



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Northern Sydney and Central Coast Area Health Service

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Northern Sydney and Central Coast Area Health Service (the Service), which comprises the statement(s) of financial position as at 30 June 2010, the statement(s) of comprehensive income, statement(s) of changes in equity, statement(s) of cash flows, service group statements and summary of compliance with financial directives 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.

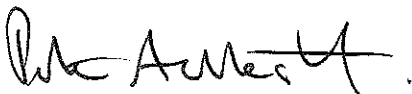
My opinion does *not* provide assurance:

- 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.

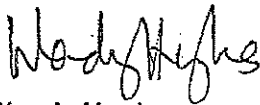


Peter Achterstraat  
Auditor-General

15 October 2010  
SYDNEY

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

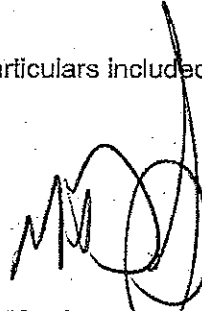
- 1) the financial statements have been prepared in accordance with:
  - Australian Accounting Standards
  - *Public Finance and Audit Act 1983*
  - *Public Finance and Audit Regulations 2010*
  - *Health Services Act 1997 and its Regulations*
  - the Accounts and Audit Determination
- 2) the financial statements exhibit a true and fair view of the financial position and the financial performance of the Northern Sydney and Central Coast Area Health Service for the year ended 30 June 2010.
- 3) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Wendy Hughes  
Director, Financial Operations

Date:

15/10/10



Matthew Daly  
Chief Executive

Date: 15/10/10

Start of Financial Statements

Northern Sydney and Central Coast Area Health Service  
Statement of Comprehensive Income for the Year Ended 30 June 2010

	PARENT		CONSOLIDATION	
	Actual 2010 \$000	Budget 2010 \$000	Actual 2010 \$000	Budget 2010 \$000
Expenses excluding losses				
Operating Expenses				
Employee Related	1,082,833	1,072,275	1,082,833	1,072,275
Personnel Services	65,467	65,644	65,467	65,644
Visiting Medical Officers	557,347	549,314	557,347	549,314
Other Operating Expenses	60,341	62,216	60,341	62,216
Depreciation and Amortisation	21,455	19,663	21,455	19,663
Grants and Subsidies	3,268	684	3,268	684
Finance Costs	38,167	39,037	38,167	39,037
Payments to Affiliated Health Organisations				
Total Expenses excluding losses	1,828,878	1,808,833	1,828,878	1,808,833
Revenue				
Sale of Goods and Services	315,475	287,127	315,475	287,127
Investment Income	3,748	5,558	3,748	5,558
Grants and Contributions	50,697	46,482	34,637	29,824
Other Revenue	3,617	22,629	3,617	22,629
Total Revenue	373,537	361,795	357,477	345,137
Net Cost of Services	1,480,007	1,472,228	1,496,067	1,488,886
Government Contributions				
NSW Department of Health	1,407,801	1,405,537	1,407,801	1,405,537
Recurrent Allocations	36,163	40,939	36,163	40,939
Capital Allocations	(5,400)		(5,400)	
(Asset Sale Proceeds Transferred to the NSW Department of Health)				
Acceptance by the Crown Entity of employee benefits			16,060	16,658
Total Government Contributions	1,438,564	1,446,476	1,454,624	1,463,134
RESULT FOR THE YEAR	(41,443)	(25,752)	(41,443)	(25,752)
Other Comprehensive Income				
Net Increase/(Decrease) in Property, Plant & Equipment	77,933		77,933	
Asset Revaluation Reserve				
Other Comprehensive Income for the Year	77,933		77,933	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	36,490	(25,752)	36,490	(25,752)

The accompanying notes form part of these Financial Statements.

**Northern Sydney and Central 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
<b>ASSETS</b>						
<b>Current Assets</b>						
85,203	71,411	79,939	19	85,203	71,411	79,939
47,592	41,834	40,725	20	47,592	41,834	40,725
11,959	12,456	12,456	21	11,959	12,456	12,456
17,219	-----	-----	24	17,219	-----	-----
<b>161,973</b>	<b>125,701</b>	<b>133,120</b>		<b>161,973</b>	<b>125,701</b>	<b>133,120</b>
<b>Non-Current Assets</b>						
69,337	1,408	1,405	20	69,337	1,408	1,405
1,299,605	1,246,000	1,282,772	22	1,299,605	1,246,000	1,282,772
89,717	98,185	85,900	22	89,717	98,185	85,900
48,510	41,107	41,107	22	48,510	41,107	41,107
<b>1,437,832</b>	<b>1,385,292</b>	<b>1,409,779</b>		<b>1,437,832</b>	<b>1,385,292</b>	<b>1,409,779</b>
5,259	5,259	-----	23	5,259	5,259	-----
<b>1,512,428</b>	<b>1,391,959</b>	<b>1,411,184</b>		<b>1,512,428</b>	<b>1,391,959</b>	<b>1,411,184</b>
<b>1,674,401</b>	<b>1,517,660</b>	<b>1,544,304</b>		<b>1,674,401</b>	<b>1,517,660</b>	<b>1,544,304</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
108,601	87,366	105,964	26	108,601	87,366	105,964
7,254	6,278	8,478	27	7,254	6,278	8,478
306,289	182,779	277,772	28	306,289	182,779	277,772
7,979	2,629	3,431	29	7,979	2,629	3,431
<b>430,123</b>	<b>279,052</b>	<b>395,645</b>		<b>430,123</b>	<b>279,052</b>	<b>395,645</b>
<b>Non-Current Liabilities</b>						
42,328	41,705	45,741	27	42,328	41,705	45,741
8,255	127,306	8,573	28	8,255	127,306	8,573
100,346	37,262	36,259	29	100,346	37,262	36,259
<b>150,929</b>	<b>206,273</b>	<b>90,573</b>		<b>150,929</b>	<b>206,273</b>	<b>90,573</b>
<b>581,052</b>	<b>485,325</b>	<b>486,218</b>		<b>581,052</b>	<b>485,325</b>	<b>486,218</b>
<b>1,093,349</b>	<b>1,032,335</b>	<b>1,058,086</b>		<b>1,093,349</b>	<b>1,032,335</b>	<b>1,058,086</b>
<b>EQUITY</b>						
372,487	312,564	312,564		372,487	312,564	312,564
715,340	719,771	745,522		715,340	719,771	745,522
5,522	-----	-----	24	5,522	-----	-----
<b>1,093,349</b>	<b>1,032,335</b>	<b>1,058,086</b>		<b>1,093,349</b>	<b>1,032,335</b>	<b>1,058,086</b>

The accompanying notes form part of these Financial Statements

**Northern Sydney and Central Coast Area Health Service**  
**Statement of Changes in Equity for the year ended 30 June 2010**

	Notes	Accumulated Funds	Asset Revaluation Surplus	Assets Held For Sale Reserve	Total
		\$000	\$000	\$000	\$000
<b>At 1 July 2009</b>		745,522	312,564	-----	1,058,086
<b>Result For The Year</b>		(41,443)	-----	-----	(41,443)
<b>Other Comprehensive Income:</b>					
Net Increase in Property, Plant & Equipment	22	-----	77,933	-----	77,933
Available for Sale Financial Assets:					
-Transfers on Disposal		12,488	(12,488)	-----	-----
-Transfers of Asset Revaluation Reserve to Assets Held for Sale	24	-----	(5,522)	5,522	-----
<b>Total Other Comprehensive Income</b>		12,488	59,923	5,522	77,933
<b>Total Comprehensive Income For The Year</b>		(28,955)	59,923	5,522	36,490
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets from Equity Transfers	34	(1,227)	-----	-----	(1,227)
<b>At 30 June 2010</b>		715,340	372,487	5,522	1,093,349
<b>At 1 July 2008</b>					
<b>Result For The Year</b>		763,963	315,794	-----	1,079,757
<b>Other Comprehensive Income:</b>		(7,544)	-----	-----	(7,544)
Net Increase/(Decrease) in Property, Plant & Equipment	22	-----	(30)	-----	(30)
Available for Sale Financial Assets:					
-Transfers on Disposal		3,200	(3,200)	-----	-----
<b>Total Other Comprehensive Income</b>		3,200	(3,230)	-----	(30)
<b>Total Comprehensive Income For The Year</b>		759,619	312,564	-----	1,072,183
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets from Equity Transfers	34	(14,097)	-----	-----	(14,097)
<b>At 30 June 2009</b>		745,522	312,564	-----	1,058,086

The accompanying notes form part of these financial statements.

**Northern Sydney and Central Coast Area Health Service**  
**Statement of Cash Flows for the Year Ending 30 June 2010**

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
				(1,038,574)	(1,031,878)	(1,003,275)
(23,601)	(19,663)	(23,135)	Employee Related			
(3,268)	(684)	(273)	Grants and Subsidies	(23,601)	(19,663)	(23,135)
(1,681,979)	(1,704,272)	(1,682,096)	Finance Costs	(3,268)	(684)	(273)
			Other	(643,405)	(672,394)	(678,821)
<b>(1,708,848)</b>	<b>(1,724,619)</b>	<b>(1,705,504)</b>	<b>Total Payments</b>	<b>(1,708,848)</b>	<b>(1,724,619)</b>	<b>(1,705,504)</b>
<b>Receipts</b>						
240,682	286,017	288,092	Sale of Goods and Services	240,682	286,017	288,092
3,748	5,558	6,968	Interest Received	3,748	5,558	6,968
94,588	52,453	99,396	Other	94,588	52,453	99,396
<b>339,018</b>	<b>344,028</b>	<b>394,456</b>	<b>Total Receipts</b>	<b>339,018</b>	<b>344,028</b>	<b>394,456</b>
<b>Cash Flows From Government</b>						
1,407,801	1,405,537	1,332,504	NSW Department of Health Recurrent Allocations	1,407,801	1,405,537	1,332,504
36,163	40,939	57,015	NSW Department of Health Capital Allocations	36,163	40,939	57,015
(5,400)	---	---	Asset Sale Proceeds Transferred to the NSW Department of Health Cash Reimbursements from the Crown Entity	(5,400)	---	---
<b>1,438,564</b>	<b>1,446,476</b>	<b>1,389,519</b>	<b>Net Cash Flows From Government</b>	<b>1,438,564</b>	<b>1,446,476</b>	<b>1,389,519</b>
<b>68,734</b>	<b>65,885</b>	<b>78,471</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>68,734</b>	<b>65,885</b>	<b>78,471</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
9,513	---	1,385	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	9,513	---	1,385
(68,345)	(62,919)	(87,671)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(68,345)	(62,919)	(87,671)
<b>(58,832)</b>	<b>(68,178)</b>	<b>(86,286)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(58,832)</b>	<b>(68,178)</b>	<b>(86,286)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
1,391	(4,193)	15,739	Proceeds from Borrowings and Advances	1,391	(4,193)	15,739
(6,029)	(2,042)	(2,009)	Repayment of Borrowings and Advances	(6,029)	(2,042)	(2,009)
<b>(4,638)</b>	<b>(6,235)</b>	<b>13,730</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(4,638)</b>	<b>(6,235)</b>	<b>13,730</b>
5,264	(8,528)	5,915	<b>NET INCREASE / (DECREASE) IN CASH</b>	5,264	(8,528)	5,915
79,939	79,939	83,645	Opening Cash and Cash Equivalents	79,939	79,939	83,645
---	---	(9,621)	Cash Transferred In/(Out) as a result of Administrative Restructuring	---	---	(9,621)
<b>85,203</b>	<b>71,411</b>	<b>79,939</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>85,203</b>	<b>71,411</b>	<b>79,939</b>

The accompanying notes form part of these Financial Statements

Northern Sydney and Central Coast Area Health Service  
Service Group Statement  
for the Year Ended 30 June 2010

	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 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000			
Expense excluding losses																											
Employee Related	30,419	78,840	126,874	124,189	56,828	54,594	448,155	441,207	22,801	4,640	4,174	22,801	22,801	135,425	125,655	68,783	65,308	17,634	17,634	17,588	17,120	124,312	104,586	1,851,739	58,854		
Visiting Medical Officers	21,276	19,089	69,826	54,753	25,578	22,782	303,064	277,286	85,347	51,756	18,658	18,658	18,658	18,658	2,445	430	25,544	22,589	9,004	8,046	11,759	33,437	31,437	504,443	504,443		
Other Operating Expenses	2,762	2,649	10,912	10,659	4,261	4,103	30,548	30,625	2,119	2,031	5,696	5,696	5,696	5,696	4,838	1,835	1,759	398	282	2,052	1,887	68,341	58,841	1,485,210	1,485,210		
Grants and Subsidies	6,952	7,072	268	260	249	283	800	194	46	46	86	86	86	5,235	5,880	6,508	6,225	71	73	844	685	21,485	21,044	1,485,210	1,485,210		
Pharmaceuticals	49	11	469	284	184	172	1,580	194	0	0	0	0	0	4,367	2,688	33,222	43,789	40	40	270	320	34,262	46,892	46,892	46,892		
Provision for Affiliated Health Organisations	112,153	129,272	208,377	197,637	63,974	63,909	817,355	778,475	84,842	80,165	84,842	84,842	84,842	173,904	159,259	124,216	140,539	28,139	28,139	28,137	176,391	171,320	1,838,578	1,748,830	1,838,578	1,748,830	
Total Expenses excluding losses	14,571	13,628	38,589	36,517	12,716	11,802	158,089	145,656	16,884	15,855	16,884	16,884	16,884	7,186	6,545	16,305	14,937	3,709	3,468	50,352	47,397	315,475	294,768	2,047,768	2,047,768		
Sale of Goods and Services	176	244	517	738	155	213	1,614	2,339	174	239	174	239	251	330	330	165	225	45	62	646	688	3,748	5,255	5,255	5,255		
Investment Revenue	1,471	1,638	4,768	4,768	1,289	1,433	10,479	10,061	1,697	1,847	1,697	1,847	2,669	1,847	5	3,778	1,538	375	417	5,404	6,022	84,037	58,788	84,037	58,788		
Finance Income	16,420	15,764	43,997	42,832	14,336	13,769	74,820	68,340	18,871	17,659	18,871	17,659	9,759	7,188	7,188	18,432	18,697	4,131	4,032	5,719	5,532	95,917	97,330	95,917	97,330		
Year Revenue	68,221	63	(3,303)	(1,251)	(1,221)	(56)	(10,830)	(10,830)	(18,374)	(18,374)	(18,374)	(18,374)	(18,374)	(11)	11	(11,364)	(9,591)	(206)	(18)	(2,379)	(1,933)	(1,933)	(1,933)	(1,933)	(1,933)	(1,933)	
Gain/ (Loss) on Disposal	81,886	92,824	(157)	(85)	(1)	(523)	(260)	(1,737)	(227)	(211)	(211)	(211)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	
Other Gain/ (Losses)	81,886	92,824	(157)	(85)	(1)	(523)	(260)	(1,737)	(227)	(211)	(211)	(211)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	(133)	
Net Cost of Services	14,571	13,628	38,589	36,517	12,716	11,802	158,089	145,656	16,884	15,855	16,884	16,884	7,186	6,545	16,305	14,937	3,709	3,468	50,352	47,397	315,475	294,768	2,047,768	2,047,768	2,047,768	2,047,768	
Government Contributions	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	
RESULT FOR THE YEAR	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	1,454,624	1,402,860	
Other Comprehensive Income	2,867	2,867	11,728	11,728	4,800	4,800	43,325	43,325	2,277	2,277	2,277	2,277	5,484	5,484	1,807	1,807	328	328	5,548	5,548	5,548	5,548	60	60	77,933	70	
Income/(Expense) to Asset Revaluation Reserve	2,867	2,867	11,728	11,728	4,800	4,800	43,325	43,325	2,277	2,277	2,277	2,277	5,484	5,484	1,807	1,807	328	328	5,548	5,548	5,548	5,548	60	60	77,933	70	
TOTAL OTHER COMPREHENSIVE INCOME	2,867	2,867	11,728	11,728	4,800	4,800	43,325	43,325	2,277	2,277	2,277	2,277	5,484	5,484	1,807	1,807	328	328	5,548	5,548	5,548	5,548	60	60	77,933	70	
TOTAL COMPREHENSIVE INCOME	1,457,491	1,405,727	1,466,352	1,414,588	1,459,424	1,407,660	1,507,949	1,446,185	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901	1,405,137	1,456,901

Service Group Statements focus on the key measures of service delivery performance.  
\* The name and purpose of each service group is summarised in Note 18.  
The Service Group Statement uses statistical data to 31 December 2009 to allocate the current period's financial information on expenses and 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.



Northam Sydney and Central Coast Area Health Service  
Service Group Statements (Continued)  
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 *		Non-Attributable		Total		
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	
<b>ASSETS</b>																									
Current Assets	5,225	3,177	38	23	9,708	5,807	4,182	2,503	37,611	22,814	3,653	2,483	8,060	735	6,286	4,125	1,311	511	8,520	37,560	8,520	37,560	85,203	78,639	
Cash and Cash Equivalents	2,187	1,883	12	10	5,857	5,045	1,800	1,643	23,248	20,124	2,512	2,163	1,286	796	2,402	2,004	479	7,810	6,548	7,810	6,548	47,592	40,729		
Receivables	458	468	4	4	1,307	1,342	540	656	8,500	6,793	1,188	1,168	415	455	548	854	193	785	619	785	619	11,659	12,456		
Inventories	6,784	5,298	54	37	18,872	12,194	6,648	4,704	57,065	46,781	16,887	5,784	8,773	1,054	6,238	6,743	2,081	1,459	16,294	44,238	16,294	44,238	187,973	133,120	
Non-Current Assets Held for Sale	14,824	5,298	54	37	18,872	12,194	6,648	4,704	57,065	46,781	16,887	5,784	8,773	1,054	6,238	6,743	2,081	1,459	16,294	44,238	16,294	44,238	187,973	133,120	
Total Current Assets	14,824	5,298	54	37	18,872	12,194	6,648	4,704	57,065	46,781	16,887	5,784	8,773	1,054	6,238	6,743	2,081	1,459	16,294	44,238	16,294	44,238	187,973	133,120	
Receivable Assets	83	85	0	0	408	174	52	57	58,691	584	71	71	37	25	69	71	16	16	218	228	218	228	68,387	7,405	
Property, Plant and Equipment	56,376	52,329	388	372	231,193	217,173	90,668	85,197	813,080	642,033	44,689	42,666	107,181	98,465	35,410	32,667	6,483	6,000	113,698	105,000	113,698	105,000	1,595,605	1,382,772	
- Land and Buildings	4,017	3,887	27	26	15,903	15,269	6,239	5,090	47,017	45,145	3,088	2,965	7,308	6,771	2,874	2,567	446	428	2,891	2,872	2,891	2,872	88,717	85,900	
- Plant and Equipment	915	821	14	12	6,138	6,793	3,163	2,665	24,098	20,894	1,890	1,919	6,281	5,636	2,569	2,306	228	181	1,831	1,278	1,831	1,278	48,510	41,107	
- Infrastructure Systems	57,448	57,448	467	444	209,152	195,111	83,272	79,437	761,965	675,946	40,711	39,722	94,592	90,058	32,067	30,794	7,107	6,771	10,976	10,850	10,976	10,850	5,289	4,893	
Other	31,852	25,486	215	185	46,823	45,581	21,263	19,746	192,873	178,648	17,884	17,102	43,370	39,088	24,861	22,868	7,862	8,481	44,701	40,960	44,701	40,960	430,123	395,845	
Other	27,824	25,486	215	185	46,823	45,581	21,263	19,746	192,873	178,648	17,884	17,102	43,370	39,088	24,861	22,868	7,862	8,481	44,701	40,960	44,701	40,960	430,123	395,845	
Other	2,996	2,996	19	20	4,823	5,173	2,082	2,230	18,854	20,376	1,884	1,884	4,004	4,163	3,123	3,874	65	69	423	483	423	483	4,226	4,574	
Other	450	448	3	3	877	819	376	359	71,407	2,654	3,592	2,488	2,381	5,743	4,257	4,739	607	637	30,600	35,404	30,600	35,404	150,929	60,573	
Other	3,689	3,651	27	27	6,608	6,812	2,887	2,887	63,669	27,931	2,488	2,488	2,381	2,381	5,743	4,257	4,739	607	637	30,600	35,404	30,600	35,404	150,929	60,573
Other	31,515	26,547	240	222	56,181	52,453	24,412	22,793	286,544	208,411	20,317	19,733	49,882	43,841	26,248	27,647	7,068	7,428	75,201	76,374	75,201	76,374	891,052	488,218	
Other	43,916	33,293	251	225	216,074	181,130	82,477	75,880	535,171	551,966	47,513	32,596	81,327	79,043	20,710	16,507	1,268	1,268	60,273	77,628	60,273	77,628	1,053,348	1,058,086	
Other	43,916	33,293	251	225	216,074	181,130	82,477	75,880	535,171	551,966	47,513	32,596	81,327	79,043	20,710	16,507	1,268	1,268	60,273	77,628	60,273	77,628	1,053,348	1,058,086	

The name and purpose of each service group is summarised in Note 18. Assets and liabilities that are specific to service groups are allocated accordingly. (i.e. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology set out in Note 2(a)), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

**Northern Sydney and Central 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 Northern Sydney and Central 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 Northern Sydney and Central 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, 26, 28 and 33 being especially relevant.

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

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

These consolidated financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive on 9 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 \$268M (2009 \$263M). Notwithstanding this deficiency the financial statements have been prepared on a going concern basis because the entity has the support of the New South Wales Department of Health.

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

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

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

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

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

**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.

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:

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

**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.

**ii) Long Service Leave and Superannuation**

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

Long service leave provisions are measured on a short hand basis at an escalated rate of 18.3% (also 9.8% at 30 June 2009) for all employees with five or more years of service. The escalation applied is consistent with actuarial assessment and is affected in the main by the fall in the Commonwealth Government 10 year bond yield which is used as the discount rate.

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 26; "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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

**iii) Other Provisions**

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

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

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

**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 the NSW Department of Health'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.

*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 of 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.

Royalty revenue is recognised in accordance with AASB118 on an accrual basis in accordance with the substance of the relevant agreement.

*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.

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

*Use of Outside Facilities*

The Health Service uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. The cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

*Grants and Contributions*

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

*NSW Department of Health Allocations*

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

General operating expenses/revenues of **Hope Healthcare and Royal Rehabilitation Centre, Sydney** have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The Health Service is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

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

Income, expenses and assets are recognised net of the amount of GST, except 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;
- \* 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.

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

**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.

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 11.

**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, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

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

**h) Capitalisation Thresholds**

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

**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%
Furniture, Fittings and Furnishings	5.0%

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

"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.

The Health Service holds a number of Lease Hold Improvements. These Lease Hold Improvements are amortised over the life of the lease.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

**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 for the assets. The Health Service does not currently hold any of these types of assets.

**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.

Computer software developed or acquired by the Health Service are recognised as intangible assets and are amortised over the useful life of the asset 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.

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

**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.

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.

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

**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 Northern Sydney and Central 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 Northern Sydney and Central 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 Northern Sydney and Central 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.

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

**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.

**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*.

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

**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 30. 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 Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided.

**ad) Emerging Asset**

The Health Service's emerging interest in the Royal North Shore carpark has been valued in accordance with the Department of Health's methodology. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 28 years using the annuity method and a rate of 6.0% at commencement of the concession period.

**ae) 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, eg depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

**Northern Sydney and Central 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
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	811,958	804,694
----	----	Superannuation [see note 2(a)] - Defined Benefit Plans	16,060	17,453
----	----	Superannuation [see note 2(a)] - Defined Contributions Plans	70,831	67,044
----	----	Long Service Leave [see note 2(a)]	40,016	28,902
----	----	Annual Leave [see note 2(a)]	86,623	90,631
----	----	Sick Leave and Other Leave	30,512	29,700
----	----	Redundancies	8,630	2,421
----	----	Workers' Compensation Insurance	18,203	12,914
-----	-----		<b>1,082,833</b>	<b>1,053,759</b>
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	766	1,476
----	----	Employee Related Expenses - Maintenance	9,590	9,415
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
811,958	804,694	Salaries and Wages	----	----
16,060	17,453	Superannuation [see note 2(a)] - Defined Benefit Plans	----	----
70,831	67,044	Superannuation [see note 2(a)] - Defined Contributions Plans	----	----
40,016	28,902	Long Service Leave [see note 2(a)]	----	----
86,623	90,631	Annual Leave [see note 2(a)]	----	----
30,512	29,700	Sick Leave and Other Leave	----	----
8,630	2,421	Redundancies	----	----
18,203	12,914	Workers Compensation Insurance	----	----
-----	-----		-----	-----
<b>1,082,833</b>	<b>1,053,759</b>		<b>-----</b>	<b>-----</b>
The following additional information is provided:				
766	1,476	Personnel Services Expenses Capitalised - Land and Buildings	----	----
9,590	9,415	Employee Related Expenses - Maintenance	----	----
<b>5. Other Operating Expenses</b>				
155,814	154,791	Allocations towards Inter Area Patient Outflows, NSW (see (d) below)	155,814	154,791
10,195	9,968	Blood and Blood Products	10,195	9,968
18,579	16,848	Domestic Supplies and Services	18,579	16,848
61,684	57,026	Drug Supplies	61,684	57,026
29,472	25,382	Food Supplies	29,472	25,382
11,572	8,898	Fuel, Light and Power	11,572	8,898
34,003	24,245	General Expenses (See (b) below)	34,003	24,245
7,036	7,560	Hospital Ambulance Transport Costs	7,036	7,560
11,607	10,094	Information Management Expenses	11,607	10,094
1,853	1,003	Insurance	1,853	1,003
4,754	4,144	interstate Patient Outflows (see (e) below)	4,754	4,144
Maintenance (See (c) below)				
Maintenance Contracts				
18,590	14,325	Maintenance Contracts	18,590	14,325
13,335	9,893	New/Replacement Equipment under \$10,000	13,335	9,893
6,325	8,168	Repairs	6,325	8,168
90,548	83,435	Medical and Surgical Supplies	90,548	83,435
4,692	4,957	Postal and Telephone Costs	4,692	4,957
3,512	4,229	Printing and Stationery	3,512	4,229
1,625	2,361	Rates and Charges	1,625	2,361
2,573	3,787	Rental	2,573	3,787
59,109	42,765	Special Service Departments	59,109	42,765
2,712	6,692	Staff Related Costs	2,712	6,692
33	----	Sundry Operating Expenses (See (a) below)	33	----
7,724	7,874	Travel Related Costs	7,724	7,874
-----	-----		<b>557,347</b>	<b>508,445</b>
<b>557,347</b>	<b>508,445</b>		<b>-----</b>	<b>-----</b>

**Northern Sydney and Central Coast Area Health Service**  
**Notes to and forming part of the Financial Statements**  
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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
24	6	(a) Sundry Operating Expenses comprise:	24	6
9	(6)	Contracts for Patient Services	9	(6)
<u>33</u>	<u>----</u>	Isolated Patient Travel and Accommodation Assistance Scheme	<u>33</u>	<u>----</u>
		(b) General Expenses include:-		
359	366	Advertising	359	366
549	788	Books, Magazines and Journals	549	788
----	223	Consultancies	----	223
1,248	1,795	- Operating Activities	1,248	1,795
315	366	Courier and Freight	315	366
71	50	Auditor's Remuneration - Audit of Financial Statements	71	50
800	427	Other Auditor's Fees	800	427
279	194	Data Recording and Storage	279	194
244	374	Legal Services	244	374
3,970	4,562	Membership/Professional Fees	3,970	4,562
1,003	1,635	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,003	1,635
14	----	Other Operating Lease Expense - Minimum Lease Payments	14	----
189	391	Payroll Services	189	391
1,062	930	Quality Assurance/Accreditation	1,062	930
852	570	Security Services	852	570
2,824	3,555	Translator Services	2,824	3,555
6,186	4,329	Commissions on Agency Payments	6,186	4,329
2,655	----	Shared Financial Corporate Services	2,655	----
643	1,937	PPP Expenses	643	1,937
560	564	Other Management Services	560	564
10,180	1,190	Chaplaincy	10,180	1,190
<u>34,003</u>	<u>24,246</u>	Other	<u>34,003</u>	<u>24,246</u>
18,590	14,325	(c) Reconciliation Total Maintenance	18,590	14,325
9,590	9,415	Maintenance Expense - Contracted Labour and Other (non employee related), included in Note 5	9,590	9,415
<u>28,180</u>	<u>23,740</u>	Employee related/Personnel Services maintenance expense included in Notes 3 and 4	<u>28,180</u>	<u>23,740</u>
		Total maintenance expenses		
		(d) Expenses for Inter Area Patient Outflows, NSW on an Area basis are as follows:-		
50,676	50,274	Sydney South West	50,676	50,274
44,660	44,022	South East Illawarra	44,660	44,022
19,257	18,656	Sydney West	19,257	18,656
12,817	12,959	Hunter New England	12,817	12,959
1,221	1,138	North Coast	1,221	1,138
379	425	Greater Southern	379	425
671	656	Greater Western	671	656
26,133	26,661	Children's Hospital Westmead	26,133	26,661
<u>155,814</u>	<u>154,791</u>		<u>155,814</u>	<u>154,791</u>
		(e) Expenses for Interstate Patient Flows are as follows:-		
907	335	Australian Capital Territory	907	335
225	254	Northern Territory	225	254
1,558	1,545	Queensland	1,558	1,545
298	308	South Australia	298	308
122	322	Tasmania	122	322
1,038	896	Victoria	1,038	896
487	485	Western Australia	487	485
119	----	Other	119	----
<u>4,754</u>	<u>4,144</u>		<u>4,754</u>	<u>4,144</u>

Northern Sydney and Central 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
<b>6. Depreciation and Amortisation</b>				
43,678	41,171	Depreciation - Buildings	43,678	41,087
275	242	Amortisation - Leased Buildings	275	242
15,053	16,148	Depreciation - Plant and Equipment	15,053	16,148
1,335	1,280	Depreciation - Infrastructure Systems	1,335	1,364
<u>60,341</u>	<u>58,841</u>		<u>60,341</u>	<u>58,841</u>
<b>7. Grants and Subsidies</b>				
9,060	8,580	Non-Government Voluntary Organisations	9,060	8,580
3,458	3,432	Grants to Community Aged Care Packages	3,458	3,432
8,937	9,032	Other	8,937	9,032
<u>21,455</u>	<u>21,044</u>		<u>21,455</u>	<u>21,044</u>
<b>8. Finance Costs</b>				
3,258	2,021	Interest on Bank Overdrafts and Loans	3,258	2,021
10	74	Other Interest Charges	10	74
<u>3,268</u>	<u>2,095</u>		<u>3,268</u>	<u>2,095</u>
<b>9. Payments to Affiliated Health Organisations</b>				
(a) Recurrent Sourced				
18,425	19,756	Hope Healthcare	18,425	19,756
19,742	27,106	Royal Rehabilitation Centre, Sydney	19,742	27,106
<u>38,167</u>	<u>46,862</u>		<u>38,167</u>	<u>46,862</u>



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

10. Administrative Restructure

	2010 \$000	2009 \$000
Land transferred to Graythwaite Trust	1,227	----
Net assets transferred to Pathology North (Hunter New England Area Health Service)	----	13,651
Net assets transferred to Health Support Services	----	446
	<u>1,227</u>	<u>14,097</u>

On the basis of a Government direction, the Service transferred certain assets/liabilities to another Health Entity during the year. These transfers are recognised as contribution by owners and recognised as an adjustment to the Accumulated Fund.

**Northern Sydney and Central 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
<b>11. Sale of Goods and Services</b>				
(a) Sale of Goods comprise the following:-				
9,337	7,608	Sale of Prosthesis	9,337	7,608
793	666	Pharmacy Sales	793	666
(b) Rendering of Services comprise the following:-				
112,206	109,989	Patient Fees [see note 2(d)]	112,206	109,989
889	1,743	Staff Meals and Accommodation	889	1,743
13,813	18,216	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	13,813	18,216
6,900	2,869	- Annual Charge	6,900	2,869
116,895	120,222	Allocation from Inter Area Patient Inflows, NSW [see note (c) below]	116,895	120,222
15	334	Cafeteria/Kiosk	15	334
4,569	4,526	Car Parking	4,569	4,526
1,894	1,871	Child Care Fees	1,894	1,871
6,741	6,773	Clinical Services (excluding Clinical Drug Trials)	6,741	6,773
1,313	826	Commercial Activities	1,313	826
201	192	Fees for Medical Records	201	192
14	6	Information Retrieval	14	6
---	35	Linen Service Revenues - Non Health Services	---	35
330	353	Meals on Wheels	330	353
90	89	Program of Appliances for Disabled People Patient Copayments	90	89
3,380	2,902	Patient Inflows from Interstate [see note (d) below]	3,380	2,902
9	28	Patient Transport Fees	9	28
672	758	Salary Packaging Fee	672	758
2,231	2,360	Services Provided to Non NSW Health Organisations	2,231	2,360
---	8	Use of Ambulance Facilities	---	8
20,210	---	High Cost Drug Revenue*	20,210	---
12,973	12,397	Other	12,973	12,397
<b>315,475</b>	<b>294,768</b>		<b>315,475</b>	<b>294,768</b>
* 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.				
(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:				
14,616	14,628	Sydney South West	14,616	14,628
10,351	9,033	South East Illawarra	10,351	9,033
39,974	41,631	Sydney West	39,974	41,631
27,139	26,859	Hunter New England	27,139	26,859
16,590	18,584	North Coast	16,590	18,584
2,264	2,266	Greater Southern	2,264	2,266
5,960	7,221	Greater Western	5,960	7,221
<b>116,895</b>	<b>120,222</b>		<b>116,895</b>	<b>120,222</b>
(d) Revenues from Patient Inflows from Interstate are as follows:-				
608	894	Australian Capital Territory	608	894
70	90	Northern Territory	70	90
1,062	726	Queensland	1,062	726
145	300	South Australia	145	300
216	165	Tasmania	216	165
1,081	637	Victoria	1,081	637
198	89	Western Australia	198	89
<b>3,380</b>	<b>2,902</b>		<b>3,380</b>	<b>2,902</b>
<b>12. Investment Income</b>				
Interest				
3,748	5,090	-T Corp Hour Glass Cash Facilities	3,748	5,090
---	164	Royalties	---	164
<b>3,748</b>	<b>5,255</b>		<b>3,748</b>	<b>5,255</b>

**Northern Sydney and Central Coast Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2010**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>13. Grants and Contributions</b>				
1,862	2,146	Clinical Drug Trials	1,862	2,146
3,995	4,011	Commonwealth Government grants	3,995	4,011
9,658	7,523	Industry Contributions/Donations	9,658	7,523
5,414	5,328	Cancer Institute Grants	5,414	5,328
2,299	3,952	NSW Government grants	2,299	3,952
16,060	17,453	Personnel Services - Superannuation Defined Benefits	-----	-----
2,602	2,394	Research grants	2,602	2,394
8,807	10,384	Other grants	8,807	10,384
<u>50,697</u>	<u>53,191</u>		<u>34,637</u>	<u>35,738</u>
<b>14. Other Revenue</b>				
Other Revenue comprises the following:-				
55	294	Bad Debts recovered	55	294
263	353	Commissions	263	353
49	40	Conference and Training Fees	49	40
53	56	Sale of Merchandise, Old Wares and Books	53	56
74	226	Sponsorship Income	74	226
17	3,506	Treasury Managed Fund Hindsight Adjustment	17	3,506
173	88	Unclaimed Deposits	173	88
2,259	1,713	Rental Income	2,259	1,713
674	456	Other	674	456
<u>3,617</u>	<u>6,730</u>		<u>3,617</u>	<u>6,730</u>
<b>15. Gain/(Loss) on Disposal</b>				
99,512	66,397	Property Plant and Equipment	99,512	66,397
68,729	63,859	Less Accumulated Depreciation	68,729	63,859
<b>30,783</b>	<b>2,538</b>	<b>Carrying Amount Value</b>	<b>30,783</b>	<b>2,538</b>
9,513	1,385	Less Proceeds from Disposal	9,513	1,385
<u>(21,270)</u>	<u>(1,153)</u>	<b>(Loss) on Disposal of Property Plant and Equipment</b>	<u>(21,270)</u>	<u>(1,153)</u>
<b>16. Other Gain/(Losses)</b>				
<u>(3,396)</u>	<u>(1,812)</u>	Impairment of Receivables	<u>(3,396)</u>	<u>(1,812)</u>

Northern Sydney and Central Coast Area Health Service  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2010

PARENT AND CONSOLIDATION

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total 2010	Total 2009
	\$000	\$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	541	17,730	----	18,271	3,417
Contributions recognised in amalgamated balance as at 30 June 2009 which were not expended in the current reporting period	523	55,785	1,224	57,532	67,438
Total amount of unexpended contributions as at balance date	<u>1,064</u>	<u>73,515</u>	<u>1,224</u>	<u>75,803</u>	<u>70,855</u>

Comment on restricted assets appears in Note 25

**Northern Sydney Central Coast Area Health Service**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2010**

**18 Service Groups of the Health Service**

**Service Group 1.1 - Primary and Community Based Services**

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

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

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

**Service Group 1.2 - Aboriginal Health Services**

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

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

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

**Service Group 1.3 - Outpatient Services**

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

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

**Service Group 2.1 - Emergency Services**

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

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

**Service Group 2.2 - Overnight Acute Inpatient Services**

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

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

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

**Northern Sydney Central Coast Area Health Service**  
**Notes to and forming part of the Financial Statements**  
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**Service Group 2.3 - Same Day Acute Inpatient Services**

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

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

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

**Service Group 3.1 - Mental Health Services**

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

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

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

**Service Group 4.1 - Rehabilitation and Extended Care Services**

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

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

**Service Group 5.1 - Population Health Services**

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

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

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

**Service Group 6.1 - Teaching and Research**

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

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

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

Northern Sydney and Central 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
		<b>19. Current Assets - Cash and Cash Equivalents</b>		
11,064	9,764	Cash at Bank and On Hand	11,064	9,764
<u>74,139</u>	<u>70,175</u>	T Corp Hour Glass Cash Facility	<u>74,139</u>	<u>70,175</u>
<u><b>85,203</b></u>	<u><b>79,939</b></u>		<u><b>85,203</b></u>	<u><b>79,939</b></u>
		Cash and 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>85,203</u>	<u>79,939</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>85,203</u>	<u>79,939</u>
<u><b>85,203</b></u>	<u><b>79,939</b></u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u><b>85,203</b></u>	<u><b>79,939</b></u>

**Northern Sydney and Central Coast Area Health Service**  
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**for the year ended 30 June 2010**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
		<b>20. Receivables</b>		
		<b>Current</b>		
25,253	21,186	(a) Sale of Goods and Services	25,253	21,186
---	1,300	NSW Health Department	---	1,300
7,529	8,028	Goods and Services Tax	7,529	8,028
13,712	9,291	Other Debtors	13,712	9,291
<u>46,494</u>	<u>39,805</u>	<b>Sub Total</b>	<u>46,494</u>	<u>39,805</u>
<u>(3,037)</u>	<u>(2,510)</u>	Less Allowance for Impairment	<u>(3,037)</u>	<u>(2,510)</u>
43,457	37,295	<b>Sub Total</b>	43,457	37,295
4,135	3,430	Prepayments	4,135	3,430
<u><u>47,592</u></u>	<u><u>40,725</u></u>		<u><u>47,592</u></u>	<u><u>40,725</u></u>
		(b) Movement in the Allowance for Impairment		
		Sale of Goods & Services		
(1,820)	(2,873)	Balance at 1 July	(1,820)	(2,873)
2,568	2,742	Amounts written off during the year	2,568	2,742
52	120	Amounts recovered during the year	52	120
<u>(2,119)</u>	<u>(1,809)</u>	Increase/(decrease) in allowance recognised in	<u>(2,119)</u>	<u>(1,809)</u>
<u>(1,319)</u>	<u>(1,820)</u>	Result for the Year	<u>(1,319)</u>	<u>(1,820)</u>
		Balance at 30 June	<u>(1,319)</u>	<u>(1,820)</u>
		(c) Movement in the Allowance for Impairment		
		Other Debtors		
(690)	(1,159)	Balance at 1 July	(690)	(1,159)
301	298	Amounts written off during the year	301	298
1	174	Amounts recovered during the year	1	174
<u>(1,330)</u>	<u>(3)</u>	Increase/(decrease) in allowance recognised in	<u>(1,330)</u>	<u>(3)</u>
<u>(1,718)</u>	<u>(690)</u>	Result for the Year	<u>(1,718)</u>	<u>(690)</u>
		Balance at 30 June	<u>(1,718)</u>	<u>(690)</u>
<u><u>(3,037)</u></u>	<u><u>(2,510)</u></u>		<u><u>(3,037)</u></u>	<u><u>(2,510)</u></u>
		(d) Sale of Goods and Services Receivables		
		(Current) includes:		
1,226	1,697	Patient Fees - Compensable	1,226	1,697
2,182	1,942	Patient Fees - Ineligible	2,182	1,942
9,923	8,023	Patient Fees - Other	9,923	8,023
<u>13,331</u>	<u>11,662</u>		<u>13,331</u>	<u>11,662</u>
		<b>Non-Current</b>		
		(a) Sale of Goods and Services		
67,968	---	Other Debtors	67,968	---
1,369	1,405	Prepayments	1,369	1,405
<u><u>69,337</u></u>	<u><u>1,405</u></u>		<u><u>69,337</u></u>	<u><u>1,405</u></u>



Northern Sydney and Central 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
<b>21. Inventories - at Cost</b>				
<b>Current - Held for Distribution</b>				
4,280	3,900	Drugs	4,280	3,900
7,066	7,845	Medical and Surgical Supplies	7,066	7,845
86	83	Food Supplies	86	83
69	66	Engineering Supplies	69	66
458	563	Others	458	563
<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
<b>11,959</b>	<b>12,456</b>		<b>11,959</b>	<b>12,456</b>
<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>		<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>

**Northern Sydney and Central 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
<b>22(a) Property, Plant and Equipment</b>				
		<b>Land and Buildings - Fair Value</b>		
2,227,213	2,110,813	Gross Carrying Amount	2,227,213	2,110,813
927,608	828,042	Less Accumulated Depreciation and Impairment	927,608	828,042
<u>1,299,605</u>	<u>1,282,772</u>	Net Carrying Amount	<u>1,299,605</u>	<u>1,282,772</u>
		<b>Plant and Equipment - Fair Value</b>		
181,576	204,940	Gross Carrying Amount	181,576	204,940
91,859	119,041	Less Accumulated Depreciation and Impairment	91,859	119,041
<u>89,717</u>	<u>85,900</u>	Net Carrying Amount	<u>89,717</u>	<u>85,900</u>
		<b>Infrastructure Systems - Fair Value</b>		
61,205	51,583	Gross Carrying Amount	61,205	51,583
12,695	10,476	Less Accumulated Depreciation and Impairment	12,695	10,476
<u>48,510</u>	<u>41,107</u>	Net Carrying Amount	<u>48,510</u>	<u>41,107</u>
<u>1,437,832</u>	<u>1,409,779</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>1,437,832</u>	<u>1,409,779</u>

Northern Sydney and Central Coast Area Health Service  
Notes to and forming part of the Financial Statements  
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PARENT AND CONSOLIDATION

22(b). Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2010</b>							
Net Carrying amount at Start of Year	394,345	824,086	62,482	1,859	85,900	41,107	1,409,779
Additions	—	1,436	37,433	—	19,076	2,479	60,424
Transfer to Assets Held for Sale	(15,525)	(1,626)	—	—	—	(68)	(17,219)
Disposals	(5,811)	(23,033)	—	—	(2,673)	—	(31,517)
Administrative Restructures - Transfers In/(Out)	(1,227)	—	—	—	—	—	(1,227)
Net Revaluation Increment less Revaluation Decrements Recognised in Reserves	(9,267)	82,705	—	—	—	4,495	77,933
Depreciation Expense	—	(43,678)	—	(275)	(15,053)	(1,335)	(60,341)
Reclassifications	—	32,743	(36,803)	(239)	2,467	1,832	—
Net Carrying amount at end of year	362,515	872,633	63,112	1,345	89,717	48,510	1,437,832

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2009</b>							
Net Carrying amount at Start of Year	394,345	750,265	130,570	1,843	84,478	43,440	1,404,941
Additions	—	(548)	50,945	258	22,659	(1,739)	71,575
Disposals	—	(2,497)	—	—	(42)	—	(2,538)
Administrative Restructures - Transfers In/(Out)	—	—	—	—	(5,327)	—	(5,327)
Net Revaluation Increment less Revaluation Decrements Recognised in Reserves	—	(30)	—	—	—	—	(30)
Depreciation Expense	—	(41,087)	—	(242)	(16,148)	(1,364)	(58,841)
Reclassifications	—	117,983	(119,033)	—	280	770	—
Net Carrying amount at end of year	394,345	824,086	62,482	1,859	85,900	41,107	1,409,779

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Health Service [see note 2(g)].
- (ii) Land and Buildings were valued by Graham Scrymgeour AAPI (certified practicing valuer), NSW registration No 1578 for and on behalf of Global Valuation Services Ltd as at 1 July 2007 [see note 2(j)]. Graham Scrymgeour is not an employee of the Health Service.
- (iii) In accordance with the requirements of AASB 116 the land, buildings and infrastructure assets have been reassessed for fair values at balance date. The adjustments have been accounted on a gross basis in accordance with the Service's Policy.

Northern Sydney and Central 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
		<b>23. Non Current Assets - Other</b>		
		<b>Non Current</b>		
5,259	----	Emerging Rights to Assets (refer Note 2(ad))	5,259	----
<u>5,259</u>	<u>----</u>		<u>5,259</u>	<u>----</u>

**Northern Sydney Central Coast Area Health Service  
Notes to and forming part of the Financial Statements  
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**PARENT**

2010  
\$000

2009  
\$000

**24. Non-Current Assets Held for Sale**

Assets held for sale  
Land  
Buildings  
Infrastructure Systems

14,236  
2,915  
68

14,236  
2,915  
68

**17,219**

**17,219**

**Amounts Recognised in Equity Relating to Assets Held for Sale**  
Property, Plant and Equipment Asset Revaluation surplus

5,522

5,522

**5,522**

**5,522**

**CONSOLIDATION**

2010  
\$000

2009  
\$000

14,236  
2,915  
68

**17,219**

5,522

**5,522**

**Northern Sydney and Central 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**

**25. Restricted Assets**

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.

Category	Brief Details of Externally Imposed Conditions including Asset Category affected				
35,937	38,452	Specific Purposes	Condition imposed by donor - Cash	35,937	38,452
20,927	20,027	Research Grants	Condition imposed by granting body - Cash	20,927	20,027
18,939	12,376	Private Practice Funds	In accordance with NSW Department of Health guidelines - Cash	18,939	12,376
<u>75,803</u>	<u>70,855</u>			<u>75,803</u>	<u>70,855</u>

**Northern Sydney and Central Coast Area Health Service**  
**Notes to and forming part of the Financial Statements**  
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PARENT			CONSOLIDATION	
2010	2009	26. Payables	2010	2009
\$000	\$000		\$000	\$000
---	---			
---	---			
23,526	33,350	<b>Current</b>		
51,265	59,365	Accrued Salaries, Wages and On-Costs	17,907	29,407
		Taxation and Payroll Deductions	5,619	3,943
		Accrued Liability - Purchase of Personnel Services	---	---
		Creditors	51,265	59,365
		Other Creditors		
4,815	429	- Capital Works	4,815	429
1,918	4,169	- Intra Health Liability	1,918	4,169
27,077	8,651	- Other	27,077	8,651
<u>108,601</u>	<u>105,964</u>		<u>108,601</u>	<u>105,964</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

PARENT			CONSOLIDATION	
2010	2009	27. Current/Non Current Borrowings	2010	2009
\$000	\$000		\$000	\$000
4,000	6,200	<b>Current</b>		
3,254	2,278	Loans and Deposits	4,000	6,200
---	---	SEDA, Pacific Linen, Food Services, Pathology	3,254	2,278
<u>7,254</u>	<u>8,478</u>		<u>7,254</u>	<u>8,478</u>
31,049	31,913	<b>Non-Current</b>		
11,279	13,828	Loans and Deposits	31,049	31,913
		SEDA, Pacific Linen, Food Services, Pathology	11,279	13,828
<u>42,328</u>	<u>45,741</u>		<u>42,328</u>	<u>45,741</u>
Loans are unsecured and repayable to the NSW Department of Health/ NSW Treasury.				
<b>Repayment of Borrowings</b> (excluding Finance Leases)				
7,254	8,478	Not later than one year	7,254	8,478
42,328	45,741	Between one and five years	42,328	45,741
<u>49,582</u>	<u>54,219</u>	Total Borrowings at face value (excluding Finance Leases)	<u>49,582</u>	<u>54,219</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

Northern Sydney and Central 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
<b>28. Provisions</b>				
<b>Current Employee Benefits and Related On-Costs</b>				
----	----	Employee Annual Leave - Short Term Benefit	82,705	87,169
----	----	Employee Annual Leave - Long Term Benefit	53,142	43,493
----	----	Employee Long Service Leave - Short Term Benefit	17,664	28,495
----	----	Employee Long Service Leave - Long Term Benefit	152,778	118,615
306,289	277,772	Provision for Personnel Services Liability	----	----
<u>306,289</u>	<u>277,772</u>	<b>Total Current Provisions</b>	<u>306,289</u>	<u>277,772</u>
<b>Non-Current Employee Benefits and Related On-Costs</b>				
----	----	Employee Long Service Leave - Conditional	8,255	8,573
8,255	8,573	Provision for Personnel Services Liability	----	----
<u>8,255</u>	<u>8,573</u>	<b>Total Non-Current Provisions</b>	<u>8,255</u>	<u>8,573</u>
<b>Aggregate Employee Benefits and Related On-costs</b>				
306,289	277,772	Provisions - current	306,289	277,772
8,255	8,573	Provisions - Non-Current	8,255	8,573
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	23,526	33,350
23,526	33,350	Accrued Liability - Purchase of Personnel Services (Note 25)	----	----
<u>338,070</u>	<u>319,695</u>		<u>338,070</u>	<u>319,695</u>



**Northern Sydney and Central Coast Area Health Service**  
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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
<b>29. Other Liabilities</b>				
		<b>Current</b>		
7,979	1,003	Income in Advance	7,979	1,003
-----	2,428	Other	-----	2,428
<u>7,979</u>	<u>3,431</u>		<u>7,979</u>	<u>3,431</u>
<b>Non-Current</b>				
100,346	36,259	Income in Advance	100,346	36,259
<u>100,346</u>	<u>36,259</u>		<u>100,346</u>	<u>36,259</u>

Northern Sydney and Central Coast Area Health Service  
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PARENT		CONSOLIDATION	
2010	2009	2010	2009
\$000	\$000	\$000	\$000
	<b>30. Commitments for Expenditure</b>		
	<b>(a) Capital Commitments</b>		
	Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:		
	Not later than one year	4,477	23,307
	Later than one year and not later than five years	205,460	40,869
	Later than five years	2,262,562	2,320,705
	<b>Total Capital Expenditure Commitments (Including GST)</b>	<b>2,472,499</b>	<b>2,384,881</b>
	Of the commitments reported at 30 June 2010 it is expected that \$715,524 will be met from locally generated moneys.		
	<b>(b) Other Expenditure Commitments</b>		
	Aggregate other expenditure contracted for at balance date but not provided for in the accounts:		
	Not later than one year	78,150	41,599
	Later than one year and not later than five years	177,318	163,720
	Later than five years	1,682,619	1,721,541
	<b>Total Other Expenditure Commitments (Including GST)</b>	<b>1,938,087</b>	<b>1,926,860</b>
	<b>(c) Operating Lease Commitments</b>		
	Commitments in relation to non-cancellable operating leases are payable as follows:		
	Not later than one year	4,367	4,925
	Later than one year and not later than five years	2,476	3,847
	Later than five years	52	
	<b>Total Operating Lease Commitments (Including GST)</b>	<b>6,895</b>	<b>8,772</b>

The Area Health Service has operating lease commitments for a number of items including motor vehicles, medical and computer equipment, photocopiers and building premises. The above amounts reflect the future commitment including GST for payments required under these existing operating leases.

Included in the commitments are amounts in relation to the Royal North Shore Hospital Public Private Partnership (PPP). Refer to Note 32(d) for further details.

Northern Sydney and Central 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.		
	Commitments for Expenditure		
401,479	392,770	401,479	392,770

(d) Contingent Asset related to Commitments for Expenditure

The total of "Commitments for Expenditure" above, i.e. \$4.4 billion as at 30 June 2010 includes input tax credits of \$401.5 million that are expected to be recoverable from the Australian Taxation Office.

Northern Sydney and Central Coast Area Health Service  
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PARENT AND CONSOLIDATION

31. Trust Funds

The Health Service holds trust fund moneys of \$3.922 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	704	679	836	752	4,765	5,026	6,305	6,457
Receipts	1,358	1,323	361	312	33,749	39,051	35,468	40,686
Expenditure	1,363	1,298	192	229	36,296	39,312	37,851	40,839
Cash Balance at the end of the financial reporting period	699	704	1,005	835	2,218	4,765	3,922	6,304

**Northern Sydney and Central Coast Area Health Service**  
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**32. Contingent Liabilities**

**a) Claims on Managed Fund**

Since 1 July 1989, the Health Service has been a member of the NSW Treasury Managed Fund. The Fund will pay 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 2003/07 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 accounted in 2010/11.

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

**c) Affiliated Health Organisations**

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

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

**d) Royal North Shore Hospital Public Private Partnership (PPP)**

In October 2008, a private sector company, Infrashore Pty Limited, was engaged to finance, design and construct the new Royal North Shore Hospital, the new Community Health Facility and a new car park. Infrashore will provide facilities management services and delivery of ancillary non-clinical support services for these hospital facilities, the new Research and Education Centre (the Kolling Building) and some existing facilities under a Project Deed. Provision of facilities maintenance commenced in October 2009 and other support services commenced in April 2010. The new development will be completed in stages and full service commissioning is anticipated in 2014.

When construction is completed, the Northern Sydney and Central Coast Area Health Service (NSCCAHS) will operate and recognise the new Royal North Shore Hospital, the new Community Health Facility and the new car park facility as an asset at an estimated value of \$722M.

In addition, NSCCAHS will recognise a corresponding liability to Infrashore, payable over the period to 2036 for the construction of the new Royal North Shore Hospital, new Community Health Facility and new car park facility.

The liability to pay InfraShore for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with CPI index over the project term. The estimated value of the liability is not reliably measurable at balance date.

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PARENT

CONSOLIDATION

2010  
\$000

2009  
\$000

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

68,734	78,473	68,734	78,473
(60,341)	(58,841)	(60,341)	(58,841)
(3,396)	1,812	(3,396)	1,812
---	---	---	---
(28,199)	(26,689)	(16,060)	(17,453)
74,302	1,006	(28,199)	(26,689)
(71,273)	344	74,302	1,006
(21,270)	(3,649)	(71,273)	344
(1,407,801)	(1,332,504)	(21,270)	(3,649)
(36,163)	(52,903)	(1,407,801)	(1,332,504)
---	---	(36,163)	(52,903)
5,400	---	---	---
---	---	5,400	---
<u>(1,480,007)</u>	<u>(1,392,951)</u>	<u>(1,496,067)</u>	<u>(1,410,404)</u>

Asset Sale Proceeds transferred to the NSW Health Department

Net Cost of Services

34. Non Cash Financing and Investing Activities

(1,227)	(14,097)	(1,227)	(14,097)
<u>(1,227)</u>	<u>(14,097)</u>	<u>(1,227)</u>	<u>(14,097)</u>

35. 2009/10 Voluntary Services

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

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

**Northern Sydney and Central Coast Area Health Service**  
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**PARENT AND CONSOLIDATED**

**36. Unclaimed Monies**

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

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

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

**37. Budget Review - Parent and Consolidated**

**Net Cost of Services**

The actual net cost of services was unfavourable to budget by \$7.18 million (0.49%). This was primarily due to Employee Related expenses being higher than planned. Drug costs and Medical and Surgical Supplies were in excess of budget due to increased pressure on clinical services. It should be noted that the positive impact of the Financial Turnaround Plan during 2009/10 has resulted in an improved position compared with the 2008/09 Net Cost of Services variance of \$34.5 million unfavourable.

**Result for the Year**

The result of \$15.7 million unfavourable to budget is due to the factors above as well as the transfer of \$5.4 million in asset sale proceeds to NSW Health.

**Assets and Liabilities**

Total Assets are favourable to budget by \$156.7 million. This was directly related to the indices based revaluation of Land & Buildings in 2009/10 and the recognition of a \$68.0 million debtor for the 28 year licencing agreement of the Royal North Shore Hospital (RNSH) Carpark. Liabilities are higher than budget by \$95.7 million. Major contributors were the recognition of a \$68.0 million Long Term income in advance amount for the RNSH Carpark, increases in Payables over budget of \$21.2 million and provisions over budget of \$4.5 million.

**Cash Flows**

Operating cash flows reflect a variance of \$2.8 million above budget related to a shortfall in expected capital allocations and the transfer of asset sale proceeds to the NSW Department of Health. Cash flows from Investing activities show a favourable variance of \$9.3 million, primarily resulting from the favourability in RMR > \$10K capital expenditure. Financing cash flows were favourable by \$1.6 million due to less than planned loan repayments.

Movements in the level of the NSW Health Department Recurrent Allocation that have occurred since the time of the initial allocation on 15 June 2009 are as follows:

	\$000-
Initial Allocation, 15 June 2009	1,258,238
Award Increases	4,351
Special Projects	21,113
Capital (DOH)	19,014
Garling funding	2,838
Health Infrastructure transfer of Capital Projects	20,094
Redundancies	11,756
Return of 50% of 27th Pay Cash	10,400
Patient Fees adjustment	20,000
Patient Flows	39,619
Liquidity assistance	19,720
Loan	(2,016)
RNS PPP	8,314
Other	13,035
Balance as per Statement of Comprehensive Income	1,446,476

**Northern Sydney and Central Coast Area Health Service**  
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**38. 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 AND CONSOLIDATED**

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2010 \$000	2009 \$000
Cash and Cash Equivalents (note 19)	N/A	85,203	79,939
Receivables (note 20) <sup>1</sup>	Loans and receivables (at amortised cost)	103,896	29,267
<b>Total Financial Assets</b>		<b>189,099</b>	<b>109,206</b>
<b>Financial Liabilities</b>			
Borrowings (note 27)	Financial liabilities measured at amortised cost	49,582	54,219
Payables (note 26) <sup>2</sup>		107,148	105,964
Other (note 29) <sup>2</sup>		----	2,428
<b>Total Financial Liabilities</b>		<b>156,730</b>	<b>162,611</b>

Notes

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

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



**Northern Sydney and Central Coast Area Health Service**  
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**(b) Credit Risk**

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

Credit risk arises from financial assets of the Health Service, 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 3.62% in 2009/10 compared to 4.49% in the previous year. The TCorp Hour Glass cash facility is discussed in para (d) below.

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the 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.

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, \$27.85M (\$2009: \$13.04M) related to debtors that were not past due and not considered impaired and debtors of \$8.08M (2009: \$5.64M) were past due but not considered impaired. Together these represent 92% (2009: 88%) 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.

Financial assets that are past due or impaired could be either 'sales of goods and services' or 'other debtors' in the 'receivables' category of the Statement of Financial Position. Patient Fees Ineligibles may represent the majority of financial assets that are past due or impaired.

**Northern Sydney and Central Coast Area Health Service**  
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	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
	\$000	\$000	\$000
<b>2010</b>			
<3 months overdue	5,384	5,384	-----
3 months - 6 months overdue	2,694	2,694	-----
> 6 months overdue	3,037	-----	3,037
<b>2009</b>			
<3 months overdue	4,071	4,071	-----
3 months - 6 months overdue	1,568	1,568	-----
> 6 months overdue	2,510	-----	2,510

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.

#### **Authority Deposits**

The Health Service has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 5.18% (2009- 4.45%), while over the year the weighted average interest rate was 4.46% (2009- 5.36%) on a weighted average balance during the year of \$73.758M (2009 - \$80.866M). None of these assets are past due or impaired.

#### **(c) Liquidity Risk**

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

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

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

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

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

Northern Sydney and Central Coast Area Health Service  
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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		\$'000				\$'000		
		Nominal Amount 1	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
<b>2010</b>	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Payables:</b>								
Accrued Salaries	---	17,907	---	---	17,907	17,907	---	
Wages, On-Costs and Payroll Deductions	---	5,619	---	---	5,619	5,619	---	
Creditors	---	83,622	---	---	83,622	83,622	---	
<b>Borrowings:</b>								
Loans - Non-interest bearing	---	14,533	---	---	14,533	3,254	11,279	
Loans - NSW Health 2007/08	9.12	20,000	20,000	---	---	---	18,445	
Loans - NSW Health 2008/09	6.49	15,049	1,555	---	---	4,000	12,604	
		156,730	21,555	---	121,681	114,402	42,328	
							21,555	
<b>2009</b>								
<b>Payables:</b>								
Accrued Salaries	---	29,407	---	---	29,407	29,407	---	
Wages, On-Costs and Payroll Deductions	---	3,943	---	---	3,943	3,943	---	
Creditors	---	72,196	---	---	72,196	72,196	---	
<b>Borrowings:</b>								
Loans - Non-interest bearing	---	17,990	---	---	17,990	2,593	10,375	
Loans - SEDA	6.06	95	---	---	---	95	---	
Loans - NSW Health 2007/08	9.12	20,000	35,815	---	---	---	12,000	
Loans - NSW Health 2008/09	6.49	18,113	19,604	---	---	6,200	13,404	
		161,744	55,419	---	123,536	114,434	35,779	
							28,837	

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 \$35M 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.

**Northern Sydney and Central 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 2010. 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.

*Other price risk - TCorp Hour-Glass facilities*

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Cash Facilities, which are held for strategic rather than trading purposes. The Health Service has no direct equity investments. The Health Service holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2010 \$'000	2009 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	71,731	70,175

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

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

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability).

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A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

	Change in unit price*	Impact on profit/loss	
		2010 \$'000	2009 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	717	702

**e) Fair Value compared to Carrying Amount**

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

Except where specified below, 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. The following table details the financial instruments where the fair value differs from the carrying amount:

	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables	117,368	71,731	39,031	70,175

**(f) Fair Value recognised in the Statement of Financial Position**

The Health Service uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 - derived from quoted prices in active markets for identical assets/liabilities.

Level 2- derived from inputs other than quoted prices that are observable directly or indirectly.

Level 3 - derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 Total \$'000
TCorp Hour-Glass Cash Facility		71,731		71,731

(The table above only includes financial assets as no financial liabilities were measured at fair value in the Statement of Financial Position.)

There were no transfers between level 1 and 2 during the period ended 30 June 2010.

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**39. 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 FINANCIAL STATEMENTS