



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

North Coast Area Health Service

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the North Coast Area Health Service (the Service), which comprises 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 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 statements:

- present fairly, in all material respects, the financial position of the Service and the consolidated entity as at 30 June 2010, and of the 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 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 statements.

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

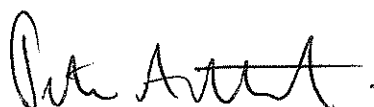
My opinion does *not* provide assurance:

- about the future viability of the Service or 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

24 September 2010
SYDNEY

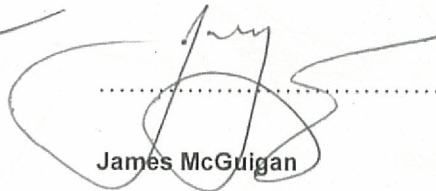
Certification of Special Purpose Service Entity Financial Statements for Period Ended 30 June 2010

The attached financial statements of the North Coast Area Health Service Special Purpose Service Entity for the year ended 30 June 2010:

- i) Have been prepared in accordance with the requirements of applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AEIFRS), the requirements of the *Public Finance and Audit Act 1983* and its regulations, the Health Services Act 1997 and its regulations, the Accounts and Audit Determination and the Accounting Manual for Area Health Services and Public Hospitals;
- ii) Present fairly the financial position and transactions of the North Coast Area Health Service Special Purpose Service Entity; and
- iii) Have no circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Chris Crawford
Chief Executive
North Coast Area Health Service
21 September 2010



James McGuigan
Executive Director Financial Operations
North Coast Area Health Service
21 September 2010

North Coast Area Health Service
Statement of Comprehensive Income 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
Expenses excluding losses						
Operating Expenses						
0	0	0		552,012	548,999	534,369
552,012	548,999	534,369	3	Employee Related		0
93,285	91,962	87,732	4	Personnel Services	91,962	87,732
372,882	377,731	345,389	5	Visiting Medical Officers	377,731	345,389
26,122	26,540	26,746	2(i), 6	Other Operating Expenses	26,540	26,746
8,201	7,602	7,652	7	Depreciation and Amortisation	7,602	7,652
570	420	142	8	Grants and Subsidies	420	142
570	420	142	8	Finance Costs	420	142
1,053,072	1,053,254	1,002,030		Total Expenses excluding losses	1,053,072	1,002,030
Revenue						
125,711	129,551	103,066	9	Sale of Goods and Services	129,551	103,066
866	791	1,002	10	Investment Revenue	791	1,002
32,729	30,990	28,464	11	Grants and Contributions	22,429	19,980
3,942	1,756	8,180	12	Other Revenue	1,756	8,180
163,248	163,088	140,712		Total Revenue	154,527	132,228
(171)	(799)	(44)	13	Gain/(Loss) on Disposal	(799)	(44)
(1,435)	(869)	(1,335)	14	Other Gains/(Losses)	(869)	(1,335)
891,430	891,834	862,697	30	Net Cost of Services	900,395	871,181
Government Contributions						
NSW Department of Health						
876,872	876,872	807,380	2(d)	Recurrent Allocations	876,872	807,380
NSW Department of Health						
30,038	31,857	30,168	2(d)	Capital Allocations	31,857	30,168
Acceptance by the Crown Entity of						
0	0	0	2(a)(ii)	Employee Benefits	8,561	8,484
906,910	908,729	837,548		Total Government Contributions	917,290	846,032
15,480	16,895	(25,149)		RESULT FOR THE YEAR	16,895	(25,149)
Other Comprehensive Income						
Net Increase/(Decrease) in						
Property, Plant & Equipment						
22,855	0	(50,739)		Asset Revaluation Reserve	0	(50,739)
22,855	0	(50,739)		Other Comprehensive Income for the year	0	(50,739)
38,335	16,895	(75,888)		TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,895	(75,888)

The accompanying notes form part of these financial statements.

North Coast Area Health Service
Statement of Financial Position 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						
13,369	17,447	10,859		13,369	17,447	10,859
14,897	19,302	18,297	17	14,897	19,302	18,297
3,674	4,330	4,330	18	3,674	4,330	4,330
			19			
210	786	786	21	210	786	786
32,150	41,865	34,272		32,150	41,865	34,272
Non-Current Assets						
255	17	17	18	255	17	17
598,869	568,620	565,582	20	598,869	568,620	565,582
25,912	30,898	26,609	20	25,912	30,898	26,609
22,931	22,323	22,688	20	22,931	22,323	22,688
647,712	621,841	614,896		647,712	621,841	614,879
647,967	621,858	614,896		647,967	621,858	614,896
680,117	663,723	649,168		680,117	663,723	649,168
LIABILITIES						
Current Liabilities						
61,237	62,994	77,408	23	61,237	62,994	77,408
4,262	5,074	5,074	24	4,262	5,074	5,074
151,290	150,737	137,508	25	151,290	150,737	137,508
168	908	908	26	168	908	908
216,957	219,713	220,898		216,957	219,713	220,898
Non-Current Liabilities						
5,532	7,806	8,960	24	5,532	7,806	8,960
2,067	2,122	2,122	25	2,067	2,122	2,122
933	895	895	26	933	895	895
8,532	10,823	11,977		8,532	10,823	11,977
225,489	230,536	232,875		225,489	230,536	232,875
454,628	433,187	416,293		454,628	433,187	416,293
EQUITY						
197,146	174,060	174,060		197,146	174,060	174,060
257,387	258,904	242,010		257,387	258,904	242,010
454,533	432,964	416,070		454,533	432,964	416,070
Amounts Recognised in Equity Relating to Assets						
95	223	223	21	95	223	223
454,628	433,187	416,293		454,628	433,187	416,293

The accompanying notes form part of these financial statements.

North Coast Area Health Service
Statement of Changes in Equity for the year ended 30 June 2010

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
Balance at 1 July 2009		242,010	174,060	223	416,293
Restated Total Equity at 1 July 2009		242,010	174,060	223	416,293
Result For The Year		15,480	0	0	15,480
Other Comprehensive Income:					
Increment/(Decrement) on Revaluation of:					
Land and Buildings		0	21,621	0	21,621
Infrastructure Systems		0	1,234	0	1,234
Asset revaluation reserve balances transferred to accumulated funds on disposal of asset		(103)	326	(223)	0
Asset revaluation reserve balances transferred to available for sale reserves on recognition of assets held for sale		0	(95)	95	0
Total Other Comprehensive Income		(103)	23,086	(128)	22,855
Total Comprehensive Income For The Year		15,377	23,086	(128)	38,335
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	35	0	0	0	0
Balance at 30 June 2010		257,387	197,146	95	454,628
Balance at 1 July 2008		266,770	225,740	278	492,788
Restated Total Equity at 1 July 2008		266,770	225,740	278	492,788
Result For The Year		(25,149)	0	0	(25,149)
Other Comprehensive Income:					
Increment/(Decrement) on Revaluation of:					
Land and Buildings		0	(49,774)	0	(49,774)
Infrastructure Systems		0	(965)	0	(965)
Asset revaluation reserve balances transferred to accumulated funds on disposal of asset		996	(996)	0	0
Asset revaluation reserve balances transferred to available for sale reserves on recognition of assets held for sale		0	55	(55)	0
Total Other Comprehensive Income		996	(51,680)	(55)	(50,739)
Total Comprehensive Income For The Year		(24,153)	(51,680)	(55)	(75,888)
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets from Administrative Restructure	35	(607)	0	0	(607)
Balance at 30 June 2009		242,010	174,060	223	416,293

The accompanying notes form part of these financial statements.

North Coast Area Health Service
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						
0	0	0	Employee Related	(541,369)	(541,142)	(524,587)
(8,940)	(8,300)	(8,213)	Grants and Subsidies	(8,940)	(8,300)	(8,213)
(570)	(420)	(142)	Finance Costs	(570)	(420)	(142)
(1,042,252)	(1,045,887)	(979,156)	Other	(500,883)	(504,745)	(454,569)
(1,051,762)	(1,054,607)	(987,511)	Total Payments	(1,051,762)	(1,054,607)	(987,511)
Receipts						
125,005	129,059	104,534	Sale of Goods and Services	125,005	129,059	104,534
866	791	1,002	Interest Received	866	791	1,002
57,069	58,492	57,940	Other	57,069	58,492	57,940
182,940	188,342	163,476	Total Receipts	182,940	188,342	163,476
Cash Flows From Government						
876,872	876,872	807,380	NSW Department of Health Recurrent Allocations	876,872	876,872	807,380
30,038	31,857	31,476	NSW Department of Health Capital Allocations	30,038	31,857	31,476
906,910	908,729	838,856	Net Cash Flows From Government	906,910	908,729	838,856
38,088	42,464	14,821	NET CASH FLOWS FROM OPERATING ACTIVITIES	38,088	42,464	14,821
CASH FLOWS FROM INVESTING ACTIVITIES						
3,061	0	174	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	3,061	0	174
(33,680)	(34,302)	(28,312)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(33,680)	(34,302)	(28,312)
(30,619)	(34,302)	(28,138)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(30,619)	(34,302)	(28,138)
CASH FLOWS FROM FINANCING ACTIVITIES						
0	0	13,924	Proceeds from Borrowings and Advances	0	0	13,924
(4,959)	(1,574)	(366)	Repayment of Borrowings and Advances	(4,959)	(1,574)	(366)
(4,959)	(1,574)	13,558	NET CASH FLOWS FROM FINANCING ACTIVITIES	(4,959)	(1,574)	13,558
2,510	6,588	241	NET INCREASE / (DECREASE) IN CASH	2,510	6,588	241
10,859	10,859	11,189	Opening Cash and Cash Equivalents	10,859	10,859	11,189
0	0	(571)	Cash Transferred In/(Out) as a Result of Administrative Restructuring	0	0	(571)
13,369	17,447	10,859	CLOSING CASH AND CASH EQUIVALENTS	13,369	17,447	10,859

The accompanying notes form part of these financial statements.

**North Coast Area Health Service
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 2.1 *		Service Group 2.2 *		Service Group 2.3 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Non Attributable		Total							
	2010	2009	2010	2009	2010	2009	2010	2009	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	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000				
Expenses excluding losses																														
Operating Expenses																														
Employee Related	48,975	52,407	4,074	4,257	29,798	33,769	67,436	69,257	241,063	218,232	33,584	32,747	56,645	48,886	42,889	47,925	16,370	17,678	11,178	9,151	0	0	0	0	0	0	552,012	534,369		
Visiting Medical Officers	1,070	1,242	0	2	2,656	3,332	11,819	10,787	58,095	46,729	11,873	13,786	5,875	5,638	1,628	2,813	429	454	40	2,949	0	0	0	0	0	0	93,285	87,732		
Other Operating Expenses	17,959	19,827	1,069	1,986	28,288	25,191	23,566	31,335	220,917	195,773	37,330	31,573	16,207	12,447	22,508	21,675	4,161	4,143	877	1,439	0	0	0	0	0	0	372,882	345,389		
Depreciation and Amortisation	1,908	2,072	156	191	898	1,739	2,594	3,053	13,098	12,615	2,509	2,173	2,391	1,960	1,924	1,971	548	619	96	353	0	0	0	0	0	0	26,122	26,746		
Grants and Subsidies	2,414	2,019	476	771	6	6	47	0	222	0	41	0	4,447	5,076	53	(231)	483	16	2	1	0	0	0	0	0	0	8,201	7,652		
Finance Costs	42	11	3	1	20	9	57	16	286	67	55	12	52	10	42	10	12	4	1	2	0	0	0	0	0	0	570	142		
Total Expenses excluding losses	72,368	77,578	5,778	7,203	61,666	64,040	105,519	114,448	533,881	473,476	85,192	80,291	85,617	74,017	69,044	74,163	22,013	22,914	12,194	13,895	0	0	0	0	0	0	1,053,072	1,002,030		
Revenue																														
Sale of Goods and Services	8,967	3,165	27	2	16,435	4,327	6,874	3,828	70,381	71,965	8,033	8,962	669	27	13,430	10,336	602	159	273	295	0	0	0	0	0	0	125,711	103,066		
Investment Revenue	130	116	0	(8)	143	215	81	14	391	559	44	14	20	17	32	53	11	13	14	9	0	0	0	0	0	0	866	1,002		
Grants and Contributions	4,596	5,102	474	255	3,165	2,634	211	32	4,456	2,716	486	316	278	83	4,670	3,976	5,356	4,171	868	695	0	0	0	0	0	0	24,550	19,980		
Other Revenue	374	1,385	5	13	415	571	113	236	2,076	4,225	186	369	13	24	489	821	161	297	110	238	0	0	0	0	0	0	3,942	8,180		
Total Revenue	14,087	9,768	506	262	20,158	7,747	7,279	4,110	77,304	79,485	8,749	9,661	980	151	18,621	15,186	6,130	4,640	1,255	1,238	0	0	0	0	0	0	155,069	132,228		
Gain / (Loss) on Disposal	(5)	(3)	(1)	0	(6)	(2)	(21)	(1)	(96)	(27)	(14)	(3)	(15)	0	(9)	(6)	(4)	(2)	0	0	0	0	0	0	0	0	(171)	(44)		
Other Gains / (Losses)	0	(16)	0	0	0	(33)	(6)	0	(1,167)	(1,038)	(48)	(123)	(24)	0	(190)	(115)	0	(1)	0	(9)	0	0	0	0	0	0	(1,435)	(1,335)		
Net Cost of Services	58,286	67,829	5,273	6,946	41,514	56,328	98,267	110,339	457,640	395,076	76,505	70,756	84,676	73,866	50,622	59,098	15,887	18,277	10,939	12,666	0	0	0	0	0	0	899,609	871,181		
Government Contributions																					915,089	846,032					915,089	846,032		
RESULT FOR THE YEAR																														
Other Comprehensive Income																														
Increase/(Decrease) in Asset Revaluation Reserve	1,659	(3,931)	136	(362)	786	(3,299)	2,270	(5,792)	11,460	(23,932)	2,195	(4,122)	2,092	(3,718)	1,683	(3,739)	480	(1,174)	84	(670)							22,855	(50,739)		
Total Comprehensive Income	1,669	(3,931)	136	(362)	786	(3,299)	2,270	(5,792)	11,460	(23,932)	2,195	(4,122)	2,092	(3,718)	1,683	(3,739)	480	(1,174)	84	(670)							22,855	(50,739)		
TOTAL COMPREHENSIVE INCOME																													36,335	(75,889)

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

* The name and purpose of each service group is summarised in Note 16.

The Service Group Statement uses statistical data to 31 December 2009 to allocate the current period's financial information on expenses and revenue 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.

North Coast Area Health Service
Service Group Statements
for the Year Ended 30 June 2010

SERVICE'S ASSETS AND LIABILITIES	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 2.3 *		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	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$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	919	841	73	78	783	684	1,398	1,240	6,080	5,131	1,106	870	1,087	802	878	804	279	248	156	151	0	0	13,369	10,859
Receivables	1,353	1,352	49	36	1,936	1,072	699	569	7,428	10,986	841	1,337	94	21	1,789	2,101	589	642	119	171	0	0	14,897	18,297
Inventories	177	249	11	25	279	316	278	393	2,111	2,454	387	386	160	156	223	272	41	52	7	18	0	0	3,674	4,330
Non-Current Assets Held for Sale	61	0	0	6	0	51	0	90	0	371	0	64	0	58	0	58	0	18	0	10	0	0	210	785
Total Current Assets	2,659	2,502	133	145	2,988	2,133	2,375	2,292	16,229	18,952	2,334	2,667	1,341	1,037	2,890	3,234	909	960	282	350	0	0	32,150	34,272
Non-Current Assets																								
Receivables	23	1	1	0	33	1	12	1	127	10	14	1	2	0	31	2	10	1	2	0	0	0	255	17
Property, Plant and Equipment																								
- Land and Buildings	43,745	43,815	3,577	4,039	20,588	36,774	59,471	64,560	300,294	266,762	57,523	45,951	54,817	41,447	44,111	41,880	12,564	13,090	2,179	7,465	0	0	598,869	565,562
- Plant and Equipment	1,893	2,061	155	190	891	1,730	2,573	3,037	12,993	12,550	2,489	2,162	2,372	1,950	1,909	1,961	544	616	93	351	0	0	25,912	26,609
- Infrastructure Systems	1,674	1,758	137	162	789	1,475	2,277	2,580	11,499	10,701	2,202	1,843	2,099	1,663	1,689	1,672	481	525	84	299	0	0	22,931	22,683
Total Non-Current Assets	47,335	47,635	3,870	4,391	22,301	39,980	64,333	70,188	324,913	290,024	62,228	49,958	59,290	45,060	47,740	45,314	13,599	14,231	2,358	8,115	0	0	647,967	614,895
TOTAL ASSETS	49,994	50,138	4,003	4,536	25,299	42,113	66,708	72,480	341,142	308,976	64,562	52,624	60,631	46,096	50,630	48,549	14,508	15,192	2,640	8,465	0	0	680,117	649,168
LIABILITIES																								
Current Liabilities																								
Payables	2,949	4,444	176	444	4,646	5,646	4,626	7,023	35,182	43,876	6,451	7,076	2,662	2,790	3,718	4,858	684	929	143	322	0	0	61,237	77,408
Borrowings	293	393	36	36	250	324	446	580	2,133	2,398	353	407	346	375	280	376	89	116	49	70	0	0	4,262	5,074
Provisions	13,423	13,486	1,117	1,095	8,167	8,690	18,482	17,822	66,068	56,173	9,204	8,427	15,525	12,580	11,755	12,332	4,487	4,549	3,062	2,355	0	0	151,290	137,508
Other	12	70	1	7	10	58	18	104	84	429	14	73	14	67	11	67	4	21	0	13	0	0	168	903
Total Current Liabilities	16,677	18,393	1,317	1,582	13,073	14,718	23,572	25,528	103,467	102,875	16,022	15,982	18,547	15,812	15,764	17,633	5,264	5,615	3,254	2,760	0	0	216,957	220,898
Non-Current Liabilities																								
Borrowings	380	694	30	64	324	573	578	1,023	2,768	4,234	458	718	450	662	383	663	116	205	65	124	0	0	5,532	8,960
Provisions	183	208	15	17	112	134	253	275	903	867	126	130	212	194	161	190	61	70	41	36	0	0	2,067	2,122
Other	64	69	5	6	55	57	98	102	467	423	77	72	76	66	61	66	19	20	11	12	0	0	933	895
Total Non-Current Liabilities	627	971	50	88	491	764	929	1,401	4,138	5,523	661	920	738	922	595	920	196	296	117	173	0	0	8,532	11,977
TOTAL LIABILITIES	17,304	19,364	1,367	1,670	13,564	15,482	24,501	26,929	107,605	108,399	16,683	16,902	19,285	16,734	16,349	18,553	5,460	5,910	3,371	2,933	0	0	225,489	232,875
NET ASSETS	32,690	30,774	2,636	2,865	11,735	26,631	42,207	45,551	233,537	200,577	47,879	36,723	41,346	29,363	34,281	29,996	9,048	9,281	3,286	5,533	0	0	454,628	416,293

The name and purpose of each service group is summarised in Note 16
Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(e)d), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

1 The Health Service Reporting Entity

The North Coast 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 (as profit is not its principal objective).

The North Coast 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 statements of the special purpose entity division and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 11, 23, 25 and 30 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 for the year ended 30 June 2010 have been authorised for issue by the Chief Executive on 21 September 2010.

2 Summary of Significant Accounting Policies

The Health Service'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 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 (or disposal groups) 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 \$184.807M (2009 \$186.626M). 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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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 the North Coast Area Health Service.

Accounting Standard/Interpretation

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.

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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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

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 tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

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% (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.

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 23, "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.

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 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.

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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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.

Rendering Services

Revenue from the rendering of services is generally recognised as revenue when the service is provided.

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.

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 Health Service has been unable to reliably estimate the value of services provided and as such no amounts have been taken up in the financial statements.

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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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 Statement of Comprehensive Income before arriving at the "Result for the Year" on the basis that the allocation is earned in return for the health services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

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

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

- * 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 and
- * 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) 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.

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 2008/09 activity data using standard cost weighted separation values to reflect estimated costs in 2009/10 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.

**North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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 9.

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 (See also assets transferred as a result of an equity transfer Note 2(z)).

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.

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.

i) 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 the Health Service. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

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%

North Coast Area Health Service
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“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 and 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.

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 Health Service as at 1 January 2005 was completed on 1 July 2008 and was based on an independent assessment. To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from the Land Property Management Authority are applied. The indices reflect an assessment of movements made in the period between revaluations.

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

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

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

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

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

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

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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 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.

l) Assets Not Able to be Reliably Measured

The Health Service may at times hold certain assets that are not recognised in the Statement of Financial Position because the Health Service is unable to measure reliably the value of the assets. The Health Service holds no such assets at 30 June 2010.

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.

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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

q) Maintenance

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

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 Statement of Comprehensive Income in the periods in which they are incurred.

s) 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 the existence of a current replacement cost that is lower than the carrying amount. 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 recognised in the Result for the Year 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.

**North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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 North Coast 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 North Coast 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 Result for the Year.

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 North Coast 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 Result for the Year 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 in other comprehensive Income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Result for the Year. However, interest calculated using the effective interest method and dividends are recognised in the Result for the Year.

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 Statement of Financial Position date.

North Coast Area Health Service
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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 Result for the Year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Year, 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 Result for the Year.

Any reversals of impairment losses are reversed through the Result for the Year, 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 Health Service 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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 Result for the Year on derecognition.

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

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". 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.

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.

aa) Equity and Reserves

(i) Asset Revaluation Reserve

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 property, plant and equipment as discussed in Note 2(j).

(ii) Accumulated Funds

The category "accumulated funds" includes all current and prior period retained funds.

(iii) Separate Reserves

Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards.

ab) Trust Funds

The Health Service receives monies in a trustee capacity for various trusts as set out in Note 28. 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.

ac) 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.

**North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

ad) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2009 which is then applied to the current period's financial information.

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, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

North Coast Area Health Service
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:				
0	0	Salaries and Wages	413,397	391,054
0	0	Awards	20,195	33,798
0	0	Superannuation - Defined Benefit Plans	8,179	8,484
0	0	Superannuation - Defined Contribution Plans	36,843	35,047
0	0	Long Service Leave	20,748	12,717
0	0	Annual Leave	41,883	44,013
0	0	Redundancies	2,029	1,664
0	0	Workers' Compensation Insurance	8,738	7,568
0	0	Fringe Benefits Tax	0	24
<u>0</u>	<u>0</u>		<u>552,012</u>	<u>534,369</u>
The following additional information is provided:				
0	0	Employee Related Expenses capitalised - Land and Buildings	0	0
0	0	Employee Related Expenses capitalised - Plant and Equipment	0	0
<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
413,397	391,054	Salaries and Wages	0	0
20,195	33,798	Awards	0	0
8,179	8,484	Superannuation - Defined Benefit Plans	0	0
36,843	35,047	Superannuation - Defined Contribution Plans	0	0
20,748	12,717	Long Service Leave	0	0
41,883	44,013	Annual Leave	0	0
2,029	1,664	Redundancies	0	0
8,738	7,568	Workers' Compensation Insurance	0	0
0	24	Fringe Benefits Tax	0	0
<u>552,012</u>	<u>534,369</u>		<u>0</u>	<u>0</u>
The following additional information is provided:				
0	0	Employee Related Expenses capitalised - Land and Buildings	0	0
0	0	Employee Related Expenses capitalised - Plant and Equipment	0	0
<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>
5. Other Operating Expenses				
68,703	68,288	Allocations towards Inter Area Patient Outflows, NSW (see (d) below)	68,703	68,288
4,673	4,284	Blood and Blood Products	4,673	4,284
11,863	11,500	Domestic Supplies and Services	11,863	11,500
34,629	33,474	Drug Supplies	34,629	33,474
22,926	21,615	Food Supplies	22,926	21,615
8,362	6,257	Fuel, Light and Power	8,362	6,257
19,094	17,980	General Expenses (See (b) below)	19,094	17,980
16,005	17,861	Hospital Ambulance Transport Costs	16,005	17,861
5,400	723	Information Management Expenses	5,400	723
1,354	560	Insurance	1,354	560
45,394	30,610	Interstate Patient Outflows (see (e) below)	45,394	30,610
Maintenance (See (c) below)				
7,915	10,202	Maintenance Contracts	7,915	10,202
5,405	8,852	New/Replacement Equipment under \$10,000	5,405	8,852
4,352	6,316	Repairs	4,352	6,316
7	7	Other	7	7
44,209	41,394	Medical and Surgical Supplies	44,209	41,394
4,124	5,026	Postal and Telephone Costs	4,124	5,026
2,982	2,922	Printing and Stationery	2,982	2,922
1,101	746	Rates and Charges	1,101	746
3,612	3,659	Rental	3,612	3,659
47,994	39,051	Special Service Departments	47,994	39,051
3,912	4,174	Staff Related Costs	3,912	4,174
3,748	4,413	Sundry Operating Expenses (See (a) below)	3,748	4,413
5,118	5,475	Travel Related Costs	5,118	5,475
<u>372,882</u>	<u>345,389</u>		<u>372,882</u>	<u>345,389</u>

North Coast Area Health Service
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for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
1,350	2,021	(a) Sundry Operating Expenses comprise:		
2,399	2,392	Contract for Patient Services	1,350	2,021
		Isolated Patient Travel and Accommodation Assistance Scheme	2,399	2,392
3,749	4,413		3,749	4,413
52	161	(b) General Expenses include:-		
440	442	Advertising	52	161
		Books, Magazines and Journals	440	442
131	154	Consultancies		
75	28	- Operating Activities	131	154
896	1,185	- Capital Works	75	28
158	155	Courier and Freight	896	1,185
0	0	Auditor's Remuneration - Audit of Financial Statements	158	155
67	109	Auditor's Remuneration - Other Services	0	0
1,019	546	Data Recording and Storage	67	109
43	44	Legal Services	1,019	546
3,405	3,816	Membership/Professional Fees	43	44
3,511	3,391	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	3,405	3,816
17	90	Other Operating Lease Expense - Minimum Lease Payments	3,511	3,391
391	499	Payroll Services	17	90
1,171	1,857	Quality Assurance/Accreditation	391	499
3,697	2,644	Security Services	1,171	1,857
98	81	Shared Corporate Services - Financial	3,697	2,644
		Translator Services	98	81
		(c) Reconciliation Total Maintenance		
17,679	25,377	Maintenance Expense - Contracted Labour and Other (Non-Employee		
6,238	6,271	Related), included in Note 5	17,679	25,377
		Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	6,238	6,271
23,917	31,648	Total Maintenance Expenses included in Notes 3, 4 and 5	23,917	31,648
		(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		
11,348	12,446	Hunter New England Area Health Service	11,348	12,446
4,294	4,006	Children's Hospital Westmead	4,294	4,006
16,774	18,584	Northern Sydney Central Coast Area Health Service	16,774	18,584
24,925	21,804	South East Illawarra Area Health Service	24,925	21,804
8,253	7,531	Sydney South West Area Health Service	8,253	7,531
3,109	3,917	Other Health Services	3,109	3,917
0				
68,703	68,288		68,703	68,288
		(e) Expenses for Interstate Patient Flows are as follows:-		
43,195	29,217	Queensland	43,195	29,217
501	526	Victoria	501	526
1,698	867	Other States	1,698	867
45,394	30,610		45,394	30,610

North Coast Area Health Service
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
6. Depreciation and Amortisation				
19,867	19,813	Depreciation - Buildings	19,867	19,813
5,250	5,916	Depreciation - Plant and Equipment	5,250	5,916
<u>1,005</u>	<u>1,017</u>	Depreciation - Infrastructure Systems	<u>1,005</u>	<u>1,017</u>
<u>26,122</u>	<u>26,746</u>		<u>26,122</u>	<u>26,746</u>
7. Grants and Subsidies				
4,361	4,810	Non-Government Voluntary Organisations	4,361	4,810
<u>3,840</u>	<u>2,842</u>	Other	<u>3,840</u>	<u>2,842</u>
<u>8,201</u>	<u>7,652</u>		<u>8,201</u>	<u>7,652</u>
8. Finance Costs				
<u>570</u>	<u>142</u>	Interest on Bank Overdrafts and Loans	<u>570</u>	<u>142</u>
<u>570</u>	<u>142</u>	Total Finance Costs	<u>570</u>	<u>142</u>

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
9. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
1,464	1,410	Sale of Prosthesis	1,464	1,410
249	240	Other	249	240
221	199	Pharmacy Sales	221	199
13,624	0	Highly Specialised Drugs *	13,624	0
(b) Rendering of Services comprise the following:-				
48,462	46,070	Patient Fees [see note 2(d)]	48,462	46,070
512	237	Staff-Meals and Accommodation	512	237
4,588	5,093	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	4,588	5,093
2,292	50	- Annual Charge	2,292	50
14,415	12,414	Allocation from Inter Area Patient Inflows, NSW [see note (c) below]	14,415	12,414
3	172	Cafeteria/Kiosk	3	172
3,000	925	Clinical Services (excluding Clinical Drug Trials)	3,000	925
170	1,186	Commercial Activities	170	1,186
150	125	Fees for Medical Records	150	125
0	63	Meals on Wheels	0	63
3,986	2,909	Other Commonwealth Receipts (excluding DVA fees)	3,986	2,909
44	66	PADP Patient Copayments	44	66
30,883	31,189	Patient Inflows from Interstate [see note (d) below]	30,883	31,189
929	186	Services Provided to Non NSW Health Organisations	929	186
719	532	Other	719	532
<u>125,711</u>	<u>103,066</u>		<u>125,711</u>	<u>103,066</u>
(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:				
9,540	7,864	Hunter New England Area Health Service	9,540	7,864
1,221	1,138	Northern Sydney Central Coast Area Health Service	1,221	1,138
947	986	South East Illawarra Area Health Service	947	986
782	771	Sydney South West Area Health Service	782	771
890	676	Sydney West Area Health Service	890	676
1,035	979	Other Health Services	1,035	979
<u>14,415</u>	<u>12,414</u>		<u>14,415</u>	<u>12,414</u>
(d) Revenues from Patient Inflows from Interstate are as follows:-				
28,576	29,373	Queensland	28,576	29,373
1,406	987	Victoria	1,406	987
901	829	Other States	901	829
<u>30,883</u>	<u>31,189</u>		<u>30,883</u>	<u>31,189</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 these funds were received within annual Government Allocation from the NSW Department of Health.				
10. Investment Revenue				
687	869	Interest	687	869
179	133	Lease and Rental Income	179	133
<u>866</u>	<u>1,002</u>		<u>866</u>	<u>1,002</u>

North Coast Area Health Service
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
11. Grants and Contributions				
1,420	884	Clinical Drug Trials	1,420	884
7,165	6,080	Commonwealth Government Grants	7,165	6,080
43	0	Commonwealth Teaching Hospital Grants	43	0
2,407	2,145	Industry Contributions/Donations	2,407	2,145
5,780	5,264	Cancer Institute Grants	5,780	5,264
6,608	5,196	NSW Government Grants	6,608	5,196
8,179	8,484	Personnel Services - Superannuation Defined Benefit Plans	0	0
52	0	Research Grants	52	0
1,075	411	Other Grants	1,075	411
32,729	28,464		24,550	19,980
12. Other Revenue				
Other Revenue comprises the following:-				
2	9	Bad Debts Recovered	2	9
31	45	Commissions	31	45
52	150	Conference and Training Fees	52	150
46	1	Discounts	46	1
5	15	Sale of Merchandise, Old Wares and Books	5	15
6	17	Sponsorship Income	6	17
1,976	3,828	Treasury Managed Fund Hindsight Adjustment	1,976	3,828
1,824	4,115	Other	1,824	4,115
3,942	8,180		3,942	8,180
13. Gain/(Loss) on Disposal				
18,000	14,117	Property, Plant and Equipment	18,000	14,117
15,354	13,899	Less Accumulated Depreciation	15,354	13,899
2,646	218	Written Down Value	2,646	218
2,568	174	Less Proceeds from Disposal	2,568	174
(78)	(44)	Gain/(Loss) on Disposal of Property, Plant and Equipment	(78)	(44)
586	0	Assets Held for Sale	586	0
493	0	Less Proceeds from Disposal	493	0
(93)	0	Gain/(Loss) on Disposal of Assets Held for Sale	(93)	0
(171)	(44)	Total Gain/(Loss) on Disposal	(171)	(44)
14. Other Gains/(Losses)				
(1,435)	(1,335)	Impairment of Receivables	(1,435)	(1,335)
(1,435)	(1,335)		(1,435)	(1,335)

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

15. 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	1,225	2,928	1,482	5,635
Contributions recognised in amalgamated balance as at 30 June 2009 which were not expended in the current reporting period	2,865	1,144	1,713	5,722
Total amount of unexpended contributions as at balance date	4,090	4,072	3,195	11,357

Comment on restricted assets appears in Note 22

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

16 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.

North Coast Area Health Service
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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.

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.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
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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.

North Coast Area Health Service
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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		17. Cash and Cash Equivalents		
<u>13,369</u>	<u>10,859</u>	Cash at Bank and On Hand	<u>13,369</u>	<u>10,859</u>
<u>13,369</u>	<u>10,859</u>		<u>13,369</u>	<u>10,859</u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
<u>13,369</u>	<u>10,859</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>13,369</u>	<u>10,859</u>
<u>13,369</u>	<u>10,859</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>13,369</u>	<u>10,859</u>

Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

North Coast Area Health Service
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
		18. Receivables		
		Current		
9,380	6,544	(a) Sale of Goods and Services	9,380	6,544
38	16	Leave Mobility	38	16
1,032	1,568	NSW Health Department	1,032	1,568
<u>5,171</u>	<u>7,606</u>	Goods and Services Tax	<u>5,171</u>	<u>7,606</u>
15,621	15,734	Sub Total	15,621	15,734
<u>(1,088)</u>	<u>(742)</u>	Less Allowance for Impairment	<u>(1,088)</u>	<u>(742)</u>
14,533	14,992	Sub Total	14,533	14,992
<u>364</u>	<u>3,305</u>	Prepayments	<u>364</u>	<u>3,305</u>
<u>14,897</u>	<u>18,297</u>		<u>14,897</u>	<u>18,297</u>
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
742	597	Balance at 1 July	742	597
(955)	(1,028)	Amounts written off during the year	(955)	(1,028)
<u>1,301</u>	<u>1,173</u>	Increase/(decrease) in Allowance Recognised in	<u>1,301</u>	<u>1,173</u>
<u>1,088</u>	<u>742</u>	Result for the Year	<u>1,088</u>	<u>742</u>
		Balance at 30 June	<u>1,088</u>	<u>742</u>
<u>1,088</u>	<u>742</u>		<u>1,088</u>	<u>742</u>
		Non-Current		
<u>448</u>	<u>368</u>	(a) Sale of Goods and Services	<u>448</u>	<u>368</u>
<u>448</u>	<u>368</u>	Sub Total	<u>448</u>	<u>368</u>
<u>(193)</u>	<u>(351)</u>	Less Allowance for Impairment	<u>(193)</u>	<u>(351)</u>
<u>255</u>	<u>17</u>		<u>255</u>	<u>17</u>
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
351	939	Balance at 1 July	351	939
(291)	(749)	Amounts written off during the year	(291)	(749)
<u>133</u>	<u>161</u>	Increase/(decrease) in Allowance Recognised in	<u>133</u>	<u>161</u>
<u>193</u>	<u>351</u>	Result for the Year	<u>193</u>	<u>351</u>
<u>193</u>	<u>351</u>	Balance at 30 June	<u>193</u>	<u>351</u>
			<u>193</u>	<u>351</u>
		(c) Sale of Goods and Services Receivables		
		(Current and Non-Current) include:		
770	567	Patient Fees - Compensable	770	567
259	355	Patient Fees - Ineligible	259	355
<u>3,879</u>	<u>2,688</u>	Patient Fees - Other	<u>3,879</u>	<u>2,688</u>
<u>4,908</u>	<u>3,610</u>		<u>4,908</u>	<u>3,610</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.

North Coast Area Health Service
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
19. Inventories				
Current - Held for Distribution				
2,557	2,892	Drugs	2,557	2,892
965	1,248	Medical and Surgical Supplies	965	1,248
74	89	Food and Hotel Supplies	74	89
1	3	Engineering Supplies	1	3
77	98	Other Including Goods in Transit	77	98
<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<u>3,674</u>	<u>4,330</u>		<u>3,674</u>	<u>4,330</u>

North Coast Area Health Service
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
20. Property, Plant and Equipment				
Land and Buildings - Fair Value				
948,187	880,021	Gross Carrying Amount	948,187	880,021
349,318	314,439	Less Accumulated Depreciation and Impairment	349,318	314,439
<u>598,869</u>	<u>565,582</u>	Net Carrying Amount	<u>598,869</u>	<u>565,582</u>
Plant and Equipment - Fair Value				
60,749	70,360	Gross Carrying Amount	60,749	70,360
34,837	43,751	Less Accumulated Depreciation and Impairment	34,837	43,751
<u>25,912</u>	<u>26,609</u>	Net Carrying Amount	<u>25,912</u>	<u>26,609</u>
Infrastructure Systems - Fair Value				
42,415	40,248	Gross Carrying Amount	42,415	40,248
19,484	17,560	Less Accumulated Depreciation and Impairment	19,484	17,560
<u>22,931</u>	<u>22,688</u>	Net Carrying Amount	<u>22,931</u>	<u>22,688</u>
<u>647,712</u>	<u>614,879</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>647,712</u>	<u>614,879</u>

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2010						
Net Carrying Amount at Start of Year	66,681	485,770	13,131	26,609	22,688	614,879
Additions		899	33,717	4,126	14	38,756
Recognition of Assets Held for Sale	(10)					(10)
Disposals	(290)			(2,356)		(2,646)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	(3,569)	25,190			1,234	22,855
Depreciation Expense		(19,867)		(5,250)	(1,005)	(26,122)
Reclassifications		2,265	(5,048)	2,783		0
Net Carrying Amount at End of Year	62,812	494,257	41,800	25,912	22,931	647,712

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2009						
Net Carrying Amount at Start of Year	61,943	501,840	55,489	28,356	23,540	671,168
Additions	0	235	18,865	3,200	0	22,300
Recognition of Assets Held for Sale	(187)	0	0		(19)	(206)
Disposals	0	(72)	0	(146)	0	(218)
Administrative Restructures - Transfers In/(Out)	0	0	0	(680)	0	(680)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	3,834	(53,608)	0		(965)	(50,739)
Depreciation Expense	0	(19,813)	0	(5,916)	(1,017)	(26,746)
Reclassifications	1,091	57,188	(61,223)	1,795	1,149	0
Net Carrying Amount at End of Year	66,681	485,770	13,131	26,609	22,688	614,879

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Health Service [see note 2(g)].
- (ii) Land, Buildings and Infrastructure were valued by Benjamin Kingsberry (AAPI/CPV) of Australian Pacific Valuers Pty Ltd, registered valuers on 01 July 2008 [see note 2(j)]. Australian Pacific Valuers Pty Ltd is not an employee of the Health Service.
- (iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indice to be applied to Non Current Assets as determined by the Land Property Management Authority:

Year	Land	Buildings	Infrastructure
09/10	94.50%	105.35%	105.35%

North Coast Area Health Service
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
21. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
210	725	Land and Buildings	210	725
<u>0</u>	<u>61</u>	Infrastructure Systems	<u>0</u>	<u>61</u>
<u>210</u>	<u>786</u>		<u>210</u>	<u>786</u>
Amounts Recognised in Equity Relating to Assets Held for Sale				
<u>95</u>	<u>223</u>	Property, Plant and Equipment Asset Revaluation Increments/Decrements	<u>95</u>	<u>223</u>
<u>95</u>	<u>223</u>		<u>95</u>	<u>223</u>

The following additional information is provided:
Asset Held for sale is 145 Laurel Ave, Lismore.

Disposal is anticipated to be completed in August 2010.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
22. Restricted Assets				
<p>The Health Service's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions.</p>				
Category				
4,090	3,924	Equipment Buildings & Refurbishments	4,090	3,924
4,072	2,285	Education & Research	4,072	2,285
3,195	3,050	Other	3,195	3,050
11,357	9,259		11,357	9,259
11,357	9,259		11,357	9,259

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
		23. Payables		
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		Current		
0	0	Accrued Salaries, Wages and On-Costs	6,902	18,803
0	0	Taxation and Payroll Deductions	722	566
7,624	19,369	Accrued Liability - Purchase of Personnel Services	0	0
45,883	51,355	Creditors	45,883	51,355
		Other Creditors		
3,698	1,568	- Capital Works	3,698	1,568
3,923	4,960	- Intra Health Liability	3,923	4,960
109	156	- Other	109	156
<u>61,237</u>	<u>77,408</u>		<u>61,237</u>	<u>77,408</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

		24. Borrowings		
		Current		
<u>4,262</u>	<u>5,074</u>	Other Loans and Deposits	<u>4,262</u>	<u>5,074</u>
<u>4,262</u>	<u>5,074</u>		<u>4,262</u>	<u>5,074</u>
		Non-Current		
<u>5,532</u>	<u>8,960</u>	Other Loans and Deposits	<u>5,532</u>	<u>8,960</u>
<u>5,532</u>	<u>8,960</u>		<u>5,532</u>	<u>8,960</u>

Other loans still to be extinguished represent monies to be repaid to the NSW Treasury of \$0.621M, NSW Health Support of \$3.941M, Hunter New England Area Health Service \$2.862M and NSW Department of Health \$2.369M. Final Repayments are scheduled for 30th June 2013 for the NSW Treasury, 30th June 2016 for NSW Health Support, 31st December 2015 for Hunter New England Area Health Service and 30th June 2011 for NSW Department of Health.

		Repayment of Borrowings (excluding Finance Leases)		
4,262	5,074	Not later than one year	4,262	5,074
4,710	7,048	Between one and five years	4,710	7,048
<u>822</u>	<u>1,912</u>	Later than five years	<u>822</u>	<u>1,912</u>
		Total Borrowings at face value (excluding Finance Leases)		
<u>9,794</u>	<u>14,034</u>		<u>9,794</u>	<u>14,034</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.

North Coast Area Health Service
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
25. Provisions				
Current Employee Benefits and Related On-Costs				
0	0	Annual Leave - Short Term Benefit	41,850	40,850
0	0	Annual Leave - Long Term Benefit	19,893	19,248
0	0	Long Service Leave - Short Term Benefit	9,000	7,300
0	0	Long Service Leave - Long Term Benefit	80,547	70,110
151,290	137,508	Provision for Personnel Services Liability	0	0
151,290	137,508	Total Current Provisions	151,290	137,508
Non-Current Employee Benefits and Related On-Costs				
	0	Long Service Leave - Conditional	2,067	2,122
2,067	2,122	Provision for Personnel Services Liability	0	0
2,067	2,122	Total Non Current Provisions	2,067	2,122
Aggregate Employee Benefits and Related On-Costs				
151,290	137,508	Provisions - Current	151,290	137,508
2,067	2,122	Provisions - Non-Current	2,067	2,122
0	0	Accrued Salaries, Wages and On-Costs (Note 23)	7,624	19,369
7,624	19,369	Accrued Liability - Purchase of Personnel Services (Note 23)	0	0
160,981	158,999		160,981	158,999

North Coast Area Health Service
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
26. Other Liabilities				
Current				
168	254	Income in Advance (1)	168	254
<u>0</u>	<u>654</u>	Employee Entitlement transferred to HNEAHS (2)	<u>0</u>	<u>654</u>
<u>168</u>	<u>908</u>		<u>168</u>	<u>908</u>
Non Current				
224	224	St Vincent's Contractual Liability (3)	224	224
<u>709</u>	<u>671</u>	Other (4)	<u>709</u>	<u>671</u>
<u>933</u>	<u>895</u>		<u>933</u>	<u>895</u>

- 1 Income in Advance represents grant monies to be expended in future financial years.
- 2 Employee Entitlements transferred under Administrative transfer arrangements to the Hunter New England Area Health Service.
- 3 Contracts were entered into to transfer employees of the Health Service to St Vincent's private hospital. The liability above represents employee benefits transferred at the contract date.
- 4 Other represents transferred employees benefits at fixed transfer dates.

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010 \$000	2009 \$000	27. Commitments for Expenditure	2010 \$000	2009 \$000
		(a) Capital Commitments		
		Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
8,305	14,224	Not later than one year	8,305	14,224
<u>0</u>	<u>2,937</u>	Later than one year and not later than five years	<u>0</u>	<u>2,937</u>
<u>8,305</u>	<u>17,161</u>	Total Capital Expenditure Commitments (Including GST)	<u>8,305</u>	<u>17,161</u>
		Of the commitments reported at 30 June 2010 it is expected that \$0.028M will be met from locally generated moneys.		
		The Capital commitments above include commitments to the value of \$7.942M that are managed by the Health Infrastructure division of the Health Administration Corporation. Health Infrastructure are funded to manage all major capital projects greater than \$10M on behalf of Health Services		
		(b) Other Expenditure Commitments		
		Aggregate other expenditure contracted for the acquisition of operating expenses at balance date and not provided for:		
5,016	4,205	Not later than one year	5,016	4,205
<u>5,016</u>	<u>4,205</u>	Total Other Expenditure Commitments (Including GST)	<u>5,016</u>	<u>4,205</u>
		(c) Operating Lease Commitments		
		Commitments in relation to non-cancellable operating leases are payable as follows:		
6,506	6,388	Not later than one year	6,506	6,388
7,768	7,611	Later than one year and not later than five years	7,768	7,611
<u>248</u>	<u>68</u>	Later than five years	<u>248</u>	<u>68</u>
<u>14,522</u>	<u>14,067</u>	Total Operating Lease Commitments (Including GST)	<u>14,522</u>	<u>14,067</u>

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

These operating leases are not recognised in the financial statements as liabilities.

Motor vehicles are leased under an ongoing master rental agreement.

Other plant and equipment leases have terms up to 8 years. Under the master rental agreements in place at the end of the lease terms the Health Service has the option to return the equipment, acquire the item at market value or renew the lease at market value. There are no contingent rental provisions with the lease agreements.

Property leases have varying terms up to 40 years. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by CPI per annum. In the majority of instances an option exists to renew the lease at the end of the term.

(d) Contingent Asset related to Commitments for Expenditure

The total of "Commitments for Expenditure" above, i.e. \$27.843 million as at 30 June 2010 includes input tax credits of \$2.511 million that are expected to be recoverable from the Australian Taxation Office.

(e) Health Support Services

The NSW Department of Health's policy is to progressively centralise operational functions within the Health Administration Corporation (HAC). As a result, the Service has outsourced its general ledger processing, procurements, payables, payroll, linen and food services to Health Support Services (HSS), a division of Health Administration Corporation. Service level agreements have been signed for the respective functions.

The amount payable to HSS in any year is determined using a number of criteria, including the level of activity and full cost recovery by HSS. A commitment figure cannot be readily determined and has not been included within the commitments above. The Service paid \$45.74M (including GST) to HSS in the year (\$35.02M 2009).

**North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT AND CONSOLIDATION

28 Trust Funds

The Health Service holds trust fund moneys of \$1.705 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash Balance at the beginning of the financial reporting period	88	74	105	494	2,870	1,265	3,063	1,833
Receipts	383	331	202	237	5,082	7,480	5,667	8,048
Expenditure	376	317	169	626	6,480	5,875	7,025	6,818
Cash Balance at the end of the financial reporting period	95	88	138	105	1,472	2,870	1,705	3,063

**North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010**

PARENT AND CONSOLIDATED

29 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 to 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. 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 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.

North Coast Area Health Service
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								
30. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services												
38,088	14,821	Net Cash Flows from Operating Activities	38,088	14,821								
(26,122)	(26,746)	Depreciation	(26,122)	(26,746)								
(1,435)	(1,335)	Allowance for Impairment	(1,435)	(1,335)								
0	0	Acceptance by the Crown Entity of Employee Superannuation Benefits	(8,179)	(8,484)								
(13,727)	(2,469)	Decrease/(Increase) in Provisions	(13,727)	(2,469)								
566	1,211	Increase / (Decrease) in Prepayments and Other Assets	566	1,211								
18,281	(9,278)	(Increase)/ Decrease in Creditors	18,281	(9,278)								
(171)	(44)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(171)	(44)								
(876,872)	(807,381)	NSW Health Department Recurrent Allocations	(876,872)	(807,381)								
(30,038)	(31,476)	NSW Health Department Capital Allocations	(30,038)	(31,476)								
(891,430)	(862,697)	Net Cost of Services	(899,609)	(871,181)								
31. Non-Cash Financing and Investing Activities												
67	99	Assets Received by Donation	67	99								
67	99		67	99								
32. 2009/10 Voluntary Services												
<p>It is considered impracticable to quantify the monetary value of voluntary services provided to the Health Service. Services provided include:</p> <table border="0" style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 50%;">. Chaplaincies and Pastoral Care -</td> <td>Patient & Family Support</td> </tr> <tr> <td>. Pink Ladies/Hospital Auxiliaries -</td> <td>Patient Services, Fund Raising</td> </tr> <tr> <td>. Patient Support Groups -</td> <td>Practical Support to Patients and Relative</td> </tr> <tr> <td>. Community Organisations -</td> <td>Counselling, Health Education, Transport, Home Help & Patient Activities</td> </tr> </table>					. 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
. 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											
33. Unclaimed Moneys												
<p>Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the <i>Industrial Relations Act, 1996</i>.</p> <p>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.</p> <p>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.</p>												

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATED

34. Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was lower than budget by \$0.786 million. This resulted mainly from Special Purpose and Trust Funds lower than budget by \$2.326 million offset by general funds exceeding budget by \$1.540 million.

Result for the Year

The Result for the Year was \$1.415 million lower than budget resulting from the above Net Cost of Services movement, also Capital Allocation revenue was below budget by \$1.819 million.

Assets and Liabilities

Current Assets were \$9.715 million lower than budget. This was due primarily to the Health Service's Cash and Cash Equivalents \$4.078 million, Prepayments \$2.940 million and Goods and Services Tax receivable \$2.674 million below budget.

Non-Current Assets were higher than budget by \$26.109 million which resulted mainly from the revaluation increment on Land, Buildings & Infrastructure of \$22.855 million.

Current Liabilities were lower than budget by \$2.756 million. This was mainly attributable to Borrowings \$0.812 million and Other \$0.740 million (HNEAHS extinguished liability for transferred employee entitlements) lower than budget.

Non Current Liabilities were lower than budget by \$2.291 million which resulted from the repayment of borrowings which were not budgeted.

Cash Flows

Operating Activities - Net inflows were lower than budget by \$4.376 million. This resulted largely from lower than budgeted NSW Health Department Capital Allocations of \$1.819 million and lower than budget Sale of Goods and Services cash flows of \$4.054 million. Sale of Goods and Services was under budget due to revenue targets not being achieved.

Investing Activities - Net outflows were lower than budget by \$3.683 million. This mainly resulted from Proceeds from the Sale of Land, Buildings and Equipment of \$3.061 million that was not budgeted.

Financing Activities - Net outflows were higher than budget by \$3.385 million. This resulted from the repayment of borrowings which were not budgeted.

Movements in the level of the NSW Health Department Recurrent Allocation that have occurred since the time of the initial allocation on 16 June 2009 are as follows:

	\$000
Initial Allocation, 16 June 2009	739,695
Award Increases	1,333
Special Projects	
Aged Care Enhancements	1,077
Sub Acute Care Enhancements	1,277
AIDS Enhancements	560
Severe Chronic Disease management	1,125
Drug & Alcohol	2,190
Oral Health Enhancements	178
Garling Report Enhancements	2,442
Cancer services	604
Cardiac Catheter Enhancement	1,525
Surgery Enhancement	4,000
Organ Tissue Donation	395
Mental Health Enhancements	3,741
Aboriginal Health Enhancements	507
Keep them Safe	1,231
Other	
Inter Area Patient Flows	54,288
Interstate Patient Flows	14,275
DOH Financial Assistance	23,972
Redundancies	2,961
Nurse Strategy Enhancement	1,711
Revenue Strategy Offset	10,000
Visiting Medical Officer Enhancements	2,939
Treasury Managed Fund	1,346
Other General Enhancements	3,500
Balance as per Statement of Comprehensive Income	<u>876,872</u>

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATED

35. Increase/(Decrease) in Net Assets from Administrative Restructure

With effect from 1 August 2008 responsibility for the provision of food services transferred to Health Support from which the Area now purchases its food requirements. Effective 1 January 2009 responsibility for provision of pathology services transferred to Hunter New England Area Health Service from which the Area now purchases its pathology services.

Details of the equity transfer are as follows:

	2010	2009
	\$000	\$000
<u>Assets</u>		
Cash	0	(572)
Inventories	0	(264)
Property, Plant & Equipment		
- Plant & Equipment	0	(680)
<u>Liabilities</u>		
Provisions	0	909
Net Assets/Equity	<u><u>0</u></u>	<u><u>(607)</u></u>

North Coast Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

Note 36 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 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 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

Financial Assets		Carrying	Carrying
Class:	Category	Amount	Amount
		2010	2009
		\$000	\$000
Cash and Cash Equivalents (note 17)	N/A	13,369	10,859
Receivables (note 18) ¹	Loans and receivables (at amortised cost)	9,617	7,403
Total Financial Assets		22,986	18,262
Financial Liabilities			
Borrowings (note 24)	Financial liabilities	9,794	14,034
Payables (note 23) ²	measured at	61,237	77,408
Other (note 26)	amortised cost	933	1,549
Total Financial Liabilities		71,964	92,991

Notes

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

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

North Coast Area Health Service
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CONSOLIDATION

Financial Assets		Carrying	Carrying
Class:	Category	Amount	Amount
		2010	2009
		\$000	\$000
Cash and Cash Equivalents (note 17)	N/A	13,369	10,859
Receivables (note 18) ¹	Loans and receivables (at amortised cost)	9,617	7,403
Total Financial Assets		22,986	18,262
Financial Liabilities			
Borrowings (note 24)	Financial liabilities	9,794	14,034
Payables (note 23) ²	measured at	61,237	77,408
Other (note 26)	amortised cost	933	1,549
Total Financial Liabilities		71,964	92,991

Notes

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

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

(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, including cash, receivables and authority deposits. No collateral is held by the Health Service. The Health Service has not 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 balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.48% in 2009/10 compared to 4.39% in the previous year.

Receivables - Trade Debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability 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 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.

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The Health Service is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtors balance at year-end, \$8.343M (2009: \$6.162M) related to debtors that were not past due and not considered impaired and debtors of \$1.274M (2009: \$1.241M) were past due but not considered impaired. Together these represent 88.2% (2009: 87.1%) of total trade debtors. The Receivables include Patient Fees Compensables which are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the 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 been renegotiated.

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

	\$000		
2010	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	1,485	1206	279
3 months - 6 months overdue	431	68	363
> 6 months overdue	452	0	452
2009			
<3 months overdue	1,233	1,097	136
3 months - 6 months overdue	388	144	244
> 6 months overdue	555	0	555

Notes

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 total recognised in the statement of financial position.

(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 NSW Treasury.

During the current and prior years, 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 North Coast 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.

During 2009/2010 there have been instances where settlement could not be effected in accordance with the above, eg due to short term liquidity constraints, and revised terms of trade were negotiated with several of the top suppliers.

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 \$'000				Maturity Dates		
	Weighted Average Effective Int. Rate	Interest Rate Exposure			< 1 Yr	1-5 Yr	> 5Yr
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate			
%	\$000	\$000	\$000	\$000	\$000	\$000	
2010							
Payables:							
Accrued Salaries, Wages and On.Costs		7,624		7,624	7,624	0	0
Creditors		53,613		53,613	53,613	0	0
Borrowings:							
Bank Overdraft		7,569		7,569	1,895	4,818	856
Non Interest Loans	0.00	3,130	3,130		2,703	427	0
Other Loans and Deposits	6.40	71,936	3,130	68,806	65,835	5,245	856
		<u>71,936</u>	<u>3,130</u>	<u>68,806</u>	<u>65,835</u>	<u>5,245</u>	<u>856</u>
2009							
Payables:							
Accrued Salaries, Wages and On.Costs		19,369		19,369	19,369	0	0
Creditors		58,039		58,039	58,039	0	0
Borrowings:							
Bank Overdraft		8,137		8,137	1,226	4,916	1,995
Non-Interest Loans	0.00	7,247	7,247		4,117	3,130	0
Other Loans and Deposits	6.44	92,792	7,247	85,545	82,751	8,046	1,995
		<u>92,792</u>	<u>7,247</u>	<u>85,545</u>	<u>82,751</u>	<u>8,046</u>	<u>1,995</u>

Notes:

1 The 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.

2 Of the \$0.427M disclosed in the 2010 'other loans and deposits' time band 1-5 yrs, the Health Service has no intent to effect payments in advance of maturity dates on or prior to 30 September 2010.

North Coast Area Health Service
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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 Statement of Financial Position date. The analysis is performed on the same basis for 2009. 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. The Health Service 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. The Health Service's exposure to interest rate risk is set out below.

	\$'000	-1%		+1%	
		Carrying Amount	Profit	Equity	Profit
2010					
Financial Assets					
Cash and Cash Equivalents	13,369	(134)	(134)	134	134
Financial Liabilities					
Borrowings	9,794	0	0	0	0
2009					
Financial Assets					
Cash and Cash Equivalents	10,859	(108)	(108)	108	108
Financial Liabilities					
Borrowings	14,034				

e) Fair Value Compared to Carrying Amount

Financial Instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments.

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f) Fair Value recognised in the Statement of Financial Position

There were no financial assets or financial liabilities that were measured at fair value in the Statement of Financial Position.

Note 37 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