</u>		<u>(145,383)</u>	<u>(148,383)</u>	<u>(122,777)</u>
Receipts						
5,343	251	1,488		5,343	251	1,488
215	150	280		215	150	289
1,404	1,610	3,124		1,404	1,610	3,124
<u>6,962</u>	<u>2,011</u>	<u>4,901</u>		<u>6,962</u>	<u>2,011</u>	<u>4,901</u>
Cash Flows From Government						
149,811	149,811	116,877		149,811	149,811	116,877
1,084	984	2,159		1,084	984	2,159
<u>150,895</u>	<u>150,795</u>	<u>119,036</u>		<u>150,895</u>	<u>150,795</u>	<u>119,036</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES						
<u>12,474</u>	<u>6,443</u>	<u>1,180</u>	27	<u>12,474</u>	<u>6,443</u>	<u>1,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
373	-----	440		373	-----	440
(3,142)	(2,789)	(3,346)		(3,142)	(2,789)	(3,346)
<u>(2,769)</u>	<u>(2,789)</u>	<u>(2,906)</u>		<u>(2,769)</u>	<u>(2,789)</u>	<u>(2,906)</u>
NET INCREASE / (DECREASE) IN CASH						
9,705	3,654	(1,746)		9,705	3,654	(1,746)
2,855	2,855	4,601		2,855	2,855	4,601
<u>12,560</u>	<u>6,509</u>	<u>2,855</u>	15	<u>12,560</u>	<u>6,509</u>	<u>2,855</u>

The accompanying notes form part of these financial statements.

Justice Health
Service Group Statements
for the Year Ended 30 June 2010

SERVICE'S EXPENSES AND INCOME	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses excluding losses																			
Operating Expenses																			
Employee Related	7,539	7,502	516	764	55,739	54,318	1,210	1,087	13,540	15,593	30,198	10,538	1,539	2,256	744	712	111,025	92,800	
Visiting Medical Officers	354	473	24	50	2,615	3,425	57	69	635	983	1,417	664	72	142	34	45	5,208	5,851	
Other Operating Expenses	1,809	1,801	129	191	13,972	13,079	303	261	3,369	3,744	7,685	2,530	386	542	271	170	27,924	22,318	
Depreciation and Amortisation	217	170	15	18	1,608	1,233	35	25	391	354	871	239	44	51	22	16	3,203	2,106	
Grants and Subsidies	78	82	5	9	579	596	13	12	141	171	314	118	16	25	8	7	1,154	1,018	
Finance Costs												5,952	5,266					5,952	5,266
Other Expenses													509						509
Total Expenses excluding losses	9,997	10,028	689	1,062	74,513	72,851	1,618	1,454	18,076	20,845	46,437	19,802	2,057	3,016	1,079	950	154,466	129,898	
Revenue																			
Sale of Goods and Services	201	209	14	22	3,871	1,514	32	30	400	435	804	294	41	63	20	19	5,383	2,586	
Investment Revenue	15	23	1	2	108	169	2	3	26	49	59	33	4	7		3	215	289	
Grants and Contributions	26		2		189	196	4		46		103		5		2		377	196	
Other Revenue					89	11											89	11	
Total Revenue	242	232	17	24	4,257	1,890	38	33	472	484	966	327	50	70	22	22	6,054	3,082	
Gain / (Loss) on Disposal	(5)	(5)		(1)	(41)	(36)	(1)	(1)	(10)	(10)	(50)	(7)	(1)	(1)	(1)		(109)	(61)	
Other Gains / (Losses)																			
Net Cost of Services	9,760	9,801	672	1,039	70,297	70,797	1,581	1,422	17,614	20,371	45,521	19,572	2,008	2,947	1,058	928	148,511	126,877	
Government Contributions																	151,834	120,841	
RESULT FOR THE YEAR																	3,323	(6,036)	

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

* The name and purpose of each service group is summarised in Note 18.

The Service Group Statement uses statistical data to 31 December 2009 to allocate the current period's financial information on Expenses and Income to each service group.

No changes have occurred during the period between 1 January 2010 and 30 June 2010 which would materially impact this allocation.

Justice Health
Service Group Statements
for the Period Ended 30 June 2010

SERVICE'S ASSETS AND LIABILITIES	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
ASSETS																			
Current Assets																			
Cash and Cash Equivalents	852	231	59	24	6,305	1,671	136	33	1,532	480	3,416	324	174	69	87	23	12,560	2,855	
Receivables	197	280	13	30	1,456	4,468	31	41	407	582	789	393	40	84	17	25	2,950	5,903	
Inventories	24	20	1	2	177	75	4	3	43	41	96	28	5	6	4	2	354	177	
Other	2	4			20	30			111	9	11	6	1	1	2		147	51	
Non-Current Assets Held for Sale																			
Total Current Assets	1,075	535	72	56	7,958	6,244	171	78	2,093	1,112	4,312	751	220	160	110	50	16,011	8,986	
Non-Current Assets																			
Property, Plant and Equipment																			
- Land and Buildings	308	83	62		5,549	3,823		16	104	42	91,200	94,517	1	20	39		97,353	98,501	
- Plant and Equipment	18	2	2		252	78			5	1	4,149	3,985			3	1	4,429	3,967	
Total Non-Current Assets	416	85	64		5,801	3,901		16	109	43	95,349	98,402	1	20	42	1	101,782	102,468	
Total Assets	1,491	620	136	56	13,759	10,145	171	94	2,202	1,155	99,661	99,153	221	180	152	51	117,793	111,454	
LIABILITIES																			
Current Liabilities																			
Payables	673	548	46	58	4,650	6,376	108	79	1,358	1,139	2,698	770	137	165	67	52	9,737	9,187	
Provisions	1,810	1,902	124	201	13,387	13,775	291	276	3,252	3,954	7,253	2,672	370	572	179	182	26,666	23,534	
Other											985	1,059					985	1,059	
Total Current Liabilities	2,483	2,450	170	259	18,037	20,151	399	355	4,610	5,093	10,936	4,501	507	737	246	234	37,388	33,780	
Non-Current Liabilities																			
Borrowings												83,032	83,916					83,032	83,916
Provisions	58	45	4	5	428	328	9	7	104	94	232	64	11	14	6	3	852	560	
Total Non-Current Liabilities	58	45	4	5	428	328	9	7	104	94	83,264	83,980	11	14	6	3	83,894	84,476	
Total Liabilities	2,541	2,495	174	264	18,465	20,479	408	362	4,714	5,187	94,200	88,481	518	751	252	237	121,272	118,256	
Not Assets	(1,050)	(1,875)	(38)	(208)	(4,706)	(10,334)	(237)	(268)	(2,512)	(4,032)	5,461	10,672	(297)	(571)	(100)	(195)	(3,479)	(6,802)	

Assets and liabilities that are specific to service groups are allocated accordingly, eg Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ad), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

The statistical data collected to 31 December 2009 to apportion service expenses and revenues is also used to attribute assets and liabilities to each service group.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

1. Justice Health Reporting Entity

Justice Health was established under the provisions of Justice Health Act with effect from 1 January 2005.

Justice Health, 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 Justice Health. Justice Health is a not for profit entity.

Justice Health 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 Justice Health 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 Justice Health (as the parent entity), the financial statement 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, 11, 21, 22 and 27 being especially relevant.

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

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

These consolidated financial statements have been authorised for issue by the Chief Executive on **xxth October 2010**.

2. Summary of Significant Accounting Policies

Justice Health's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of Justice Healths 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 \$21.4M (2009 \$24.8M). Notwithstanding this deficiency the financial statements have 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 statements.

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

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

Accounting Standard/Interpretation issued but not yet effective.

AASB 9, Financial Instruments and AASB 2009-11, Amendments to Australian Accounting Standards arising from AASB 9, have application from 1 July 2013 and focus on simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value. They also simplify the requirements for embedded derivatives and remove the tainting rules associated with held-to-maturity assets. They have been assessed as having no material impact on the Health Service.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

AASB 1053, Application of tiers of Australian Accounting Standards, has application from 1 July 2013 and establishes a differential reporting framework consisting of two tiers of reporting requirements. Tier 1 entities will continue to apply existing Australian Accounting Standards. Tier 2 entities will apply the same recognition, measurement and presentation requirements but reduced disclosure requirements. Tier 2 entities include the majority of public sector entities. This standard has been assessed as having no material impact on the Health Service.

AASB 2009-5, Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project, has application from 1 July 2010 and comprises accounting changes for presentation, recognition or measurement purposes. This standard has been assessed as having no material impact on the Health Service.

AASB 2009-8, Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions, has application from 1 July 2010 and makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This standard has been assessed as having no impact on the Health Service.

AASB 2009-9, Amendments to Australian Accounting Standards- Additional Exemptions for First-time Adopters, has application from 1 July 2010 and makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations. This standard has been assessed as having no impact on the Health Service.

AASB 2009-10, Amendments to Australian Accounting Standards- Classification of Rights Issues, has application from 1 July 2010 and provides clarification concerning equity instruments. This standard has been assessed as having no material impact on the Health Service.

AASB 124, Related Party Disclosures and AASB 2009-12, Amendments to Australian Accounting Standards, have application from 1 July 2011 and simplify the definition of a related party. They have been assessed as having no impact on the Health Service.

Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13, Amendments to Australian Accounting Standards arising from Interpretation 19, have application from 1 July 2010 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. They have been assessed as having no impact on the Health Service.

AASB 2009-14, Amendments to Australian Interpretation- Prepayments of a Minimum Funding Requirement, has application from 1 July 2011 and makes limited-application amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This standard has been assessed as having no impact on the Health Service.

AASB 2010-1, Amendments to Australian Accounting Standards- Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters, has application from 1 July 2010 and provides additional exemption on IFRS transition in relation to AASB 7 Financial Instruments: Disclosures, to avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS-compliant preparers. This standard has been assessed as having no impact on the Health Service.

AASB 2010-2, Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, has application from 1 July 2013 and determines disclosures in Australian Accounting Standards from which Tier 2 entities are exempt. This standard has been assessed as having no material impact on the Health Service.

AASB 2010-3 and AASB 2010-4, Amendments to Australian Accounting Standards arising from the Annual Improvements Project, have application from 1 January 2011 and amend a number of different Australian Accounting Standards. These standards have been assessed as having no material impact on the Health Service.

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**

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On costs of 17% are applied to the value of leave payable at 30 June 2010, such on-costs being consistent with actuarial assessment (Comparable on costs for 30 June 2009 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 18.3% (also 9.8% at 30 June 2009) 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.

Justice Health's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. Justice Health 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 21, "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.

iii) Other Provisions

Other provisions exist when: the Health Service 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

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

c) Finance Costs

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

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

d) Income Recognition

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

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets.

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".

Grants and Contributions

Grants and Contributions are generally recognised as revenues when Justice Health 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 Justice Health as adjusted for approved supplementations mostly for salary agreements, patient flows between Health Services and approved enhancement projects. This allocation is included in the Statement of Comprehensive Income before arriving at the "Result for the Year" on the basis that the allocation is earned in return for Justice Health providing services on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

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

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

- * the amount of GST incurred by Justice Health 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 Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Acquisition of Assets

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

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

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

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

Justice Health
Notes to and forming part of the Financial Statements
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Land and Buildings which are owned by the Health Administration Corporation or the State and administered by Justice Health are deemed to be controlled by Justice Health and are reflected as such in the financial statements.

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to Justice Health. 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%
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%

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

i) Revaluation of Non-Current Assets

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

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

The Health Service will revalue its Land and Buildings and Infrastructure at a minimum of every three years by independent valuation. 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

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

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

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

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

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

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

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

j) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, Justice Health is effectively exempt from AASB 136 "Impairment of Assets" and impairment testing. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

k) Restoration Costs

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

l) Non-Current Assets (or disposal groups) Held for Sale

Justice Health has no non-current assets (or disposal groups) classified as held for sale.

m) Intangible Assets

Justice Health has no intangible assets.

n) Maintenance

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

o) Leased Assets

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

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

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

p) Inventories

Inventories are stated at cost, adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on existence of a current replacement cost that is lower than the carrying amount.

q) Loans and Receivables

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

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

r) De-recognition of financial assets and financial liabilities

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

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

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

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

s) Payables

These amounts represent liabilities for goods and services provided to Justice Health 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 Justice Health.

t) Equity Transfers

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

Entities
Transfers arising from an administrative restructure involving not-for-profit entities and for-profit Government 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.

u) Trust Funds

Justice Health receives monies in a trustee capacity for various trusts as set out in Note 25. As Justice Health performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of Justice Health's own objectives, they are not brought to account in the financial statements.

v) 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.

w) 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 Result for the Year on de-recognition.

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

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		3. Employee Related		
		Employee related expenses comprise the following:		
----	----	Salaries and Wages	84,953	68,133
----	----	Superannuation - Defined Benefit Plans	939	1,805
----	----	Superannuation - Defined Contribution Plans	7,621	5,784
----	----	Long Service Leave	2,068	2,983
----	----	Annual Leave	9,057	8,323
----	----	Sick Leave and Other Leave	4,741	3,565
----	----	Redundancies	10	111
----	----	Workers Compensation Insurance	1,632	2,077
----	----	Fringe Benefits Tax	4	19
-----	-----		<u>111,025</u>	<u>92,800</u>
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
84,953	68,133	Salaries and Wages	----	----
939	1,805	Superannuation - Defined Benefit Plans	----	----
7,621	5,784	Superannuation - Defined Contribution Plans	----	----
2,068	2,983	Long Service Leave	----	----
9,057	8,323	Annual Leave	----	----
4,741	3,565	Sick Leave and Other Leave	----	----
10	111	Redundancies	----	----
1,632	2,077	Workers Compensation Insurance	----	----
4	19	Fringe Benefits Tax	----	----
-----	-----		-----	-----
<u>111,025</u>	<u>92,800</u>		<u>-----</u>	<u>-----</u>
		5. Other Operating Expenses		
		Allocations towards Inter Area Patient Outflows, NSW (see (d) below)		
188	231	Domestic Supplies and Services	188	231
8,880	7,218	Drug Supplies	8,880	7,218
379	353	Food Supplies	379	353
330	249	Fuel, Light and Power	330	249
5,443	3,955	General Expenses (See (b) below)	5,443	3,955
221	366	Information Management Expenses	221	366
95	118	Insurance	95	118
458	302	Maintenance Contracts	458	302
417	986	New/Replacement Equipment under \$10,000	417	986
10	24	Repairs	10	24
737	547	Medical and Surgical Supplies	737	547
244	299	Postal and Telephone Costs	244	299
765	771	Printing and Stationery	765	771
448	458	Rental	448	458
917	922	Special Service Departments	917	922
8	132	Staff Related Costs	8	132
6,878	3,925	Sundry Operating Expenses (See (a) below)	6,878	3,925
1,506	1,462	Travel Related Costs	1,506	1,462
-----	-----		-----	-----
<u>27,924</u>	<u>22,318</u>		<u>27,924</u>	<u>22,318</u>
		(a) Sundry Operating Expenses comprise:		
1,190	372	PPP Building Maintenance	1,190	372
1,612	788	PPP Catering	1,612	788
749	346	PPP Cleaning	749	346
108	-----	PPP Energy	108	-----
339	1,098	PPP General Services	339	1,098
20	4	PPP Ground Maintenance	20	4
736	217	PPP Insurance	736	217
225	397	PPP Other	225	397
1,727	853	PPP Security	1,727	853
275	111	PPP SPV Expenses	275	111
322	159	PPP Utilities	322	159
(425)	(420)	PPP Volume Adjustments	(425)	(420)
-----	-----		-----	-----
<u>6,878</u>	<u>3,925</u>		<u>6,878</u>	<u>3,925</u>
		(b) General Expenses include:-		
1,086	892	Advertising	1,086	892
7	22	Books, Magazines and Journals	7	22
		Consultancies		
321	804	- Operating Activities	321	804
-----	129	- Capital Works	-----	129
244	226	Courier and Freight	244	226
123	54	Auditor's Remuneration - Audit of Financial Statements	123	54
138	64	Auditor's Remuneration - Other Services	138	64
125	-----	Data Recording and Storage	125	-----
76	97	Legal Services	76	97
8	123	Membership/Professional Fees	8	123
20	13	Other Operating Lease Expense - Minimum Lease Payments	20	13
14	-----	Payroll Services	14	-----
51	7	Quality Assurance/Accreditation	51	7
1	-----	Security Services	1	-----
40	28	Translator Services	40	28
2,398	370	Other	2,398	370
26	2	Financial Services	26	2
28	95	Human Resource Services	28	95
44	169	Other Management Services	44	169
248	219	Data Communications Services	248	219
129	279	Agency Costs	129	279
316	362	Education & Training	316	362
-----	-----		-----	-----
<u>5,443</u>	<u>3,955</u>		<u>5,443</u>	<u>3,955</u>

Justice Health
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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		6. Depreciation and Amortisation		
2,382	1,201	Depreciation - Buildings	2,382	1,201
821	905	Depreciation - Plant and Equipment	821	905
<u>3,203</u>	<u>2,106</u>		<u>3,203</u>	<u>2,106</u>
		7. Grants and Subsidies		
664	641	Non-Government Voluntary Organisations	664	641
490	377	Other	490	377
<u>1,154</u>	<u>1,018</u>		<u>1,154</u>	<u>1,018</u>
		8. Finance Costs		
5,952	5,296	Finance Costs - PPP Interest	5,952	5,296
<u>5,952</u>	<u>5,296</u>	Total Finance Costs	<u>5,952</u>	<u>5,296</u>
		9. Sale of Goods and Services		
		(a) Rendering of Services comprise the following:-		
733	----	Patient Fees [see note 2(d)]	733	----
296	224	Fees for Medical Records	296	224
1,140	942	Salary Packaging Fee	1,140	942
826	589	Services Provided to Non NSW Health Organisations	826	589
2,388	----	High Cost Drugs *	2,388	----
----	831	FH Building cost adjustment by Dept of Health	----	831
<u>5,383</u>	<u>2,586</u>		<u>5,383</u>	<u>2,586</u>
		10. Investment Revenue		
215	289	Interest	215	289
<u>215</u>	<u>289</u>		<u>215</u>	<u>289</u>
		11. Grants and Contributions		
939	1,805	Personnel Services - Superannuation Defined Benefits	----	----
377	196	Other grants	377	196
<u>1,316</u>	<u>2,001</u>		<u>377</u>	<u>196</u>
		12. Other Revenue		
		Other Revenue comprises the following:-		
2	9	Commissions	2	9
37	----	Conference and Training Fees	37	----
50	2	Other	50	2
<u>89</u>	<u>11</u>		<u>89</u>	<u>11</u>
		13. Gain/(Loss) on Disposal		
1,176	698	Property, Plant and Equipment	1,176	698
694	197	Less Accumulated Depreciation	694	197
482	501	Written Down Value	482	501
373	440	Less Proceeds from Disposal	373	440
<u>(109)</u>	<u>(61)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(109)</u>	<u>(61)</u>

* The Commonwealth Highly Specialised Drug program was varied from 1 July 2009. The State now claims on a recovery basis the cost of highly specialised drugs through Medicare (Commonwealth).

In previous years funds were received within annual Government Allocation from the NSW Department of Health.

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14. 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 2.2 - 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.

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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.

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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		15. Current Assets - Cash and Cash Equivalents		
12,560	2,855	Cash at Bank and On Hand	12,560	2,855
<u>12,560</u>	<u>2,855</u>		<u>12,560</u>	<u>2,855</u>
		16. Receivables		
		Current		
90	960	(a) Sale of Goods and Services	90	960
-----	340	Leave Mobility	-----	340
12	113	NSW Health Department	12	113
602	872	Goods and Services Tax	602	872
2,597	6,076	Other Debtors	2,597	3,618
(351)	-----	Provision for Doubtful Debt	(351)	-----
<u>2,950</u>	<u>8,361</u>		<u>2,950</u>	<u>5,903</u>
		(b) Movement in the provision for Doubtful Debt		
		Other Debtors		
-----	-----	Balance at 1 July	-----	-----
59	-----	Amounts written off during the year	59	-----
-----	-----	Amounts recovered during the year	-----	-----
410	-----	Increase/(decrease) in provision recognised in	410	-----
<u>351</u>	<u>-----</u>	Result for the Year	<u>351</u>	<u>-----</u>
<u>351</u>	<u>-----</u>	Balance at 30 June	<u>351</u>	<u>-----</u>
		17. Inventories		
		Current - at cost (held for Distribution)		
354	177	Drugs	354	177
<u>354</u>	<u>177</u>		<u>354</u>	<u>177</u>
		18. Property, Plant and Equipment		
		Land and Buildings - fair value		
99,735	99,702	Gross Carrying Amount	99,735	99,702
2,382	1,201	Less Accumulated depreciation and impairment	2,382	1,201
<u>97,353</u>	<u>98,501</u>	Net Carrying Amount	<u>97,353</u>	<u>98,501</u>
		Plant and Equipment - fair value		
5,250	4,872	Gross Carrying Amount	5,250	4,872
821	905	Less Accumulated depreciation and impairment	821	905
<u>4,429</u>	<u>3,967</u>	Net Carrying Amount	<u>4,429</u>	<u>3,967</u>
<u>101,782</u>	<u>102,468</u>	Total Property, Plant and Equipment	<u>101,782</u>	<u>102,468</u>
		At Net Carrying Amount		

Refer to Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT & CONSOLIDATED

19. Property, Plant and Equipment - Reconciliation

	Land & Building	Work in Progress	Plant and Equipment	Total
	\$000	\$000	\$000	\$000
2010				
Net Carrying Amount at Start of Year	98,501		3,967	102,468
Additions	1,130		2,007	3,137
Disposals	----		(483)	(483)
Other	104	----	(241)	(137)
Depreciation Expense	(2,382)		(821)	(3,203)
Net Carrying Amount at End of Year	97,353	-----	4,429	101,782

	Land & Building	Work in Progress	Plant and Equipment	Total
	\$000	\$000	\$000	\$000
2009				
Net Carrying Amount at Start of Year	1,895	5,798	2,965	10,658
Additions	92,602	----	1,815	94,417
Disposals	----	----	(501)	(501)
In/(Out)				
Depreciation expense	(1,201)	----	(905)	(2,106)
Transfer WIP to Fixed Assets	5,205	(5,798)	593	-----
Net Carrying Amount at End of Year	98,501	-----	3,967	102,468

Justice Health
Notes to and forming part of the Financial Statements
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PARENT		CONSOLIDATION	
2010	2009	2010	2009
\$000	\$000	\$000	\$000
20. Current/Non-Current Assets - Other			
Current			
147	51	147	51
<u>147</u>	<u>51</u>	<u>147</u>	<u>51</u>
21. Payables			
Current			
---	---	2,527	988
2,527	3,479	---	---
5,353	2,039	5,353	2,039
Other Creditors			
1,316	3,484	1,316	5,958
541	202	541	202
<u>9,737</u>	<u>9,204</u>	<u>9,737</u>	<u>9,187</u>
22. Provisions			
Current Employee benefits and related on-costs			
----	----	5,597	7,273
----	----	7,398	3,916
----	----	1,129	2,661
----	----	12,542	9,684
26,666	25,887	-----	-----
<u>26,666</u>	<u>25,887</u>	<u>26,666</u>	<u>23,534</u>
Non-Current Employee benefits and related on-costs			
----	616	852	560
852	-----	-----	-----
<u>852</u>	<u>616</u>	<u>852</u>	<u>560</u>
Aggregate Employee Benefits and Related On-costs			
26,666	25,887	26,666	23,534
852	616	852	560
---	---	2,527	988
2,527	2,074	-----	-----
<u>30,045</u>	<u>28,577</u>	<u>30,045</u>	<u>25,082</u>
23. Other Liabilities			
Current			
101	260	101	260
884	799	884	799
<u>985</u>	<u>1,059</u>	<u>985</u>	<u>1,059</u>
Non Current			
83,032	83,916	83,032	83,916
<u>83,032</u>	<u>83,916</u>	<u>83,032</u>	<u>83,916</u>

Justice Health
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
24. Commitments for Expenditure				
(a) Repayment of PPP Non-Current Liability - New Forensic Hospital & Operations Building				
This relates to the PPP Project for the Forensic Hospital and Operations Building. Refer to Note 31 for more details.				
An estimate of commitments excluding GST (\$23.3M) is as follows:				
9,794	9,794	Not later than one year	9,794	9,794
39,177	39,177	Later than one year and not later than five years	39,177	39,177
184,509	194,303	Later than five years	184,509	194,303
233,480	243,274	Total Repayment of PPP non current liability	233,480	243,274
149,564	158,559	Less: future finance charges	149,564	158,559
<u>83,916</u>	<u>84,715</u>	Present Value of Minimum Lease Payments	<u>83,916</u>	<u>84,715</u>
The present value of commitments are as follows:				
884	799	Not later than one year	884	799
4,581	4,141	Later than one year and not later than five years	4,581	4,141
78,451	79,775	Later than five years	78,451	79,775
<u>83,916</u>	<u>84,715</u>		<u>83,916</u>	<u>84,715</u>
Classified as:				
884	799	Current (Note 23)	884	799
83,032	83,916	Non-current (Note 23)	83,032	83,916
<u>83,916</u>	<u>84,715</u>	Present Value of Minimum Lease Payments	<u>83,916</u>	<u>84,715</u>
(b) Other Expenditure Commitments - Provision of facilities management and other non-clinical services to the new facilities.				
Aggregate other expenditure contracted for the facility management and non clinical services for the Forensic Hospital and Operations Building at balance date and not provided for:				
8,560	8,100	Not later than one year	8,560	8,100
38,679	36,135	Later than one year and not later than five years	38,679	36,135
283,098	294,202	Later than five years	283,098	294,202
<u>330,337</u>	<u>338,437</u>	Total Other Expenditure Commitments (Including GST)	<u>330,337</u>	<u>338,437</u>
The expenditure commitments include GST. Related input tax credits of \$53M (2009: \$55M) are expected to be recoverable from the Australian Taxation Office.				
(c) Rental Lease Commitments				
Commitments in relation to non-cancellable rental leases not provided for and payable:				
264	371	Not later than one year	264	371
128	379	Later than one year and not later than five years	128	379
<u>392</u>	<u>750</u>	Total Rental Lease Commitments (Including GST)	<u>392</u>	<u>750</u>
(d) Purchase Order Commitments				
Commitments in relation to non-cancellable purchase orders not provided for and payable:				
239	176	Not later than one year	239	176
<u>239</u>	<u>176</u>	Total Purchase Order Commitments (Including GST)	<u>239</u>	<u>176</u>
Prior Year Purchase Order Commitments data not available.				

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

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25. Trust Funds

The Health Service holds trust fund moneys of \$1.037 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		Total	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash Balance at the beginning of the financial reporting period	157	---	157	---
Receipts	1,046	207	1,046	207
Expenditure	(166)	(50)	(166)	(50)
Cash Balance at the end of the financial reporting period	<u>1,037</u>	<u>157</u>	<u>1,037</u>	<u>157</u>

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26. Contingent Liabilities

a) Claims on Managed Fund

Since 1 July 1989, Justice Health has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of Justice Health 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. 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 Justice Health.

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 2003/04 fund year and an interim adjustment for the 2005/06 fund year were not calculated until 2009/10. As a result, the 2004/05 final and 2006/07 interim hindsight calculations will be paid in 2010/11.

It is not possible for the Health Service to reliably quantify the benefit to be received.

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2010	2009		2010	2009
\$000	\$000		\$000	\$000
27. Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services				
12,474	1,160	Net Cash Used on Operating Activities	12,474	1,160
(3,203)	(2,106)	Depreciation	(3,203)	(2,106)
(939)	----	Acceptance by the Crown Entity of Employee Superannuation Benefits	(939)	(1,805)
(3,463)	(4,180)	Decrease/(Increase) in Provisions	(3,463)	(4,180)
(3,334)	4,245	Increase / (Decrease) in Prepayments and Other Assets	(3,334)	4,245
958	(5,094)	(Increase)/ Decrease in Creditors	958	(5,094)
(109)	(61)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(109)	(61)
(149,811)	(116,877)	NSW Health Department Recurrent Allocations	(149,811)	(116,877)
(1,084)	(2,159)	NSW Health Department Capital Allocations	(1,084)	(2,159)
<u>(148,511)</u>	<u>(125,072)</u>	Net Cost of Services	<u>(148,511)</u>	<u>(126,877)</u>

Justice Health
Notes to and forming part of the Financial Statements
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28. 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 Relations Act, 1996, 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.

29. Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services for the year was lower than budget by \$2.078M. This represents a favourable variance to budget of 1.3%. Factors contributing to this favourable variance include; underspend on VMO related expenditure due to vacancies particularly in rural based positions, and above budget revenue generation offset by increases in employee related expenses mainly in order to satisfy increased service

Result for the Year

The Result for the Year was better than budget by \$1.233M which is mainly attributable to the favourable Net Cost of Services variance. Partially offsetting this balance is the variation in Government contributions in respect of Crown Entity sponsored employee benefits which saw a \$0.945M reduction in funding compared to budget levels.

Assets and Liabilities

There are no significant actual to budget variations in the health service's assets and liabilities.

Cash Flows

Actual Net cash inflow achieved during the year was higher than budgeted by \$6.051M. This is mainly due to a reduction in receivables, as well as stronger than budgeted revenue.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01 July 2009 are as follows:

	\$'000
Initial Allocation, 01 July 2009	128,285
Special Projects	6,495
General Funding	15,031
Capital Allocation	984
Crown Acceptance	1,884
	<hr/>
Balance as per Statement of Comprehensive Income	<u>152,679</u>

Justice Health
Notes to and forming part of the Financial Statements
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Note 30. Financial Instruments

Justice Health's principal financial instruments are outlined below. These financial instruments arise directly from Justice Health'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.

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

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 Justice Health, 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

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Financial Assets	Category	Carrying Amount	Carrying Amount
Class:		2010 \$000	2009 \$000
Cash and Cash Equivalents (note 15)	N/A	12,560	2,855
Receivables (note 16) ¹	Loans and receivables (at amortised cost)	2,535	4,691
Total Financial Assets		15,095	7,546
Financial Liabilities			
Payables (note 21) ²		9,196	8,921
Finance Lease		83,916	84,715
Total Financial Liabilities	Financial liabilities measured at amortised cost	93,112	93,636

Notes

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of Justice Health's debtors defaulting on their contractual obligations, resulting in a financial loss to Justice Health. 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 Justice Health, including cash, receivables. No collateral is held by the Justice Health nor has it granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.89% in 2009/10 compared to 6.25% in the previous year.

Justice Health
Notes to and forming part of the Financial Statements
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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 Justice Health will not be able to collect all amounts due. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

Justice Health 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 (2010:\$568K; 2009: \$1,096K) and not more than 3 months past due (2010: \$488K; 2009:\$608K) are not considered impaired and together these represent 74% of the total trade debtors. In addition Patient Fees Compensables are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of Justice Health's 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 been renegotiated.

\$000			
2010	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	488	488	----
3 months - 6 months overdue	7	7	----
> 6 months overdue	372	372	----
2009			
<3 months overdue	1,704	1,704	----
3 months - 6 months overdue	141	141	----
> 6 months overdue	2,814	2,814	----

1 Each column in the table reports "gross receivables".

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables totals recognised in the statement of financial position.

(c) Liquidity Risk

Liquidity risk is the risk that Justice Health will be unable to meet its payment obligations when they fall due. Justice Health 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.

Justice Health 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. Justice Health'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 Justice Health.

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.

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

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

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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure				Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2010								
Payables:								
Accrued Salaries		2,527				2,527		
Creditors		6,997				5,832		
Finance Leases		92,911	10.6			9,794	39,177	184,508
		<u>102,435</u>				<u>18,153</u>	<u>39,177</u>	<u>184,508</u>
2009								
Payables:								
Accrued Salaries		988				988		
Creditors		7,933				7,933		
Finance Leases		90,011	10.6			9,794	39,177	194,302
		<u>98,932</u>				<u>18,715</u>	<u>39,177</u>	<u>194,302</u>

Notes:

¹The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Health Service can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

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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. Justice Health's exposures to market risk are primarily through interest rate risk on Justice Health's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. Justice Health 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 Statement of Financial Position date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

e) **Interest rate risk**

Exposure to interest rate risk arises primarily through Justice Health'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. Justice Health does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. Justice Health's exposure to interest rate risk is set out below.

	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
	\$000	\$000	\$000	\$000	\$000
2010					
Financial assets					
Cash and Cash Equivalents	12,560	126	126	126	126
Receivables	2,535	----	----	----	----
Financial liabilities					
Payables	9,195	----	----	----	----
Finance Lease Borrowings	83,916	----	----	----	----
2009					
Financial assets					
Cash and Cash Equivalents	2,855	29	29	29	29
Receivables	4,691	----	----	----	----
Financial liabilities					
Payables	8,985	----	----	----	----
Finance Lease Borrowings	84,715	----	----	----	----

Justice Health
Notes to and forming part of the Financial Statements
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f) **Fair Value**

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

31. PPP Financial Disclosure.

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

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

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

The liability to pay PPP solutions for the development of the Long Bay Forensic Hospital is based on a financing arrangement involving non-indexable availability charges. Other service fees are to be indexed in accordance with inflation and wages escalation. The estimated value of the contingent liability associated with indexation is unable to be fully determined because of uncertain future events.

32. Post Balance Date Events

On 20 April 2010 the State of NSW and the Commonwealth agreed on national health reforms to establish Local Health Networks in NSW and to introduce national standards for timely access to emergency care and elective surgery.

Under the Agreement, NSW will remain responsible for system-wide planning, performance and purchasing of public hospital services and supporting the transition process for the Commonwealth to assume full funding and policy responsibility for general practice, primary health care and the national aged care system.

This agreement will result in structural and corporate changes including the establishment of these Local Health Networks in 2010-11. A professional Governing Council will be constituted for each Local Health Network. It is expected that these reforms will significantly change this reporting entity.

END OF AUDITED FINANCIAL STATEMENTS