



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

SOUTH EASTERN SYDNEY AND ILLAWARRA AREA HEALTH SERVICE AND ITS CONTROLLED ENTITY

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of South Eastern Sydney and Illawarra Area Health Service (the Service), which comprises statements of financial position as at 30 June 2010, the statements of comprehensive income, statements of changes in equity, statements of cash flows and service group statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Service and the consolidated entity. The consolidated entity comprises the Service and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Service and the consolidated entity as at 30 June 2010, and of their 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 consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial 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, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



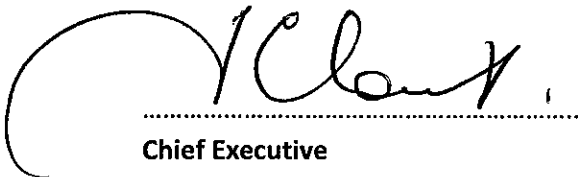
A T Whitfield
Acting Auditor-General

5 October 2010
SYDNEY

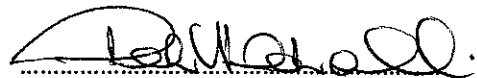
**Certification of Parent/Consolidated Financial Statements
For the Period Ended 30 June 2010**

The attached financial statements of the South Eastern Sydney and Illawarra Area Health Service for the year ended 30 June 2010:

- i) Have been prepared in accordance with the requirements of applicable Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AEIFRS), the requirements of the *Public Finance and Audit Act 1983* and its regulations, the Health Services Act 1997 and its regulations, the Accounts and Audit Determination and the Accounting Manual for Area Health Services and Public Hospitals;
- ii) Present fairly the financial position and transactions of the South Eastern Sydney and Illawarra Area Health Service;
- iii) Have no circumstances which would render any particulars in the financial statements to be misleading or inaccurate; and
- iv) the internal controls exercised by the South Eastern Sydney and Illawarra Area Health Service are appropriate and effective in accounting for all income received and applied by the South Eastern Sydney and Illawarra Area Health Service from any of its fundraising appeals.



.....
Chief Executive
South Eastern Sydney and
Illawarra Area Health Service
30 September 2010



.....
Chief Financial Officer
South Eastern Sydney and
Illawarra Area Health Service
30 September 2010

South Eastern Sydney and Illawarra Area Health Service
Statement of Financial Position as at 30 June 2010

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
ASSETS						
Current Assets						
20,195	21,179	18,185	18	20,195	21,179	18,185
44,920	51,531	48,663	19	44,920	51,531	48,663
21,118	20,119	20,303	20	21,118	20,119	20,303
87,322	79,860	79,860	21	87,322	79,860	79,860
<u>173,555</u>	<u>172,689</u>	<u>167,011</u>		<u>173,555</u>	<u>172,689</u>	<u>167,011</u>
2,449	486	486	25	2,449	486	486
<u>176,004</u>	<u>173,175</u>	<u>167,497</u>		<u>176,004</u>	<u>173,175</u>	<u>167,497</u>
Non-Current Assets						
0	721	721	19	0	721	721
1,265,943	1,173,460	1,190,174	22	1,265,943	1,173,460	1,190,174
103,163	116,338	97,912	22	103,163	116,338	97,912
137,568	121,341	127,481	22	137,568	121,341	127,481
<u>1,506,674</u>	<u>1,411,139</u>	<u>1,415,567</u>		<u>1,506,674</u>	<u>1,411,139</u>	<u>1,415,567</u>
0	0	482	23	0	0	482
18,786	16,525	16,525	24	18,786	16,525	16,525
<u>1,525,460</u>	<u>1,428,385</u>	<u>1,433,295</u>		<u>1,525,460</u>	<u>1,428,385</u>	<u>1,433,295</u>
<u>1,701,464</u>	<u>1,601,560</u>	<u>1,600,792</u>		<u>1,701,464</u>	<u>1,601,560</u>	<u>1,600,792</u>
LIABILITIES						
Current Liabilities						
130,046	135,479	167,529	27	130,046	135,479	167,529
8,908	8,167	6,290	28	8,908	8,167	6,290
451,423	455,409	398,330	29	451,423	455,409	398,330
1,374	1,814	1,617	30	1,374	1,814	1,617
<u>591,751</u>	<u>600,869</u>	<u>573,766</u>		<u>591,751</u>	<u>600,869</u>	<u>573,766</u>
Non-Current Liabilities						
5,562	9,707	10,496	28	5,562	9,707	10,496
10,477	9,811	9,479	29	10,477	9,811	9,479
15,659	16,939	15,329	30	15,659	16,939	15,329
<u>31,698</u>	<u>36,457</u>	<u>35,304</u>		<u>31,698</u>	<u>36,457</u>	<u>35,304</u>
<u>623,449</u>	<u>637,326</u>	<u>609,070</u>		<u>623,449</u>	<u>637,326</u>	<u>609,070</u>
<u>1,078,015</u>	<u>964,234</u>	<u>991,722</u>		<u>1,078,015</u>	<u>964,234</u>	<u>991,722</u>
EQUITY						
401,943	276,654	276,652		401,943	276,654	276,652
676,940	687,637	715,127		676,940	687,637	715,127
<u>1,078,883</u>	<u>964,291</u>	<u>991,779</u>		<u>1,078,883</u>	<u>964,291</u>	<u>991,779</u>
(868)	(57)	(57)	25	(868)	(57)	(57)
<u>1,078,015</u>	<u>964,234</u>	<u>991,722</u>		<u>1,078,015</u>	<u>964,234</u>	<u>991,722</u>

The accompanying notes form part of these financial statements

South Eastern Sydney and Illawarra Area Health Service
Statement of Changes in Equity for the year ended 30 June 2010

	Notes	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
Balance at 1 July 2009		715,127	276,652	(57)	991,722
Changes in Accounting Policy					
Correction of Errors					
Restated Total Equity at 1 July 2009		715,127	276,652	(57)	991,722
Result For The Year		(36,004)	0	0	(36,004)
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment - Available for Sale Financial Assets:		(1,032)	124,480	0	123,448
-Valuation Gains/(Losses)		0	811	(811)	0
-Transfers on Disposal					
Changes in Restoration Liability					
Other					
Total Other Comprehensive Income		(1,032)	125,291	(811)	123,448
Total Comprehensives Income For The Year		678,091	401,943	(868)	1,079,166
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	39	(1,151)	0	0	(1,151)
Balance at 30 June 2010		676,940	401,943	(868)	1,078,015
Balance at 1 July 2008		779,316	291,908	390	1,071,614
Changes in Accounting Policy					
Correction of Errors					
Restated Total Equity at 1 July 2008		779,316	291,908	390	1,071,614
Result For The Year		(64,818)	0	0	(64,818)
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment Available for Sale Financial Assets:		1,832	(15,703)	0	(13,871)
-Valuation Gains/(Losses)		0	447	(447)	0
-Transfers on Disposal					
Changes in Restoration Liability					
Other					
Total Other Comprehensive Income		1,832	(15,256)	(447)	(13,871)
Total Comprehensives Income For The Year		716,330	276,652	(57)	992,925
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	39	(1,203)	0	0	(1,203)
Balance at 30 June 2009		715,127	276,652	(57)	991,722

The accompanying notes form part of these financial statements.

South Eastern Sydney and Illawarra Area Health Service
Statement of Cash Flows for the year ended 30 June 2010

PARENT			CONSOLIDATION			
Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Notes	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
(1,326,699)	(1,293,576)	(1,259,138)		(1,326,699)	(1,293,576)	(1,259,138)
(28,937)	(24,520)	(30,013)		(28,937)	(24,520)	(30,013)
(917)	(472)	(430)		(917)	(472)	(430)
(1,046,474)	(948,453)	(1,010,206)		(1,046,474)	(948,453)	(1,010,206)
(2,403,027)	(2,267,021)	(2,299,787)		(2,403,027)	(2,267,021)	(2,299,787)
Receipts						
708,499	585,617	630,522		708,499	585,617	630,522
14,563	11,180	3,148		14,563	11,180	3,148
10,235	13,076	13,842		10,235	13,076	13,842
733,297	609,873	647,512		733,297	609,873	647,512
Cash Flows From Government						
1,692,950	1,692,950	1,660,015		1,692,950	1,692,950	1,660,015
21,714	26,022	18,885		21,714	26,022	18,885
1,714,664	1,718,972	1,678,900		1,714,664	1,718,972	1,678,900
44,934	61,824	26,625	NET CASH FLOWS FROM OPERATING ACTIVITIES	44,934	61,824	26,625
CASH FLOWS FROM INVESTING ACTIVITIES						
1,898	1,898	1,220		1,898	1,898	1,220
(35,044)	(61,814)	(40,840)		(35,044)	(61,814)	(40,840)
(7,462)	0	3,085		(7,462)	0	3,085
(40,608)	(59,916)	(36,535)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(40,608)	(59,916)	(36,535)
CASH FLOWS FROM FINANCING ACTIVITIES						
2,585	2,585	13,033		2,585	2,585	13,033
(4,901)	(1,498)	(4,484)		(4,901)	(1,498)	(4,484)
(2,316)	1,087	8,549	NET CASH FLOWS FROM FINANCING ACTIVITIES	(2,316)	1,087	8,549
2,010	2,994	(1,361)	NET INCREASE / (DECREASE) IN CASH	2,010	2,994	(1,361)
18,185	18,185	19,546		18,185	18,185	19,546
20,195	21,179	18,185	CLOSING CASH AND CASH EQUIVALENTS	20,195	21,179	18,185

The accompanying notes form part of these financial statements

South Eastern Sydney and Illawarra Area Health Service
Service Group Statements
for the Year Ended 30 June 2010

SERVICE'S EXPENSES AND INCOME	1.1 *		1.2 *		1.3 *		2.1 *		2.2 *		2.3 *		3.1 *		4.1 *		5.1 *		6.1 *		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses																							
Operating Expenses																							
Employee Related	72,431	63,419	3,186	187,780	183,876	104,598	111,930	640,089	589,068	61,155	70,988	103,084	88,594	105,661	100,194	25,308	21,406	76,792	80,359	1,380,697	1,322,830		
Visiting Medical Officers	2,812	2,135	97	8,102	8,707	6,868	7,030	34,637	32,045	3,665	4,781	5,842	5,334	3,131	2,834	1,322	1,108	3,158	3,203	70,482	67,274		
Other Operating Expenses	23,307	17,285	984	69,800	64,628	42,485	44,080	315,056	291,157	34,828	36,831	4,065	3,202	5,188	28,578	7,682	6,028	33,372	32,804	593,703	545,307		
Depreciation and Amortisation	2,510	2,145	103	9,205	9,046	4,807	5,316	30,806	29,102	2,895	3,373	4,065	3,202	5,188	6,111	810	481	3,253	3,454	63,682	61,333		
Grants and Subsidies	12,475	11,768	281	127	219	45	112	261	576	25	70	7,159	6,415	2,344	3,000	2,386	2,394	1,224	2,602	26,307	27,484		
Finance Costs	50	19	2	133	60	69	39	422	204	40	22	67	27	73	28	15	6	46	23	917	430		
Payments to Affiliated Health Organisations	10,650	13,314	281	63,890	67,259	15,128	14,915	108,783	120,411	9,882	12,806	11,328	13,717	40,021	39,547	0	0	17,203	19,939	276,876	302,168		
Total Expenses excluding losses	124,445	110,066	4,755	340,037	333,793	173,801	183,332	1,130,084	1,072,559	112,010	128,681	184,538	140,317	189,604	179,294	37,524	31,421	135,048	142,484	2,412,664	2,326,826		
Revenue																							
Sale of Goods and Services	6,221	3,558	88	32,519	21,263	24,544	22,570	387,500	357,796	48,123	43,523	3,382	2,688	44,554	40,466	2,603	2,513	16,495	11,987	578,029	506,380		
Investment Revenue	155	107	3	1,528	285	319	179	4,615	3,312	776	92	118	76	950	483	140	126	5,859	(1,494)	14,563	3,148		
Grants and Contributions	1,534	2,755	92	3,746	3,230	549	472	10,327	9,604	1,576	1,555	174	251	1,701	1,642	5,955	7,358	12,825	10,319	38,442	37,178		
Other Revenue	269	280	5	1,444	1,693	390	618	7,615	11,132	528	821	145	248	1,253	2,111	295	373	861	2,003	12,908	19,494		
Total Revenue	8,179	6,711	151	39,337	26,671	25,802	23,839	420,067	381,744	51,004	45,991	3,819	3,243	48,458	44,684	8,983	10,370	39,040	22,795	841,840	565,200		
Gain / (Loss) on Disposal	(15)	(47)	0	(71)	(519)	(169)	(989)	(3,590)	(22)	(224)	(10)	(105)	(78)	(322)	(16)	(18)	(17)	(196)	(634)	(5,193)			
Other Gains / (Losses)	(28)	(28)	(1)	(200)	(175)	(50)	(68)	(1,044)	(1,239)	(77)	(60)	(19)	(27)	(116)	(184)	(21)	(31)	(60)	(53)	(1,633)	(1,748)		
Net Cost of Services	116,309	103,450	5,443	4,606	307,816	148,074	158,719	711,440	695,535	61,105	83,174	160,747	137,207	141,340	135,116	28,568	21,100	99,684	119,938	1,773,091	1,767,665		
Government Contributions																							
RESULT FOR THE YEAR	(118,399)	(103,450)	(5,443)	(4,606)	(307,816)	(148,074)	(158,719)	(711,440)	(695,535)	(61,105)	(83,174)	(160,747)	(137,207)	(141,340)	(135,116)	(28,568)	(21,100)	(99,684)	(119,938)	(1,773,091)	(1,767,665)		
Other Comprehensive Income																							
Increase/(Decrease) in Asset Revaluation Reserve	4,867	0	278	0	17,843	0	9,316	0	56,716	0	5,013	7,880	0	10,058	0	1,571	0	6,303	0	123,448	0		
Other	0	(485)	0	(23)	0	(2,046)	0	(1,202)	0	(5,682)	(763)	0	(724)	0	(1,158)	0	(109)	0	(781)	0	(13,871)		
Total Other Comprehensive Income	4,867	(485)	278	(23)	17,843	(2,046)	9,316	(1,202)	56,716	(5,669)	5,013	7,880	0	10,058	(1,158)	1,571	(109)	6,303	(781)	123,448	(13,871)		
Total COMPREHENSIVE INCOME	(111,442)	(103,935)	(5,165)	(4,629)	(309,862)	(138,755)	(160,921)	(651,724)	(702,117)	(55,492)	(83,937)	(152,867)	(137,931)	(131,282)	(136,967)	(26,997)	(21,209)	(92,791)	(120,719)	(1,702,847)	(1,702,847)		

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

* The name and purpose of each service group is summarised in Note 17.

The Service Group Statement uses statistical data to 30 June 2009 (and 31 March 2010 for General Funds Expenditure) to allocate the current general fund period's financial information on Expenses and Income to each Service Group.

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

South Eastern Sydney and Illawarra Area Health Service
Service Group Statements (Continued)
for the Year Ended 30 June 2010

SERVICES' 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 8.1 *		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
ASSETS																							
Current Assets																							
Cash and Cash Equivalents	1,042	861	47	37	2,846	2,612	1,455	1,435	9,459	8,369	938	1,009	1,377	1,098	1,587	1,403	314	246	1,130	1,115	20,195	18,185	
Receivables	572	580	11	13	2,753	2,304	1,806	2,060	29,399	32,725	3,570	3,974	267	280	3,391	3,861	629	896	2,522	1,970	44,921	48,663	
Inventories	829	647	35	29	2,483	2,419	1,511	1,651	11,207	10,788	1,239	1,379	1,174	862	1,180	1,070	273	226	1,187	1,232	21,118	20,303	
Financial Assets at Fair Value	4,504	3,783	203	163	12,307	11,471	6,290	6,300	40,902	36,755	4,054	4,429	5,954	4,822	6,861	6,161	1,358	1,080	4,888	4,896	87,322	79,860	
Non-Current Assets Held for Sale	2,449	486																					
Total Current Assets	9,396	6,357	296	242	20,389	18,806	11,062	11,446	90,968	88,637	9,801	10,791	8,772	7,062	13,019	12,495	2,574	2,448	9,727	9,213	0	176,004	167,497
Non-Current Assets																							
Receivables	0	9	0	0	0	0	0	31	0	485	0	59	0	4	0	57	0	13	0	29	0	0	721
Property, Plant and Equipment																							
- Land and Buildings	49,906	41,624	2,847	1,991	182,990	175,539	95,560	103,155	612,355	564,731	57,567	65,450	80,809	62,127	103,143	99,177	16,108	9,336	64,668	67,044		1,265,943	1,190,174
- Plant and Equipment	4,067	3,424	232	164	14,912	14,441	7,787	8,486	49,902	46,459	4,690	5,384	6,585	5,111	8,405	8,159	1,313	768	5,270	5,516		103,163	97,912
- Infrastructure Systems	5,423	4,458	309	213	19,885	18,802	10,384	11,049	66,546	60,489	6,255	7,010	8,781	6,654	11,208	10,623	1,750	1,000	7,027	7,183		137,568	127,481
Intangible Assets	0	17	0	1	0	71	0	42	0	229	0	27	0	25	0	40	0	4	0	26	0	0	482
Other	969	783	44	34	2,648	2,374	1,363	1,304	8,799	7,605	872	916	1,281	998	1,476	1,275	292	223	1,052	1,013		18,786	16,525
Total Non-Current Assets	60,365	50,315	3,432	2,403	220,435	211,261	115,084	124,067	737,602	679,998	69,374	78,846	97,456	74,919	124,232	119,331	19,463	11,344	78,017	80,811	0	1,525,460	1,433,295
Total Assets	69,761	56,672	3,728	2,645	240,824	230,067	126,146	135,513	828,570	768,635	79,175	89,637	106,228	81,981	137,251	131,826	22,037	13,792	87,744	90,024	0	1,701,464	1,600,792
LIABILITIES																							
Current Liabilities																							
Payables	5,105	5,340	218	241	15,289	19,964	9,306	13,620	69,010	89,018	7,629	11,378	7,227	7,114	7,269	8,829	1,683	1,862	7,310	10,163		130,046	167,529
Borrowings	459	298	21	13	1,256	903	642	496	4,171	2,895	414	349	607	380	700	485	139	85	499	386		8,907	6,290
Provisions	23,681	19,095	1,239	959	61,400	55,365	34,197	33,672	209,294	180,377	19,996	21,377	33,696	26,675	34,536	30,168	8,273	6,445	25,111	24,197		451,423	398,330
Other	71	77	3	3	194	232	99	128	643	744	64	90	94	98	108	125	21	22	77	98		1,374	1,617
Total Current Liabilities	29,316	24,810	1,481	1,216	78,139	76,464	44,244	47,916	283,118	273,034	28,103	33,194	41,624	34,267	42,613	39,607	10,116	8,414	32,997	34,844	0	591,750	573,766
Non-Current Liabilities																							
Borrowings	287	497	13	21	784	1,508	401	828	2,605	4,831	258	582	379	634	437	810	86	142	311	643		5,562	10,496
Provisions	550	454	29	23	1,425	1,318	794	801	4,856	4,292	464	509	782	635	802	718	192	153	583	576		10,477	9,479
Other	808	726	36	31	2,207	2,202	1,128	1,209	7,334	7,055	727	850	1,068	926	1,230	1,183	244	207	877	940		15,659	15,329
Total Non-Current Liabilities	1,645	1,677	78	75	4,416	5,028	2,323	2,838	14,796	16,178	1,449	1,941	2,229	2,195	2,469	2,711	522	502	1,771	2,159	0	31,698	35,304
Total Liabilities	30,961	26,487	1,559	1,291	82,555	81,492	46,567	50,754	297,913	289,212	29,552	35,135	43,853	36,462	45,082	42,318	10,638	8,916	34,768	37,003	0	623,448	609,070
Net Assets	38,800	30,185	2,169	1,354	158,269	148,575	79,579	84,759	530,657	479,423	49,623	54,502	62,375	45,519	92,169	89,508	11,399	4,876	52,976	53,021	0	1,078,016	991,722

The name and purpose of each service group is summarised in Note 17

Assets and liabilities that are specific to service groups are allocated accordingly eg. Non-Current Assets Held for Sale.

Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2 (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.

South Eastern Sydney and Illawarra 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 South Eastern Sydney Illawarra 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 South Eastern Sydney Illawarra 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, 13, 27, 29 and 34 being especially relevant.

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

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

These consolidated financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive on 30 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.

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 South Eastern Sydney & Illawarra Area Health Service.

South Eastern Sydney and Illawarra 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.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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

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

a) Employee Benefits and Other Provisions

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

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

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

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

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

ii) Long Service Leave and Superannuation

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

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

The Health Service's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Health Service accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 27, "Payables".

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

iii) Other Provisions

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

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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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 Department's Mandate to not-for profit general government sector agencies.

d) Income Recognition

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

Sale of Goods and Services

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

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.

Rendering of Services

Revenue is recognised 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.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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Use of Hospital Facilities

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

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

Use of Outside Facilities

The Health Service uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. The 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 Calvary Health Care Sydney, Eastern Sydney Scarba and Early Intervention Program, Sacred Heart Hospice, St Vincent Hospital and War Memorial Hospital (Waverley) 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 and
- * receivables and payables are stated with the amount of GST included.

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

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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f) Inter Area and Interstate Patient Flows

Inter Area Patient Flows

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

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

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

Inter State Patient Flows

Health Services recognise the outflow of acute inpatients that are treated by other States and Territories within Australia who normally reside in the Service's residential area. The Health Services also recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The expense and revenue values reported within the financial statements have been based on 2008/09 activity data using standard cost weighted separation values to reflect estimated costs in 2009/10 for acute weighted inpatient separations. Where treatment is obtained outside the home health service, the State/Territory providing the service is reimbursed by the benefiting Area.

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

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

g) Acquisition of Assets

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

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

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

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

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

h) Capitalisation Thresholds

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

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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 are consistent with previous years major asset categories and are as follows:

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%
Motor Vehicle Sedans	12.5%
Motor Vehicles, Trucks & Vans	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Linen	25.0%
Furniture, Fittings and Furnishings	5.0%

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

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

j) Revaluation of Non-Current Assets

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

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

The Health Service revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Health Service as at 1 July 2007 was completed on 31 March 2008 and was based on an independent assessment. To ensure that the carrying amount for each asset does not differ materially from its fair value at reporting date, indices provided in expert advice from the Department of Lands are applied. The indices reflect an assessment of movements made in the period between revaluations.

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

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

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

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

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

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

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

k) Impairment of Property, Plant and Equipment

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

l) Assets Not Able to be Reliably Measured

The Health Service may at times hold certain assets that are not recognised in the Statement of Financial Position because the Health Service is unable to measure reliably the value of the assets. The Health Service has not identified any assets which are not able to be reliably measured.

m) Restoration Costs

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

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

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

o) Investment Properties

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

p) Intangible Assets

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

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Health Service's intangible assets, the assets are carried at cost less any accumulated amortisation.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

q) Maintenance

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

r) Leased Assets

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

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

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

s) Inventories

Inventories are stated at cost, adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

All inventory at year end are to be consumed in the course of business and are not held for distribution. 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.

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 South Eastern Sydney and Illawarra 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 South Eastern Sydney and Illawarra 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'.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

- * *Held-to-maturity investments* – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the South Eastern Sydney and Illawarra 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.

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 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.

South Eastern Sydney and Illawarra Area Health Service
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for the Year Ended 30 June 2010

y) Borrowings

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

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

z) Equity Transfers

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

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

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

aa) Equity and Reserves

(i) Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Health Service's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

ab) Trust Funds

The Health Service receives monies in a trustee capacity for various trusts as set out in Note 32. As the Health Service performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Health Service's own objectives, they are not brought to account in the financial statements.

ac) Budgeted Amounts

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

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

ad) Emerging Asset

The Health Service's emerging interest in the St George, Sydney and Randwick Hospitals carparks has been valued in accordance with the Department of Health's policy for *Accounting for Privately Financed Projects*. This policy required the Health Service to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 6.27% for St George Hospital, 9.21% for Sydney Hospital and 5.58% for the Randwick Campus Hospitals 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 30 June 2009 (or more reliable recent data, that is General Fund Expenditure 31 March 2010) which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the Department requires that all Health Services take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

af) Joint Ventures

- (i) The South Eastern Sydney and Illawarra Area Health Service is a registered member of the Illawarra Health and Medical Research Institute (IHMRI).

The IHMRI was established in April 2008 as a collaborative venture between the University of Wollongong and the South Eastern Sydney Illawarra Area Health Service. The IHMRI is incorporated in Australia as a company limited by guarantee under the Corporations Act 2001.

The objectives of the company are to initiate, promote, undertake, develop, conduct, carry out and directly facilitate Health and Medical research through grants and donations; and to make available knowledge obtained from Health and Medical research to the health and medical professions and the general public.

The profits (if any) or other income of the Company, however derived, must be applied solely towards the promotion of the above objectives and may not be paid or transferred to the Members, either directly or indirectly by way of dividend, bonus or otherwise.

- (ii) The South Eastern Sydney and Illawarra Area Health Service is a registered member of the Randwick Health and Medical Research Institute (RHMRI).

The RHMRI was established in December 2008 as a collaborative venture between the University of New South Wales and the South Eastern Sydney Illawarra Area Health Service. The RHMRI is incorporated in Australia as a company limited by guarantee under the Corporations Act 2001.

The objectives of the company are to initiate, promote, undertake, develop, conduct, carry out and directly facilitate Health and Medical research through grants and donations; and to make available knowledge obtained from Health and Medical research to the health and medical professions and the general public.

The profits (if any) or other income of the Company, however derived, must be applied solely towards the promotion of the above objectives and may not be paid or transferred to the Members, either directly or indirectly by way of dividend, bonus or otherwise.

South Eastern Sydney and Illawarra Area Health Service
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for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		3. Employee Related		
		Employee related expenses comprise the following:		
0	0	Salaries and Wages	978,857	936,707
0	0	Awards	55,650	63,601
0	0	Superannuation - Defined Benefit Plans	22,422	23,947
0	0	Superannuation - Defined Contribution Plans	88,937	83,323
0	0	Long Service Leave	57,386	43,869
0	0	Annual Leave	113,682	109,102
0	0	Sick Leave and Other Leave	49,104	43,231
0	0	Redundancies	1,263	5,698
0	0	Workers' Compensation Insurance	13,396	13,452
<u>0</u>	<u>0</u>	Total	<u>1,380,697</u>	<u>1,322,930</u>
		4. Personnel Services		
		Personnel Services comprise the purchase of the following:		
978,857	936,707	Salaries and Wages	0	0
55,650	63,601	Awards	0	0
22,422	23,947	Superannuation - Defined Benefit Plans	0	0
88,937	83,323	Superannuation - Defined Contribution Plans	0	0
57,386	43,869	Long Service Leave	0	0
113,682	109,102	Annual Leave	0	0
49,104	43,231	Sick Leave and Other Leave	0	0
1,263	5,698	Redundancies	0	0
13,396	13,452	Workers' Compensation Insurance	0	0
<u>1,380,697</u>	<u>1,322,930</u>	Total	<u>0</u>	<u>0</u>
		5. Other Operating Expenses		
12,693	12,326	Blood and Blood Products	12,693	12,326
25,310	25,147	Domestic Supplies and Services	25,310	25,147
107,194	104,737	Drug Supplies	107,194	104,737
37,992	23,542	Food Supplies	37,992	23,542
15,906	11,951	Fuel, Light and Power	15,906	11,951
36,753	37,439	General Expenses (See (b) below)	36,753	37,439
8,908	8,685	Hospital Ambulance Transport Costs	8,908	8,685
6,470	17,870	Information Management Expenses	6,470	17,870
2,348	1,330	Insurance	2,348	1,330
100,410	99,920	Allocations for Inter Area Patient Outflows, NSW (see note (d) below)	100,410	99,920
2,873	3,752	Interstate Patient Outflows (see (e) below)	2,873	3,752
		Maintenance (See (c) below)		
11,234	12,684	Maintenance Contracts	11,234	12,684
11,460	10,467	New/Replacement Equipment under \$10,000	11,460	10,467
13,490	12,852	Repairs	13,490	12,852
1,116	1,695	Maintenance/Non Contract	1,116	1,695
135	78	Other	135	78
104,265	94,448	Medical and Surgical Supplies	104,265	94,448
6,053	5,177	Postal and Telephone Costs	6,053	5,177
6,236	6,336	Printing and Stationery	6,236	6,336
2,739	2,440	Rates and Charges	2,739	2,440
5,785	4,442	Rental	5,785	4,442
47,680	22,064	Special Service Departments	47,680	22,064
9,039	7,154	Staff Related Costs	9,039	7,154
9,288	11,255	Sundry Operating Expenses (See (a) below)	9,288	11,255
8,326	7,516	Travel Related Costs	8,326	7,516
<u>593,703</u>	<u>545,307</u>	Total	<u>593,703</u>	<u>545,307</u>

South Eastern Sydney and Illawarra 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
		(a) Sundry Operating Expenses comprise:		
8,927	10,986	Contract for Patient Services	8,927	10,986
361	269	Isolated Patient Travel and Accommodation Assistance Scheme	361	269
<u>9,288</u>	<u>11,255</u>	Total	<u>9,288</u>	<u>11,255</u>
		(b) General Expenses include:-		
471	1,014	Advertising	471	1,014
1,122	1,284	Books, Magazines and Journals	1,122	1,284
		Consultancies		
2,125	1,955	- Operating Activities	2,125	1,955
220	153	- Capital Works	220	153
1,634	1,547	Courier and Freight	1,634	1,547
306	311	Auditor's Remuneration - Audit of Financial Statements	306	311
23	99	Auditor's Remuneration - Other Services	23	99
973	993	Data Recording and Storage	973	993
722	437	Legal Services	722	437
747	1,122	Membership/Professional Fees	747	1,122
2,699	2,767	Motor Vehicle Expenses	2,699	2,767
3,920	4,576	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	3,920	4,576
7,437	7,869	Other Operating Lease Expense - Minimum Lease Payments	7,437	7,869
47	36	Payroll Services	47	36
414	290	Quality Assurance/Accreditation	414	290
443	346	Translator Services	443	346
1,019	837	Security Services	1,019	837
401	73	Licence Fees	401	73
4,805	9,065	Other	4,805	9,065
5,248	2,048	- SCS Financial	5,248	2,048
486	432	- Chaplaincy	486	432
353	57	- Patient Support Services	353	57
1,138	128	- G&S Cap Exp DOH Funding	1,138	128
<u>36,753</u>	<u>37,439</u>	Total	<u>36,753</u>	<u>37,439</u>
		(c) Reconciliation Total Maintenance		
37,435	37,776	Maintenance Expense - Contracted Labour and Other (Non Employee Related), included in Note 5	37,435	37,776
6,768	6,758	Employee Related/Personnel Services Maintenance included in Notes 3 & 4	6,768	6,758
<u>44,203</u>	<u>44,534</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>44,203</u>	<u>44,534</u>
		(d) Details of the allocations applied to Inter Area Patient Out Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:-		
68,007	67,795	Sydney South West	68,007	67,795
8,006	9,652	Sydney West	8,006	9,652
10,351	9,033	Northern Sydney Central Coast	10,351	9,033
1,563	1,084	Hunter New England	1,563	1,084
947	986	North Coast	947	986
1,491	1,432	Greater Southern	1,491	1,432
471	452	Greater Western	471	452
9,574	9,486	Children's Hospital Westmead	9,574	9,486
<u>100,410</u>	<u>99,920</u>	Total	<u>100,410</u>	<u>99,920</u>
		(e) Expenses for Interstate Patient Flows are as follows:-		
1,031	1,204	Australian Capital Territory	1,031	1,204
65	59	Northern Territory	65	59
1,103	919	Queensland	1,103	919
123	149	South Australia	123	149
67	114	Tasmania	67	114
333	1,052	Victoria	333	1,052
151	255	Western Australia	151	255
<u>2,873</u>	<u>3,752</u>	Total	<u>2,873</u>	<u>3,752</u>

South Eastern Sydney and Illawarra Area Health Service
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for the Year Ended 30 June 2010

PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
6. Depreciation and Amortisation				
40,896	39,988	Depreciation - Buildings	40,896	39,988
16,872	15,563	Depreciation - Plant and Equipment	16,872	15,563
5,432	5,300	Depreciation - Infrastructure Systems	5,432	5,300
482	482	Amortisation - Intangible Assets	482	482
<u>63,681</u>	<u>61,333</u>	Total	<u>63,682</u>	<u>61,333</u>
7. Grants and Subsidies				
16,377	16,064	Non-Government Voluntary Organisations	16,377	16,064
2,677	2,522	Grants to Community Aged Care Packages	2,677	2,522
251	295	Research Organisations	251	295
7,002	8,603	Other	7,002	8,603
<u>26,307</u>	<u>27,484</u>	Total	<u>26,307</u>	<u>27,484</u>
8. Finance Costs				
917	430	Interest on Bank Overdrafts and Loans	917	430
<u>917</u>	<u>430</u>	Total	<u>917</u>	<u>430</u>
9. Payments to Affiliated Health Organisations				
(a) Recurrent Sourced				
17,126	16,712	Calvary Hospital	17,126	16,712
1,192	1,139	Eastern Sydney Scarba Centre	1,192	1,139
13,857	14,376	Sacred Heart Hospice	13,857	14,376
234,544	260,291	St Vincent's Hospital	234,544	260,291
10,067	9,650	War Memorial Hospital Waverley	10,067	9,650
<u>276,786</u>	<u>302,168</u>	Total	<u>276,786</u>	<u>302,168</u>
(b) Capital Sourced				
0	0	Calvary Hospital	0	0
0	0	Eastern Sydney Scarba Centre	0	0
0	0	Sacred Heart Hospice	0	0
90	0	St Vincent's Hospital	90	0
0	0	War Memorial Hospital Waverley	0	0
<u>90</u>	<u>0</u>	Total	<u>90</u>	<u>0</u>

South Eastern Sydney and Illawarra 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
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
7,428	7,981	Sales of Prosthesis	7,428	7,981
90	49	Other - Equipment Sales	90	49
<u>2,007</u>	<u>1,787</u>	Pharmacy Sales	<u>2,007</u>	<u>1,787</u>
<u>9,525</u>	<u>9,817</u>		<u>9,525</u>	<u>9,817</u>
(b) Rendering of Services comprise the following:-				
135,390	125,560	Patient Fees [see note 2(d)]	135,390	125,560
775	1,439	Staff-Meals and Accommodation	775	1,439
46,334	43,938	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	46,334	43,938
12,041	12,036	- Annual Charge	12,041	12,036
79	2,367	Cafeteria/Kiosk	79	2,367
1,610	3,937	Car Parking	1,610	3,937
1,129	932	Child Care Fees	1,129	932
410	26	Clinical Services (excluding Clinical Drug Trials)	410	26
2,145	2,469	Commercial Activities	2,145	2,469
16	14	Enteral Nutrition income	16	14
345	298	Fees for Medical Records	345	298
289,908	282,091	Allocation from Inter Area Patient Inflows, NSW [see note (c) below]	289,908	282,091
4	23	Meals on Wheels	4	23
1,252	1,180	Salary Packaging Fee	1,252	1,180
5,806	5,439	Services Provided to Non NSW Health Organisations	5,806	5,439
21	125	PADP Patient Copayments	21	125
9,177	2,923	Patient inflows from Interstate [see note (d) below]	9,177	2,923
0	518	Food Service Revenues - Other Health Services	0	518
9,532	8,981	Motor Accidents Authority - 3rd Party receipts	9,532	8,981
49,548	0	High Cost Drugs [see note 2(d)]	49,548	0
982	2,267	Other	982	2,267
<u>566,504</u>	<u>496,563</u>		<u>566,504</u>	<u>496,563</u>
<u>576,029</u>	<u>506,380</u>		<u>576,029</u>	<u>506,380</u>
(c) Details of the Allocations received for Inter Area Patient Flows, NSW on an Area basis as accepted by the NSW Department of Health are as follows:				
131,063	129,001	Sydney South West	131,063	129,001
24,215	23,711	Sydney West	24,215	23,711
44,660	44,022	Northern Sydney Central Coast	44,660	44,022
22,425	21,597	Hunter New England	22,425	21,597
24,925	21,804	North Coast	24,925	21,804
28,618	27,761	Greater Southern	28,618	27,761
14,002	14,195	Greater Western	14,002	14,195
<u>289,908</u>	<u>282,091</u>		<u>289,908</u>	<u>282,091</u>
(d) Revenues from Patient Inflows from Interstate are as follows:-				
4,248	1,171	Australian Capital Territory	4,248	1,171
374	229	Northern Territory	374	229
1,362	580	Queensland	1,362	580
491	256	South Australia	491	256
504	86	Tasmania	504	86
1,274	408	Victoria	1,274	408
924	193	Western Australia	924	193
<u>9,177</u>	<u>2,923</u>		<u>9,177</u>	<u>2,923</u>
11. Investment Revenue				
Interest				
8,223	(2,590)	- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	8,223	(2,590)
447	718	- Other	447	718
<u>5,893</u>	<u>5,020</u>	Lease and Rental Income	<u>5,893</u>	<u>5,020</u>
<u>14,563</u>	<u>3,148</u>	Total	<u>14,563</u>	<u>3,148</u>

South Eastern Sydney and Illawarra Area Health Service
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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
12. Grants and Contributions				
5,839	5,106	Clinical Drug Trials	5,839	5,106
9,533	6,751	Industry Contributions/Donations	9,533	6,751
1,343	1,235	Commonwealth Government Grants	1,343	1,235
918	131	Commonwealth Teaching Hospital Grants	918	131
10,202	8,722	Cancer Institute Grants	10,202	8,722
288	7,715	NSW Government Grants	288	7,715
929	1,524	Research Grants	929	1,524
235	70	University Commission Grants	235	70
275	604	Cancer Care Research	275	604
921	1,783	Health Program Grants	921	1,783
31	337	Psychological Impact Study Grants	31	337
396	203	Quality Assurance Program Grants	396	203
539	840	Virology Research	539	840
857	916	Clinical Initiatives and Quality Improvements	857	916
12	138	Diabetes and Viruses Research	12	138
2,562	310	Paediatric Research and Development	2,562	310
343	175	Pain Research	343	175
1,226	0	SCH Fellows	1,226	0
632	0	Home & Community Care Grants	632	0
770	0	Radiotherapy Grants	770	0
591	618	Other Grants	591	618
<u>38,442</u>	<u>37,178</u>	Total	<u>38,442</u>	<u>37,178</u>
13. Other Revenue				
Other Revenue comprises the following:-				
5	0	Bad Debts Recovered	5	0
535	466	Commissions	535	466
366	338	Conference and Training Fees	366	338
2	2	Discounts	2	2
148	191	Sale of Merchandise, Old Wares and Books	148	191
193	179	Sponsorship Income	193	179
7,079	11,607	Treasury Managed Fund Hindsight Adjustment	7,079	11,607
2,261	1,861	Rights to Receive Fixed Assets	2,261	1,861
0	500	Insurance Refund	0	500
0	7	Unclaimed Deposits	0	7
2,217	4,343	Other	2,217	4,343
<u>12,806</u>	<u>19,494</u>	Total	<u>12,806</u>	<u>19,494</u>
14. Gain/(Loss) on Disposal				
18,316	36,464	Property Plant and Equipment	18,316	36,464
15,784	30,051	Less Accumulated Depreciation	15,784	30,051
<u>2,532</u>	<u>6,414</u>	Written Down Value	<u>2,532</u>	<u>6,413</u>
1,898	1,220	Less Proceeds from Disposal	1,898	1,220
<u>(634)</u>	<u>(5,193)</u>	Gain/(Loss) on Disposal of Property Plant and Equipment	<u>(634)</u>	<u>(5,193)</u>
15. Other Gains/(Losses)				
(1,633)	(1,746)	Impairment of Receivables	(1,633)	(1,746)
<u>(1,633)</u>	<u>(1,746)</u>	Total	<u>(1,633)</u>	<u>(1,746)</u>

South Eastern Sydney and Illawarra Area Health Service
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PARENT AND CONSOLIDATION

16 Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$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	0	6,868	6,868
Contributions recognised in amalgamated balance as at 30 June 2009 which were not expended in the current reporting period	467	97,632	98,099
Total amount of unexpended contributions as at balance date	467	104,500	104,967

Comment on restricted assets appears in Note 26

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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17 Service Groups of the Health Service

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Overnight Acute Inpatient Services

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

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

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

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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.

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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
18. Cash and Cash Equivalents				
94	100	Cash on Hand	94	100
14,493	11,180	Cash at Bank	14,493	11,180
5,608	6,905	Short Term Deposits	5,608	6,905
<u>20,195</u>	<u>18,185</u>		<u>20,195</u>	<u>18,185</u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:				
20,195	18,185	Cash and Cash Equivalents (per Statement of Financial Position)	20,195	18,185
<u>20,195</u>	<u>18,185</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>20,195</u>	<u>18,185</u>
Refer to note 40 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.				
19. Receivables				
Current				
(a) Sale of Goods and Services				
15,961	14,066	Sale of Goods and Services - Patient Fees	15,961	14,066
5,113	5,536	Sale of Goods and Services - Other	5,113	5,536
7,068	8,878	NSW Health Department and Other Area Health Services	7,068	8,878
775	5,186	Debtors Non Operating	775	5,186
10,527	9,235	Good and Services Tax	10,527	9,235
2,760	3,396	Debtors Expense Recoupment	2,760	3,396
3,272	3,263	Other Debtors	3,272	3,263
<u>45,476</u>	<u>49,560</u>	Sub Total	<u>45,476</u>	<u>49,560</u>
4,338	4,200	Less Allowance for Impairment	4,338	4,200
<u>41,138</u>	<u>45,360</u>	Sub Total	<u>41,138</u>	<u>45,360</u>
3,782	3,303	Prepayments	3,782	3,303
<u>44,920</u>	<u>48,663</u>	Total	<u>44,920</u>	<u>48,663</u>
(b) Movement in the Allowance for Impairment				
Sale of Goods and Services				
3,497	2,824	Balance at 1 July	3,497	2,824
(1,418)	(52)	Amounts written off during the year	(1,418)	(52)
0	0	Amounts recovered during the year	0	0
1,617	725	Increase/(decrease) in Allowance Recognised in Result for the Year	1,617	725
<u>3,696</u>	<u>3,497</u>	Balance at 30 June	<u>3,696</u>	<u>3,497</u>
(c) Movement in the Allowance for Impairment				
Other Debtors				
703	404	Balance at 1 July	703	404
(76)	(212)	Amounts written off during the year	(76)	(212)
0	0	Amounts recovered during the year	0	0
15	511	Increase/(decrease) in Allowance Recognised in Result for the Year	15	511
<u>642</u>	<u>703</u>	Balance at 30 June	<u>642</u>	<u>703</u>
<u>4,338</u>	<u>4,200</u>		<u>4,338</u>	<u>4,200</u>

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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
		19. Receivables (cont'd)		
		Non-Current		
		(a) Sale of Goods and Services		
		Patient Fees	0	850
0	850		0	850
0	850	Sub Total	0	850
0	129	Less Allowance for Impairment	0	129
0	721	Sub Total	0	721
0	0	Prepayments	0	0
0	721	Total	0	721
		(b) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
		Balance at 1 July	129	496
129	496	Amounts written off during the year	(129)	(878)
(129)	(878)	Amounts recovered during the year	0	0
0	0	Increase/(decrease) in Allowance Recognised in		
0	511	Result for the Year	0	511
0	129	Balance at 30 June	0	129
		(c) Movement in the Allowance for Impairment		
		Other Debtors		
		Balance at 1 July	0	157
0	157	Amounts written off during the year	0	(157)
0	(157)	Amounts recovered during the year	0	0
0	0	Increase/(decrease) in Allowance Recognised in		
0	0	Result for the Year	0	0
0	0	Balance at 30 June	0	0
0	129		0	129
		(d) Sale of Goods and Services Receivables		
		(Current and Non-Current) include:		
		Patient Fees - Compensable	2,035	387
2,035	387	Patient Fees - Ineligible	5,031	5,238
5,031	5,238	Patient Fees - Other	8,895	9,291
8,895	9,291		8,895	9,291
15,961	14,916	Total	15,961	14,916

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

		20. Inventories		
		Current		
		Drugs	6,886	6,690
6,886	6,690	Medical and Surgical Supplies	11,181	11,116
11,181	11,116	Food and Hotel Supplies	0	52
0	52	Other including Goods in Transit	3,051	2,445
3,051	2,445		3,051	2,445
21,118	20,303	Total	21,118	20,303
		21. Financial Assets at Fair Value		
		Current		
		Treasury Corporation - Hour-Glass Investment Facilities	87,322	79,860
87,322	79,860		87,322	79,860
87,322	79,860	Total	87,322	79,860

Refer to note 40 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.

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PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
2,052,820	1,862,287	Gross Carrying Amount	2,052,820	1,862,287
786,877	672,113	Less Accumulated Depreciation and Impairment	786,877	672,113
<u>1,265,943</u>	<u>1,190,174</u>	Net Carrying Amount	<u>1,265,943</u>	<u>1,190,174</u>
Plant and Equipment - Fair Value				
233,459	226,677	Gross Carrying Amount	233,459	226,677
130,296	128,765	Less Accumulated Depreciation and Impairment	130,296	128,765
<u>103,163</u>	<u>97,912</u>	Net Carrying Amount	<u>103,163</u>	<u>97,912</u>
Infrastructure Systems - Fair Value				
242,382	217,260	Gross Carrying Amount	242,382	217,260
104,814	89,779	Less Accumulated Depreciation and Impairment	104,814	89,779
<u>137,568</u>	<u>127,481</u>	Net Carrying Amount	<u>137,568</u>	<u>127,481</u>
Total Property, Plant and Equipment				
<u>1,506,674</u>	<u>1,415,567</u>	At Net Carrying Amount	<u>1,506,674</u>	<u>1,415,567</u>

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22. Property, Plant and Equipment - Reconciliation

	Land \$000	Buildings \$000	Work in Progress \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2010						
Net Carrying Amount at Start of Year	223,135	962,833	4,206	97,912	127,481	1,415,567
Additions		1,291	9,407	24,646		35,344
Reclassifications		706	(706)			0
Recognition of Assets Held for Sale	(1,500)	(462)				(1,962)
Disposals				(2,508)		(2,508)
Administrative Restructures - Transfers In/(Out)				(15)		(15)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves.	(5,148)	113,077			15,519	123,448
Depreciation Expense	0	(40,896)	0	(16,872)	(5,432)	(63,200)
Net Carrying Amount at End of Year	216,487	1,036,549	12,907	103,163	137,568	1,506,674

	Land \$000	Buildings \$000	Work in Progress \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2009						
Net Carrying Amount at Start of Year	221,835	993,151	19,374	82,453	135,692	1,452,505
Additions		1,161	8,422	34,277		43,860
Reclassifications		23,590	(23,590)			0
Recognition of Assets Held for Sale	1,300	561				1,861
Disposals		(4,682)		(1,731)		(6,413)
Administrative Restructures - Transfers In/(Out)				(1,524)		(1,524)
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves.		(10,960)			(2,911)	(13,871)
Depreciation Expense		(39,988)		(15,563)	(5,300)	(60,851)
Net Carrying Amount at End of Year	223,135	962,833	4,206	97,912	127,481	1,415,567

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the South Eastern Sydney and Illawarra Area Health Service [see note 2(g)].
- (ii) Land and Buildings were valued by CB Richard Ellis (AAPI qualified) on 1 July 2007 [see note 2(j)].
CB Richard Ellis is not an employee of the South Eastern Sydney and Illawarra Area Health Service.
- (iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2(j). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indice applied to Non Current Assets as determined by the Land and Property Management Authority (formerly known as the Department of Lands).

Year	Land	Buildings	Infrastructure
07/08	100	106	106
08/09	93	102	102
09/10	105	103	103

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PARENT		CONSOLIDATION	
2010	2009	2010	2009
\$000	\$000	\$000	\$000
23. Intangible Assets			
Software			
2,409	2,409	2,409	2,409
(2,409)	(1,927)	(2,409)	(1,927)
<u>0</u>	<u>482</u>	<u>0</u>	<u>482</u>
		Net Carrying Amount	

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23. Intangibles - Reconciliation

	Software	Other	Total
	\$000	\$000	\$000
2010			
Net Carrying Amount at Start of Year	482	0	482
Additions (From Internal Development or Acquired Separately)			
Reclassifications from Plant & Equipment			
Assets Held for Sale			
Impairment Losses			
Amortisation (Recognised in Depreciation and Amortisation)	(482)		(482)
Net Carrying Amount at End of Year	0	0	(0)

	Software	Other	Total
	\$000	\$000	\$000
2009			
Net Carrying Amount at Start of Year	964	0	964
Additions (From Internal Development or Acquired Separately)			
Reclassifications from Plant & Equipment			
Assets Held for Sale			
Impairment Losses			
Amortisation (Recognised in Depreciation and Amortisation)	(482)		(482)
Net Carrying Amount at End of Year	482	0	482

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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
24. Other Assets				
Non-Current				
18,786	16,525	Emerging Rights to Assets (refer Note 2(ad))	18,786	16,525
<u>18,786</u>	<u>16,525</u>	Total	<u>18,786</u>	<u>16,525</u>
25. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
2,449	486	Land and Buildings	2,449	486
0	0	Plant & Equipment	0	0
0	0	Infrastructure	0	0
<u>2,449</u>	<u>486</u>	Total	<u>2,449</u>	<u>486</u>
Amounts Recognised in Equity Relating to Assets Held for Sale				
(868)	(57)	Available-for-Sale Asset Revaluation Increments/Decrements	(868)	(57)
<u>(868)</u>	<u>(57)</u>	Total	<u>(868)</u>	<u>(57)</u>

The South Eastern Sydney and Illawarra Area Health Service has identified two (2) properties, being 9 St George Road Bexley, 60-64 Stanley Street Peakhurst as being available for sale in 2010/11.

26. Restricted Assets

The South Eastern Sydney and Illawarra Area 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		
49,385	48,451	Specific Purposes	49,385	48,451
18,841	16,214	Research Grants	18,841	16,214
<u>36,741</u>	<u>33,461</u>	Private Practice Funds	<u>36,741</u>	<u>33,461</u>
<u>104,967</u>	<u>98,126</u>	Total	<u>104,967</u>	<u>98,126</u>

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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
27. Payables				
Current				
0	0	Accrued Salaries, Wages and On-Costs	20,706	33,334
325	693	Payroll Deductions	325	693
1,930	1,748	GST	1,930	1,748
394	398	FBT	394	398
2,273	9,091	PAYG	2,273	9,091
20,706	33,334	Accrued Liability - Purchase of Personnel Services	0	0
75,721	103,694	Creditors	75,721	103,694
Other Creditors				
6,230	9,725	- Capital Works	6,230	9,725
18,160	4,865	- Intra Health Liability	18,160	4,865
4,306	3,981	- Other	4,306	3,981
<u>130,046</u>	<u>167,529</u>	Total	<u>130,046</u>	<u>167,529</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 40.

28. Borrowings				
Current				
8,908	6,290	Other Loans and Deposits	8,908	6,290
<u>8,908</u>	<u>6,290</u>	Total	<u>8,908</u>	<u>6,290</u>
Non-Current				
5,562	10,496	Other Loans and Deposits	5,562	10,496
<u>5,562</u>	<u>10,496</u>	Total	<u>5,562</u>	<u>10,496</u>

Other loans still to be extinguished represent monies of \$7.876M to be repaid to the NSW Health Department. Final Repayment is scheduled for 2013/2014. Loans of \$6.594M are owed to Health Support Services where final repayment is scheduled for 2015/2016.

Repayment of Borrowings (excluding Finance Leases)				
8,908	6,290	Not later than one year	8,908	6,290
4,671	8,732	Between one and five years	4,671	8,732
891	1,764	Later than five years	891	1,764
<u>14,470</u>	<u>16,786</u>	Total Borrowings	<u>14,470</u>	<u>16,786</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 40.

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PARENT			CONSOLIDATION	
2010	2009		2010	2009
\$000	\$000		\$000	\$000
29. Provisions				
Current Employee Benefits and Related On-Costs				
0	0	Annual Leave - Short Term Benefit	104,283	96,774
0	0	Annual Leave - Long Term Benefit	94,946	88,792
0	0	Long Service Leave - Short Term Benefit	24,137	22,422
0	0	Long Service Leave - Long Term Benefit	228,057	190,342
451,423	398,330	Provision for Personnel Services Liability	0	0
<u>451,423</u>	<u>398,330</u>	Total Current Provisions	<u>451,423</u>	<u>398,330</u>
Non Current Employee Benefits and Related On-Costs				
10,477	9,479	Long Service Leave - Conditional	10,477	9,479
<u>10,477</u>	<u>9,479</u>	Total Non-Current Provisions	<u>10,477</u>	<u>9,479</u>
Aggregate Employee Benefits and Related On-Costs				
0	0	Provisions - Current	451,423	398,330
0	0	Provisions - Non-Current	10,477	9,479
0	0	Accrued Salaries, Wages and On-Costs (Note 27)	21,031	34,027
482,931	441,836	Accrued Liability - Purchase of Personnel Services (Note 27)	0	0
<u>482,931</u>	<u>441,836</u>		<u>482,931</u>	<u>441,836</u>
30. Other Liabilities				
Current				
1,374	1,617	Income in Advance	1,374	1,617
<u>1,374</u>	<u>1,617</u>		<u>1,374</u>	<u>1,617</u>
Non-Current				
15,659	15,329	Income in Advance	15,659	15,329
<u>15,659</u>	<u>15,329</u>		<u>15,659</u>	<u>15,329</u>

In July 1995, \$5.5m was received as income in advance from International Parking Group under the terms of contract to operate a car park facility at the Sydney Hospital Campus for 25 years.

In July 1997, \$5m was received as income in advance from Health Care of Australia (now known as Healthscope Ltd) under the terms of contract to provide and operate a private hospital at the Randwick Hospital Campus for 40 years.

In July 1998, \$18.5m was received as income in advance from International Parking Group under the terms of contract to operate a car park facility at the Randwick Hospital Campus for 25 years.

In June 1999, \$4.54m was received as income in advance from International Parking Group under the terms of contract to operate a car park facility at the St George Hospital Campus for 25 years.

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PARENT			CONSOLIDATION	
2010 \$000	2009 \$000		2010 \$000	2009 \$000
31. Commitments for Expenditure				
(a) Capital Commitments				
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date but not provided for:				
7,932	11,127	Not later than one year	7,932	11,127
<u>1,372</u>	<u>550</u>	Later than one year and not later than five years	<u>1,372</u>	<u>550</u>
<u>9,304</u>	<u>11,677</u>	Total Capital Expenditure Commitments (Including GST)	<u>9,304</u>	<u>11,677</u>
Of the commitments reported at 30 June 2010 it is expected that \$1.185m will be met from locally generated moneys.				
(b) Other Expenditure Commitments				
Aggregate other expenditure contracted for the acquisition of goods and services contracted for at balance date but not provided for :				
35,336	56,226	Not later than one year	35,336	56,226
<u>18,558</u>	<u>6,080</u>	Later than one year and not later than five years	<u>18,558</u>	<u>6,080</u>
<u>53,894</u>	<u>62,306</u>	Total Other Expenditure Commitments (Including GST)	<u>53,894</u>	<u>62,306</u>
(c) Operating Lease Commitments				
Commitments in relation to non-cancellable operating leases are payable as follows:				
7,194	8,805	Not later than one year	7,194	8,805
8,600	10,639	Later than one year and not later than five years	8,600	10,639
<u>337</u>	<u>681</u>	Later than five years	<u>337</u>	<u>681</u>
<u>16,131</u>	<u>20,125</u>	Total Operating Lease Commitments (Including GST)	<u>16,131</u>	<u>20,125</u>
The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.				
(d) Contingent Asset related to Commitments for Expenditure				
The total of "Commitments for Expenditure" above, i.e. \$79.330 million as at 30 June 2010 includes input tax credits of \$7.212 million that are expected to be recoverable from the Australian Taxation Office.				

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32. Trust Funds

The South Eastern Sydney and Illawarra Area Health Service holds trust fund moneys of **\$5,896** 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 South Eastern Sydney and Illawarra Area 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	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial reporting period	484	463	215	209	5,826	5,797	6,525	6,469
Receipts	1,037	1,141	139	40	64,327	59,280	65,503	60,461
Expenditure	(1,037)	(1,120)	(53)	(34)	(65,042)	(59,251)	(66,132)	(60,405)
Cash Balance at the end of the financial reporting period	484	484	301	215	5,111	5,826	5,896	6,525

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33. Contingent Liabilities

a) Claims on Managed Fund

Since 1 July 1989, the South Eastern Sydney and Illawarra Area Health Service has been a member of the NSW Treasury Managed Fund. The Fund will pay to or on behalf of the South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area Health Service.

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2003/04 fund year and an interim adjustment for the 2005/06 fund year were not calculated until 2009/10. As a result, the 2004/05 final and 2006/07 interim hindsight calculations will be paid in 2010/11.

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

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.

South Eastern Sydney and Illawarra 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
34. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services				
44,934	26,625	Net Cash Flows from Operating Activities	44,934	26,625
(63,682)	(61,333)	Depreciation	(63,682)	(61,333)
(9)	(448)	Allowance For Impairment	(9)	(448)
(22,423)	(23,947)	Acceptance by the Crown Entity of Employee Superannuation Benefits	(22,423)	(23,947)
(54,091)	(35,777)	Decrease/(Increase) in Provisions	(54,091)	(35,777)
82	4,353	Increase / (Decrease) in Prepayments and Other Assets	82	4,353
37,396	6,955	(Increase)/ Decrease in Creditors	37,396	6,955
(634)	(5,193)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(634)	(5,193)
(1,692,950)	(1,660,015)	NSW Health Department Recurrent Allocations	(1,692,950)	(1,660,015)
(21,714)	(18,885)	NSW Health Department Capital Allocations	(21,714)	(18,885)
<u>(1,773,091)</u>	<u>(1,767,665)</u>	Net Cost of Services	<u>(1,773,091)</u>	<u>(1,767,665)</u>

35. Non-Cash Financing and Investing Activities

310	3,020	Assets Received by Donation	310	3,020
<u>310</u>	<u>3,020</u>		<u>310</u>	<u>3,020</u>

36. 2009/10 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary services provided to South Eastern Sydney and Illawarra Area Health Service. Services provided include:

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

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

PARENT AND CONSOLIDATION

37. Unclaimed Moneys

Unclaimed salaries and wages are paid to the credit of the Department of Industrial Relations and Employment in accordance with the provisions of the Industrial Relations Act, 1996.

All money and personal effects of patients which are left in the custody of South Eastern Sydney and Illawarra Area Health Service 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 South Eastern Sydney and Illawarra Area Health Service.

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.

38. Budget Review

Net Cost of Services

The actual Net Cost of Services was higher than budget by \$5.504m (0.003%) (Consolidated only). This was mainly due to acute and Emergency Department activity being above target for the year. The higher activity flowed through to higher than targeted staffing numbers. Expenditure on consumables such as medical and surgical supplies, prosthesis and drugs also exceeded budget. This was partly offset by patient fees exceeding budget due to increased chargeable bed days, other revenue exceeding budget, and a positive return on investments greater than last year.

Result for the Year

The result for the year from ordinary activities was higher than budget by \$9.665m. This was mainly due to the Net Cost of Services unfavourability (refer above) and delays in capital projects resulting in capital allocations totalling \$4.308m not required for the year.

Assets and Liabilities

Current Assets

The variance of \$17.438m (10.06%) above budget was mainly due to higher Special Purpose Fund investments in Financial Assets (\$7.462m), increase in properties held for sale of \$16.573m, offset by collection improvement in debtors of \$6.611m.

Non-Current Assets

The variance of \$134.419m (9.4%) above budget was mainly due to unbudgeted valuation update to property and infrastructure to bring those assets to Fair Value, and is offset by transfer of properties to Current Assets Held for Sale.

Current Liabilities

The variance of \$9.118m (1.5%) is mainly due to Payables (\$5.434m) and Provisions (\$3.986m) being lower than budget. The Payables variance was mainly due to the Health Service decreasing trade creditors over 45 days to Nil at June 10.

Non-Current Liabilities

Non Current Liabilities were \$4.759m (13.1%) below budget, and mainly relates to repayment of loans to DOH.

Cash Flows

Operating Activities

Cash inflows from Operating Activities were \$16.890m lower than budget. This was mainly due to Area's over budget result and capital projects not progressing at budgeted levels.

Investing Activities

Cash outflows from Investing Activities were \$19.309m lower than budget. This was mainly due to delays in several capital projects and delay in purchase of plant & equipment.

Financing Activities

Cash outflows from Financing Activities were \$3.403m lower than budget.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

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

	\$'000
Initial Allocation	1,705,717
Award Increases	55,650
Mental Health Funding Increase	6,327
Voluntary Redundancy Funding 0809	(3,614)
Adj to AIDS, NGO and IDNS Project Funding	438
Commonwealth Elective Surgery Equipment	183
SASS/SSS Super Expense transferred to Super Guarantee Charge	160
TMF Allocation 2009/10 - adjusted to Benchmark	3,513
Keep Them Safe Project Funding	2,513
Innovative Health Services Homeless Youth	506
NSW Ventilator Dependant Quadriplegia Prog (VDQP)	206
NSW Public Health Network Support	100
NGO Transfer We Help Our Selves Inc	(271)
Drug and Alcohol Funding increase	3,609
Victims Support Fund Grant Program Funding	100
Reversal of Allocation for Metabolic Genetic Transition Services	(122)
Caring Together Initiatives	3,244
Antenatal Care Obesity Project	100
COAG National Partnerships Sub Acute Care Reform	3,476
Nurse Midwife and Training Strategy allocations	4,028
Building Strong Foundations for Aboriginal Children	1,151
MAA Bulk Billing Agreement Adjustment	1,500
Regional VMO's	450
NSW Complex Epilepsy Service	144
NGO Grant Homicide Victims Support Group - transfer funding	(356)
AIDS - NGO Program Funding	478
AIDS Program Funding	1,022
National Illicit Drug Strategy	402
NSW Organ & Tissue Donation Service	3,487
Vaccination Programs	163
Statewide Clinical Leadership Program	131
Radiation Oncology Medical Physicists Registrars	91
Planned Surgery funding allocation	4,800
Supplementary Fund Health Promotion	158
VMO Supplementation for Sessional, FFS & Rural Doctors	1,076
Dementia Policy Team Funding	307
Graduate Radiation Therapists	384
Healthy Kids Check Training Package	186
Child Health Network Enhancement Projects	425
Aged Care Dementia Funding Agreement	178
Uptake of PH1N1 Vaccination	250
Renal Service Enhancements	400
2009/10 Compacts Funding	363
Supplementary Funding for AHS	179
Home and Community Care Cost Escalation	267
Voluntary Redundancy Funding 0910	469
Blood and Marrow Transplantation (BMT)	850
Anti Bullying Management Advisor Positions	224
Highly Specialised Drugs 0809 Wash up	1,090
Revenue Budget relief 0910 - one off	7,000
Taking the Pressure off Public Hospitals Initiative	281
Statewide Spinal Cord Injury Services	230
Establishment of Multidisciplinary Bariatric Clinic	200
ABF/RF Development of Data Collection Infrastructure	501
Smoke Free Policy funding	250
Transfer of Mental Health Inquiry Function	175
Chronic Disease Management	1,826
La Perouse Community Health Centre	100
One Off Funding to Support Local Clinical Redesign	140
Movement from SASS/SSS to Super Guarantee Charge	529
St Vincents Hospital Heart Lung Transplant	2,000
Inter Area Flows (net inflows)	(182,498)
Emergency Departments Equipment Purchases	331
Home Dialysis Fluids Funding	295
Salary Accruals - 27th Pay	13,000
Liquidity Assistance 2009/10	41,657
Other Service Enhancements	801
Balance as per Statement of Comprehensive Income	1,692,950

South Eastern Sydney Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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39. Increase/(Decrease) in Net Assets from Equity Transfers

Net assets of \$1.152 million transferred from the South Eastern Sydney Illawarra Area Health Service with effect from 11 December 2009 from which time Health Support Services assumed responsibility for the provision of Warehousing Services. Assets and liabilities transferred are as follows:

	2010 \$'000	2009 \$'000
Assets		
Inventory	(1,214)	(434)
Plant and Equipment	(15)	(1,524)
Liabilities		
Provisions	662	755
Loans	(585)	
	-----	-----
Increase/(Decrease) in Net Assets from Equity Transfers	<u>(1,152)</u>	<u>(1,203)</u>

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2010

40. Financial Instruments

The South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area Health Service does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The South Eastern Sydney and Illawarra Area Health Service's main risks arising from financial instruments are outlined below, together with the 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 South Eastern Sydney and Illawarra Area Health Service, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit and Risk Management Committee/Internal auditors on a regular basis and in a planned manner.

(a) Financial Instrument Categories

PARENT and CONSOLIDATION

Financial Assets		Carrying	Carrying
Class:	Category	Amount	Amount
		2010	2009
		\$000	\$000
Cash and Cash Equivalents (note 19)		20,195	18,185
Receivables (note 20) ¹	Loans and Receivables (at amortised cost)	30,610	36,846
Financial Assets at Fair Value (note 22)	At fair value through profit or loss (designated as such upon initial recognition)	87,322	79,860
Total Financial Assets		<u>138,127</u>	<u>134,891</u>
Financial Liabilities			
Borrowings (Note 30)	Financial liabilities measured at amortised cost.	14,470	16,786
Payables (Note 29) ²		125,449	167,529
Other (Note 32)		0	0
Total Financial Liabilities		<u>139,919</u>	<u>184,315</u>

Notes

- ¹ Excludes statutory receivables and prepayments (ie not within scope of AASB 7)
² Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the South Eastern Sydney and Illawarra Area Health Service's debtors defaulting on their contractual obligations, resulting in a financial loss to the South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area Health Services's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

South Eastern Sydney and Illawarra Area Health Service deposits held with NSW Tcorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 3.90% in 2009/10 compared to 3.07% in the previous year. The TCorp Hour Glass cash facility is discussed in paragraph (d) below.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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Receivables - trade debtors

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

The South Eastern Sydney and Illawarra Area 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, \$22.366m (2009: \$27.436m) related to debtors that were not past due and not considered impaired and debtors of \$5.766m (2009: \$4.882m) were past due but not considered impaired. Together these represent 80.4% (2009: 78.5%) 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 South Eastern Sydney and Illawarra Area Health Services' debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have not been renegotiated.

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.

	\$000	\$000	\$000
2010	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	28,329	27,999	330
3 months - 6 months overdue	1,910	1,296	614
> 6 months overdue	4,711	1,316	3,395
2009			
<3 months overdue	32,492	32,318	174
3 months - 6 months overdue	2,254	1,375	879
> 6 months overdue	6,429	3,152	3,277

Notes

- Each column in the table reports "gross receivables".
- 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 South Eastern Sydney and Illawarra Area 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 vary. The deposits at balance date were earning an average interest rate of 8.12% (2009: -2.69%), while over the year the weighted average interest rate was 7.74% (2009: -2.67%) on a weighted average balance during the year of \$93.767m (2009: \$89.105m). None of these assets is past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the South Eastern Sydney and Illawarra Area Health Service will be unable to meet its payment obligations when they fall due. The South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra 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 generally settled in accordance with the policy set by the NSW Department of Health. If trade terms are not specified, payment is also generally made no later than the end of the month following the month in which an invoice or a statement is received.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated which are advantageous to both parties.

The table following summarises the maturity profile of the South Eastern Sydney and Illawarra Area Health Service's financial liabilities together with the interest rate exposure.

South Eastern Sydney and Illawarra Area Health Service
Notes to and forming part of the Financial Statements
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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective interest rate	Interest Rate Exposure \$'000					Maturity Dates			
		Nominal Amount 1		Fixed Interest Rate		Variable Interest Rate		Non - Interest Bearing		> 5Yr
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
2010	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:										
Accrued Salaries		32,698				32,698				
Wages, On-Costs and Payroll Deductions		(88)				(88)				
Creditors		140,738				140,738				
Borrowings:										
Non-Interest Loans		9,443				9,443			4,312	935
Other Loans and Deposits	6.62	5,877	5,877						970	
		188,668	5,877	0	182,791	177,544	4,196	5,282	935	935
2009										
Payables:										
Accrued Salaries		33,334				33,334				
Wages, On-Costs and Payroll Deductions		693				693				
Creditors		133,502				133,502				
Borrowings:										
Non-Interest Loans		6,884				6,884			3,975	1,870
Other Loans and Deposits	6.75	10,765	10,765						5,323	
		185,178	10,765	0	174,413	174,010	5,442	9,298	1,870	1,870

Notes:

- 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 table include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.
- Of the \$5.323M disclosed in the 2010 'other loans and deposits' time band 1-5yrs, The South Eastern Sydney Illawarra Health Service has no intent to effect payments in advance of maturity dates on or prior to 30 September 2010.

South Eastern Sydney and Illawarra 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 South Eastern Sydney and Illawarra Area Health Service's exposures to market risk are primarily through interest rate risk on the South Eastern Sydney and Illawarra Area Health Service's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass investment facilities. The South Eastern Sydney and Illawarra Area 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 South Eastern Sydney and Illawarra Area Health Service operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the South Eastern Sydney and Illawarra Area Health Service's interest bearing liabilities.

However, Health Services are not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury excepted). Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Health Service does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The South Eastern Sydney and Illawarra Area Health Service's exposure to interest rate risk is set out below.

	\$'000	-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
2010					
Financial Assets					
Cash and Cash Equivalents	20,195	(202)	(202)	202	202
Financial Assets at Fair Value	87,322	(873)	(873)	873	873
Financial Liabilities					
Borrowings	14,470	(145)	(145)	145	145
2009					
Financial Assets					
Cash and Cash Equivalents	18,185	(182)	(182)	182	182
Financial Assets at Fair Value	79,860	(799)	(799)	799	799
Financial Liabilities					
Borrowings	16,786	(168)	(168)	168	168

South Eastern Sydney and Illawarra Area Health Service
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Other price risk - TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. The South Eastern Sydney and Illawarra Area 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 2 years	5,608	6,905
Strategic cash facility	Cash, money market and other interest rate instruments	2 years to 4 years	14,216	13,586
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	4 years to 7 years	37,890	34,789
Long term growth facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over	35,215	31,485

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 as trustee for each of the above facilities is required to act in the best interest of the unitholders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risk of 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.

South Eastern Sydney and Illawarra Area Health Service
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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). The TCorp Hour-Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

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%	0	0
Hour-Glass Investment - Strategic cash facility	+/- 5%	711	679
Hour-Glass Investment - Medium-term growth facility	+/- 7%	2,652	2,435
Hour-Glass Investment - Long-term growth facility	+/- 15%	5,282	4,723

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

The South Eastern Sydney and Illawarra Area 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 Invt.Facility		87,322		87,322

(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.

41. Working Capital Deficiency

The consolidated entity has a deficiency of working capital of \$401,138,000 (2009 \$406,269,000).

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.

42. Post Balance Date Events

The NSW Department of Health by administrative restructure has transferred the Sydney Childrens Hospital, on and from, 1 July 2010 to The Sydney Children's Hospitals Network.

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

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

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

END OF AUDITED FINANCIAL STATEMENTS