



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Central Coast Local Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Central Coast Local Health Network (the Network), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the six months then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the period's end or from time to time during the period.

#### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity, as at 30 June 2011, and of the financial performance for the six months then ended in accordance with Australian Accounting Standards
- 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 does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cashflows.

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

#### The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Network or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

#### Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



Peter Achterstraat  
Auditor-General

11 October 2011  
SYDNEY



**Certification of Parent/Consolidated Financial Statements  
Central Coast Local Health Network  
For Period Ended 30 June 2011**

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

1. The financial statements have been prepared in accordance with:
  - Australian Accounting Standards (which include Australian Accounting Interpretations)
  - *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulations 2010 and the Treasurer's Directions
2. The financial statements exhibit a true and fair view of the financial position and the financial performance of the Central Coast Local Health Network
3. There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

I further state the financial statements have been prepared in accordance with the NSW Department of Health's Accounts and Audit Determination for Public Health Organisations.

**Matt Hanrahan**  
Chief Executive

Date: 4/10/11

Central Coast Local Health Network

Statement of Comprehensive Income for the Six Months ended 30 June 2011

PARENT			CONSOLIDATION	
Actual	Budget (unaudited)	Notes	Actual	Budget (unaudited)
2011	2011		2011	2011
\$000	\$000		\$000	\$000
<b>Expenses excluding losses</b>				
Operating Expenses				
0	0	Employee Related	180,053	181,308
180,053	181,308	Personnel Services	0	0
12,730	12,784	Visiting Medical Officers	12,730	12,784
87,923	85,357	Other Operating Expenses	87,923	85,357
8,821	8,839	Depreciation and Amortisation	8,821	8,839
2,845	2,808	Grants and Subsidies	2,845	2,808
1	0	Finance Costs	1	0
<b>292,373</b>	<b>291,096</b>	<b>Total Expenses excluding losses</b>	<b>292,373</b>	<b>291,096</b>
<b>Revenue</b>				
31,301	29,410	Sale of Goods and Services	31,301	29,410
442	209	Investment Revenue	442	209
11,578	2,434	Grants and Contributions	3,907	2,434
69	526	Other Revenue	69	526
<b>43,390</b>	<b>32,579</b>	<b>Total Revenue</b>	<b>35,719</b>	<b>32,579</b>
(109)	(5)	Gain/(Loss) on Disposal	(109)	(5)
(212)	(114)	Other Gains/(Losses)	(212)	(114)
<b>249,304</b>	<b>258,636</b>	<b>Net Cost of Services</b>	<b>256,975</b>	<b>258,636</b>
<b>Government Contributions</b>				
NSW Department of Health				
233,896	233,896	Recurrent Allocations	233,896	233,896
NSW Department of Health				
5,710	5,811	Capital Allocations	5,710	5,811
Acceptance by the Crown Entity of				
0	4,783	Employee Benefits	7,671	4,783
<b>239,606</b>	<b>244,490</b>	<b>Total Government Contributions</b>	<b>247,277</b>	<b>244,490</b>
<b>(9,698)</b>	<b>(14,146)</b>	<b>RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>(9,698)</b>	<b>(14,146)</b>
<b>Other Comprehensive Income</b>				
Net Change in the Asset Revaluation Reserve Arising from a Change in the				
0	0	Restoration Liability	0	0
Other Net Increases/(Decreases) in				
187	0	Administration Restructure	187	0
<b>187</b>	<b>0</b>	<b>Other Comprehensive Income for the six months ended 30 June 2011</b>	<b>187</b>	<b>0</b>
<b>(9,511)</b>	<b>(14,146)</b>	<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>(9,511)</b>	<b>(14,146)</b>

Central Coast Local Health Network

Statement of Financial Position as at 30 June 2011

PARENT				CONSOLIDATION		
Actual	Budget (unaudited)		Notes	Actual	Budget (unaudited)	
2011	2011			2011	2011	
\$000	\$000			\$000	\$000	
<b>ASSETS</b>						
<b>Current Assets</b>						
17,177	(11,088)	Cash and Cash Equivalents	17	17,177	(11,088)	
21,383	5,769	Receivables	18	21,383	5,769	
3,300	3,649	Inventories	19	3,300	3,649	
<b>41,860</b>	<b>(1,670)</b>	<b>Total Current Assets</b>		<b>41,860</b>	<b>(1,670)</b>	
<b>Non-Current Assets</b>						
<b>Property, Plant and Equipment</b>						
454,771	461,249	- Land and Buildings	20	454,771	461,249	
16,416	17,531	- Plant and Equipment	20	16,416	17,531	
11,294	11,434	- Infrastructure Systems	20	11,294	11,434	
482,481	490,214	Total Property, Plant and Equipment		482,481	490,214	
<b>482,481</b>	<b>490,214</b>	<b>Total Non-Current Assets</b>		<b>482,481</b>	<b>490,214</b>	
<b>524,341</b>	<b>488,544</b>	<b>Total Assets</b>		<b>524,341</b>	<b>488,544</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
42,024	14,056	Payables	22	42,024	14,056	
42,864	39,713	Provisions	23	42,864	39,713	
3,893	1,852	Other	24	3,893	1,852	
<b>88,781</b>	<b>55,621</b>	<b>Total Current Liabilities</b>		<b>88,781</b>	<b>55,621</b>	
<b>Non-Current Liabilities</b>						
139	12	Provisions	23	139	12	
<b>139</b>	<b>12</b>	<b>Total Non-Current Liabilities</b>		<b>139</b>	<b>12</b>	
<b>88,920</b>	<b>55,633</b>	<b>Total Liabilities</b>		<b>88,920</b>	<b>55,633</b>	
<b>435,421</b>	<b>432,911</b>	<b>Net Assets</b>		<b>435,421</b>	<b>432,911</b>	
<b>EQUITY</b>						
435,421	432,911	Accumulated Funds		435,421	432,911	
<b>435,421</b>	<b>432,911</b>	<b>Total Equity</b>		<b>435,421</b>	<b>432,911</b>	

Central Coast Local Health Network

Statement of Changes in Equity for the Six Months ended 30 June 2011

Parent and Consolidation	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 January 2011		0	0
Result For The Six Months Ended 30 June 2011		(9,698)	(9,698)
Other Comprehensive Income:			
Transfer in Accumulated Funds		187	187
<b>Total Other Comprehensive Income</b>		<u>187</u>	<u>187</u>
<b>Total Comprehensive Income For The Six Months Ended 30 June 2011</b>		<u>(9,511)</u>	<u>(9,511)</u>
<b>Transactions With Owners in Their Capacity As Owners</b>			
Increase/(Decrease) in Net Assets From Equity Transfers	33	444,932	444,932
<b>Balance at 30 June 2011</b>		<u><u>435,421</u></u>	<u><u>435,421</u></u>

Central Coast Local Health Network

Statement of Cash Flows for the Six Months ended 30 June 2011

PARENT			CONSOLIDATION	
Actual	Budget (unaudited)		Actual	Budget (unaudited)
2011	2011	Notes	2011	2011
\$000	\$000		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
(168,737)	(174,417)	Employee Related	(168,737)	(174,417)
(2,845)	(2,808)	Grants and Subsidies	(2,845)	(2,808)
(1)	0	Finance Costs	(1)	0
(69,593)	(96,957)	Other	(69,593)	(96,957)
<b>(241,176)</b>	<b>(274,182)</b>	<b>Total Payments</b>	<b>(241,176)</b>	<b>(274,182)</b>
<b>Receipts</b>				
13,779	23,060	Sale of Goods and Services	13,779	23,060
442	209	Interest Received	442	209
3,975	7,608	Other	3,975	7,608
<b>18,196</b>	<b>30,877</b>	<b>Total Receipts</b>	<b>18,196</b>	<b>30,877</b>
<b>Cash Flows From Government</b>				
233,896	233,896	NSW Department of Health Recurrent Allocations	233,896	233,896
5,710	5,811	NSW Department of Health Capital Allocations	5,710	5,811
<b>239,606</b>	<b>239,707</b>	<b>Net Cash Flows From Government</b>	<b>239,606</b>	<b>239,707</b>
<b>16,626</b>	<b>(3,598)</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>16,626</b>	<b>(3,598)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(8,412)	(16,454)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(8,412)	(16,454)
<b>(8,412)</b>	<b>(16,454)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(8,412)</b>	<b>(16,454)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
0	1	Repayment of Borrowings and Advances	0	1
<b>0</b>	<b>1</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>0</b>	<b>1</b>
8,214	(20,051)	<b>NET INCREASE / (DECREASE) IN CASH</b>	8,214	(20,051)
8,963	8,963	Cash Transferred In as a Result of Equity Transfers	8,963	8,963
<b>17,177</b>	<b>(11,088)</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>17,177</b>	<b>(11,088)</b>

Central Coast Local Health Network

Service Group Statements  
for the Six Months ended 30 June 2011

SERVICE'S EXPENSES AND INCOME	Service Group 1.1 *	Service Group 1.2 *	Service Group 1.3 *	Service Group 2.1 *	Service Group 2.2 *	Service Group 3.1 *	Service Group 4.1 *	Service Group 5.1 *	Service Group 6.1 *	Not Attributable	Total
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses											
Operating Expenses											
Employee Related	17,027	731	21,040	18,060	76,032	10,286	9,856	2,409	15,532	-----	130,053
Visiting Medical Officers	94	-----	1,348	1,437	6,527	578	139	-----	2,609	-----	12,730
Other Operating Expenses	5,598	194	15,331	6,477	39,227	6,041	4,809	2,854	7,281	-----	87,923
Depreciation and Amortisation	253	3	1,261	1,071	4,369	593	458	18	825	-----	8,821
Grants and Subsidies	232	-----	113	-----	1	291	2,208	-----	-----	-----	2,845
Other Expenses	-----	-----	-----	1	-----	-----	-----	-----	-----	-----	1
Total Expenses excluding losses	23,174	838	39,091	27,246	126,155	26,760	17,460	5,392	26,227	-----	292,373
Revenue											
Sale of Goods and Services	1,407	28	2,379	2,091	16,489	3,338	3,602	217	1,751	-----	31,301
Investment Revenue	34	1	32	26	199	22	23	5	103	-----	442
Grants and Contributions	310	4	298	2	284	242	591	10	2,079	-----	3,607
Other Revenue	5	0	9	8	31	5	4	-----	8	-----	69
Total Revenue	1,765	33	2,815	2,127	16,992	3,597	4,226	233	3,933	-----	35,719
Gain / (Loss) on Disposal	(26)	0	(15)	(15)	(41)	(2)	(3)	-----	(1)	-----	(109)
Other Gains / (Losses)	(7)	(0)	(95)	(7)	(60)	(11)	(6)	(1)	(20)	-----	(212)
Net Cost of Services	21,442	804	36,385	25,141	109,281	23,165	13,249	5,130	22,318	-----	256,975
Government Contributions	-----	-----	-----	-----	-----	-----	-----	-----	-----	247,277	247,277
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011	(21,442)	(804)	(36,385)	(25,141)	(109,281)	(23,165)	(13,249)	(5,130)	(22,318)	247,277	(9,693)

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

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

The Service Group Statement uses statistical data from the former NSCC Area Health Service to 31 December 2010 to allocate the current period's financial information on expenses and revenue to each service group.

No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.

Service Group Statements (Continued)  
for the Six Months ended 30 June 2011

SERVICE'S ASSETS AND LIABILITIES	Service Group 1.1 *	Service Group 1.2 *	Service Group 1.3 *	Service Group 2.1 *	Service Group 2.2 *	Service Group 3.1 *	Service Group 4.1 *	Service Group 5.1 *	Service Group 6.1 *	Not Attributable	Total
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS											
Current Assets											
Cash and Cash Equivalents	1,361	53	2,237	1,001	7,412	1,572	1,026	315	1,540	-----	17,177
Receivables	1,057	20	1,636	1,273	10,167	2,160	2,526	138	2,356	-----	21,383
Inventories	218	5	428	327	1,570	218	193	41	300	-----	3,300
Total Current Assets	2,636	78	4,411	3,201	19,149	3,950	3,745	494	4,196	-----	41,860
Non-Current Assets											
Property, Plant and Equipment											
- Land and Buildings	10,048	140	65,020	55,216	225,243	29,855	23,604	905	42,540	-----	454,771
- Plant and Equipment	471	5	2,347	1,993	8,131	1,049	852	33	1,535	-----	16,416
- Infrastructure Systems	324	3	1,615	1,371	5,594	722	586	22	1,057	-----	11,294
Total Non-Current Assets	10,843	148	69,982	58,580	239,568	30,826	25,042	960	45,132	-----	482,481
TOTAL ASSETS	16,479	226	73,393	61,781	258,717	34,776	28,787	1,454	49,328	-----	524,341
LIABILITIES											
Current Liabilities											
Payables	2,781	60	5,448	4,182	19,594	2,774	2,452	521	3,832	-----	42,024
Provisions	4,053	174	5,009	4,229	18,100	4,591	2,346	593	3,694	-----	42,854
Other	309	12	521	333	1,680	359	232	71	348	-----	3,893
Total Current Liabilities	7,143	246	10,978	8,744	39,774	7,724	5,030	1,185	7,864	-----	88,781
Non-Current Liabilities											
Provisions	13	1	16	14	59	15	8	2	11	-----	139
Total Non-Current Liabilities	13	1	16	14	59	15	8	2	11	-----	139
TOTAL LIABILITIES	7,156	247	10,994	8,758	39,833	7,739	5,038	1,187	7,875	-----	88,920
NET ASSETS	9,323	(21)	62,399	52,943	218,884	27,040	23,749	267	41,437	-----	435,421



Central Coast Local Health Network  
Notes to and forming part of the Financial Statements  
for the Six Months ended 30 June 2011

**1 The Health Service Reporting Entity**

The Central Coast Local Health Network, "the Network", was established under the provisions of the *Health Services Act 1997* with effect from 1 January 2011.

The Network, 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 Network. The Network is a not-for-profit entity (as profit is not its principal objective).

The Network controls the Central Coast Network Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 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 Network to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Network (as the parent entity), and the consolidated financial statements of the economic entity. Separate financial statements of the special purpose entity are not presented in the consolidated statements.

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

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

These consolidated financial statements for the six months ended 30 June 2011 have been authorised for issue by the Director of Finance and Chief Executive on 4th October 2011.

**2 Summary of Significant Accounting Policies**

**Basis of Preparation**

The Central Coast Local Health Network'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 Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010, and the Financial Reporting Directions published in the Financials reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the Act. The requirements of the Health Services Act 1997 and its regulations including the Accounts and Audit Determination for Public Health Organisations have also been observed.

Apart from the basis for the Central Coast Local Health Network's budget figures, the financial statements comply with the Financial Reporting Code for Budget Dependent General Government Sector Agencies. Further information on the budget figures can be found at Note 2(y).

Notwithstanding the consolidated entity has a working capital deficiency of \$46.9M and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of Central Coast Local Health Network have been prepared on a going concern basis.

As has been the case in prior years, the NSW Department of Health issued a letter of financial support on 21 September 2011 confirming that the Central Coast Local Health Network receives each year funding from monies appropriated to the Minister from the Consolidated Fund in accordance with Section 127 of the Health Services Act 1997.

These appropriated funds, combined with other revenues earned, are applied to pay its debts as and when they become due and payable.

Central Coast Local Health Network  
Notes to and forming part of the Financial Statements  
for the Six Months ended 30 June 2011

Other mitigating circumstances why the going concern basis is appropriate include:

\* Local Health Districts have the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.

\* The Central Coast Local Health Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the entity and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Department throughout the financial year.

#### **Statement of Compliance**

The consolidated and parent entity's financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations .

#### **Other**

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.

No comparative information is given as this is the Network's first reporting period.

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 Central Coast Local Health Network.

#### **Accounting Standard/Interpretation**

AASB 2010-07, *Financial Instruments*, arising from the issuance of AASB 9, *Financial Instruments*, in December 2010, has mandatory application from 1 January 2013 and will not be early adopted by the Network.

AASB 1053 and AASB 2010-2, *Application of Tiers of Australian Accounting Standards*, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury.

AASB 2010-6, *Disclosures on Transfers of Financial Assets*, has mandatory application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-8, *Deferred Tax:Recovery of Underlying Assets*, has mandatory application from 1 January 2012 but will have no impact on the Network.

AASB 2010-9, *Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-10, *Removal of Fixed Dates for First Time Adopters*, has application from 1 January 2013 and is assessed as having no impact on the Network.

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.

Central Coast Local Health Network  
Notes to and forming part of the Financial Statements  
for the Six Months ended 30 June 2011

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 2011, such on-costs being based on actuarial assessment.

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**

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former Northern Sydney Central Coast Area Health Service with effect from 31 December 2010 and, therefore do not appear in the financial statements of the Network. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are assumed by the Crown Entity.

Long Service Leave is measured at present value in accordance with AASB119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Network's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Network 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 22, "Payables".

The superannuation expense for the reporting period is determined by using the formulae specified by Treasury and communicated via 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 Network has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

**b) Insurance**

The Network'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 Area Health Service claim experience.

**c) Finance Costs**

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

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**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 income are discussed below.

*Sale of Goods*

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

*Rendering of Services*

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

*Patient Fees*

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health. Charges are based on fees collected.

*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 Network's right to receive payment is established.

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

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

- \* a monthly charge raised by the Network 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 Network use in the advancement of the Network or individuals within it.

*Use of Outside Facilities*

The Network 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. Where material, 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 Network obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

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*NSW Department of Health Allocations*

Payments are made by the NSW Department of Health on the basis of the allocation for the Network as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects. This allocation is included in the Statement of Comprehensive Income before arriving at the "Result for the Period" on the basis that the allocation is earned in return for the health services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

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

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

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

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

**f) Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Network. 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(u)).

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 Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

**g) Capitalisation Thresholds**

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

**h) Depreciation of Property, Plant and Equipment**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Network. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

Details of depreciation rates initially applied for major asset categories are as follows:

Buildings	2.5%
Electro Medical Equipment	
- Costing less than \$200,000	10.0%
- Costing more than or equal to \$200,000	12.5%
Computer Equipment	20.0%
Infrastructure Systems	2.5%

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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.

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

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy and Guidelines Paper (TPP07-1). 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(p).

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 policy requirements of the NSW Department of Health require the Network to revalue its Land and Buildings and Infrastructure at minimum every three years by independent valuation and with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at reporting date.

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

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

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

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

Revaluation decrements are recognised immediately as expenses in the result for the period, 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.

**j) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, the Network 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.

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**k) Restoration Costs**

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

**l) 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.

**m) 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.

**n) 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 non 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 is to be consumed in the course of business and is not held for distribution.

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

**o) 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 Reporting Period 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.

**p) 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 Central Coast Network 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 Central Coast Local Health Network 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 Period.*

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

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

\* *Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Central Coast Network 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 Period 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 Period.*

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.

**q) 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 Period.

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 period, 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 period.

Any reversals of impairment losses are reversed through the Result for the Period 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.

**r) 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 Network transfers the financial asset:

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



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

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

**s) Payables**

These amounts represent liabilities for goods and services provided to the Network 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 Network.

**t) 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 period on derecognition.

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

**u) 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.

**v) 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 Network's policy on the revaluation of property, plant and equipment as discussed in Note 2(i).

**(ii) Accumulated Funds**

The category "transfer from administration restructure" includes all current 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.

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**w) Trust Funds**

The Network receives monies in a trustee capacity for various trusts as set out in Note 26. As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, they are not brought to account in the financial statements.

**x) Budgeted Amounts**

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

**y) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data of the former Area Health Service for the twelve months ended 31 December 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 Networks 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.

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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
<b>3. Employee Related</b>		
	Employee related expenses comprise the following:	
0	Salaries and Wages	135,025
0	Superannuation - Defined Benefit Plans	2,716
0	Superannuation - Defined Contribution Plans	12,213
0	Long Service Leave	4,954
0	Annual Leave	16,206
0	Sick Leave and Other Leave	5,444
0	Redundancies	116
0	Workers' Compensation Insurance	3,379
<u>0</u>		<u>180,053</u>
	The following additional information is provided:	
	Employee Related Expenses Capitalised - Plant and Equipment	37
<b>4. Personnel Services</b>		
0	Personnel Services comprise the purchase of the following:	
135,025	Salaries and Wages	0
2,716	Superannuation - Defined Benefit Plans	0
12,213	Superannuation - Defined Contribution Plans	0
4,954	Long Service Leave	0
16,206	Annual Leave	0
5,444	Sick Leave and Other Leave	0
116	Redundancies	0
3,379	Workers' Compensation Insurance	0
<u>180,053</u>		<u>0</u>
	The following additional information is provided:	
37	Personnel Services Expenses Capitalised - Plant and Equipment	0
<b>5. Other Operating Expenses</b>		
2,420	Blood and Blood Products	2,420
3,165	Domestic Supplies and Services	3,165
13,879	Drug Supplies	13,879
6,325	Food Supplies	6,325
2,169	Fuel, Light and Power	2,169
18,927	General Expenses (See (a) below)	18,927
1,078	Hospital Ambulance Transport Costs	1,078
225	Information Management Expenses	225
265	Insurance	265
	Maintenance (See (b) below)	
1,063	Maintenance Contracts	1,063
3,072	New/Replacement Equipment under \$10,000	3,072
715	Repairs/Maintenance/Non Contract	715
457	Motor Vehicle Expenses	457
11,481	Medical and Surgical Supplies	11,481
548	Postal and Telephone Costs	548
500	Printing and Stationery	500
367	Rates and Charges	367
708	Rental	708
18,946	Special Service Departments	18,946
923	Staff Related Costs	923
690	Travel Related Costs	690
<u>87,923</u>		<u>87,923</u>

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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	(a) General Expenses include:-	
	67 Advertising	67
	96 Books, Magazines and Journals	96
	116 Courier and Freight	116
	120 Auditor's Remuneration - Audit of Financial Statements	120
	7 Auditor's Remuneration - Other Services	7
	9 Legal Services	9
	30 Membership/Professional Fees	30
	656 Motor Vehicle Operating Lease Expense - Minimum Lease Payments	656
	25 Other Operating Lease Expense - Minimum Lease Payments	25
	118 Security Services	118
	17,043 Services provided by Transition Office	17,043
	83 Translator Services	83
	557 Other	557
	<hr/> <b>18,927</b> Total General Expenses	<hr/> <b>18,927</b>
	(b) Reconciliation Total Maintenance	
	Maintenance Expense - Contracted Labour and Other (Non-Employee	
	4,850 Related), included in Note 5	4,850
	753 Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	753
	<hr/> <b>5,603</b> Total Maintenance Expenses included in Notes 3, 4 and 5	<hr/> <b>5,603</b>

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<b>PARENT</b>		<b>CONSOLIDATION</b>
2011		2011
\$000		\$000
	<b>6. Depreciation and Amortisation</b>	
7,293	Depreciation - Buildings	7,293
91	Amortisation - Leased Buildings	91
1,260	Depreciation - Plant and Equipment	1,260
177	Depreciation - Infrastructure Systems	177
<u>8,821</u>		<u>8,821</u>
	<b>7. Grants and Subsidies</b>	
730	Non-Government Organisations	730
608	Community Aged Care Packages	608
1,507	Other	1,507
<u>2,845</u>		<u>2,845</u>
	<b>8. Finance Costs</b>	
1	Other Interest Charges	1
<u>1</u>	Total Finance Costs	<u>1</u>

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
<b>9. Sale of Goods and Services</b>		
(a) Sale of Goods comprise the following:-		
628	Sale of Prosthesis	628
142	Other	142
140	Pharmacy Sales	140
(b) Rendering of Services comprise the following:-		
21,667	Patient Fees	21,667
5	Staff-Meals and Accommodation	5
1,304	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	1,304
1,087	- Annual Charge	1,087
250	Car Parking	250
16	Clinical Services (excluding Clinical Drug Trials)	16
16	Commercial Activities	16
63	Fees for Medical Records	63
4,896	Highly Specialised Drugs	4,896
884	Motor Accident Authority Third Party	884
2	Patient Transport Fees	2
24	Services Provided to Non NSW Health Organisations	24
177	Other	177
<b><u>31,301</u></b>		<b><u>31,301</u></b>
<b>10. Investment Revenue</b>		
322	Interest through Profit or Loss	322
120	- Other	120
120	Lease and Rental Income	120
<b><u>442</u></b>		<b><u>442</u></b>

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
<b>11. Grants and Contributions</b>		
253	Clinical Drug Trials	253
2,689	Commonwealth Government Grants	2,689
525	Industry Contributions/Donations	525
10	Cancer Institute Grants	10
193	NSW Government Grants	193
2,716	Personnel Services - Superannuation Defined Benefit Plans	
4,954	Personnel Services - Long Service Leave	
237	Other Grants	237
<u>11,577</u>		<u>3,907</u>
<b>12. Other Revenue</b>		
Other Revenue comprises the following:-		
10	Bad Debts Recovered	10
16	Commissions	16
2	Conference and Training Fees	2
41	Other	41
<u>69</u>		<u>69</u>
<b>13. Gain/(Loss) on Disposal</b>		
18,248	Property, Plant and Equipment	18,248
18,130	Less Accumulated Depreciation	18,130
118	Written Down Value	118
9	Less Proceeds from Disposal	9
<u>(109)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(109)</u>
<u>(109)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(109)</u>
<b>14. Other Gains/(Losses)</b>		
(212)	Impairment of Receivables	(212)
<u>(212)</u>		<u>(212)</u>

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PARENT & CONSOLIDATED

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	1	2,259	7	2,267
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	28	7,710	319	8,057
Total amount of unexpended contributions as at balance date	<u>29</u>	<u>9,969</u>	<u>325</u>	<u>10,324</u>

Comment on restricted assets appears in Note 21



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**16 Service Groups of the Health Service**

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

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

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

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

**Service Group 1.2 - Aboriginal Health Services**

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. (Note: This Service Group excludes most services for Aboriginal people provided directly by Local Health Networks 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 - Inpatient Hospital Services**

Service Description: This service group covers the provision of health care to patients admitted to public hospitals.

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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 Local Health Networks 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.

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011 \$000		2011 \$000
<b>17. Cash and Cash Equivalents</b>		
12,110	Cash at Bank and On Hand	12,110
5,067	Short Term Deposits	5,067
<u>17,177</u>		<u>17,177</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:		
17,177	Cash and Cash Equivalents (per Statement of Financial Position)	17,177
<u>17,177</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>17,177</u>

*Refer to Note 34 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	<b>18. Receivables</b>	
	<b>Current</b>	
	(a) Sale of Goods and Services	
4,799	-Patient Fees	4,799
1,370	- Other	1,370
9,278	Intra Health Receivables NSW Health	9,278
4,635	Goods and Services Tax	4,635
1,031	Other Debtors	1,031
21,113	<b>Sub Total</b>	21,113
0	Less Allowance for Impairment	0
21,113	<b>Sub Total</b>	21,113
270	Prepayments	270
21,383		21,383
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
212	Amounts written off during the reporting period	212
(212)	Increase/(decrease) in Allowance Recognised in	
0	Result for the Six Months Ended 30 June 2011	(212)
	Balance at 30 June	0
	(c) Sale of Goods and Services Receivables	
	(Current and Non-Current) include:	
206	Patient Fees - Compensable	206
149	Patient Fees - Ineligible	149
4,444	Patient Fees - Other	4,444
4,799		4,799

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 34.*

Central Coast Local Health Network  
Notes to and forming part of the Financial Statements  
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**PARENT**

**CONSOLIDATION**

**2011**  
**\$000**

**2011**  
**\$000**

**19. Inventories 'Current - Held for Distribution**

2,144  
1,156

Drugs  
Medical and Surgical Supplies

2,144  
1,156

**3,300**

**3,300**

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
<b>20. Property, Plant and Equipment</b>		
	<b>Land and Buildings - Fair Value</b>	
640,678	Gross Carrying Amount	640,678
185,907	Less Accumulated Depreciation and Impairment	185,907
<u>454,771</u>	Net Carrying Amount	<u>454,771</u>
	<b>Plant and Equipment - Fair Value</b>	
34,853	Gross Carrying Amount	34,853
18,437	Less Accumulated Depreciation and Impairment	18,437
<u>16,416</u>	Net Carrying Amount	<u>16,416</u>
	<b>Infrastructure Systems - Fair Value</b>	
14,239	Gross Carrying Amount	14,239
2,945	Less Accumulated Depreciation and Impairment	2,945
<u>11,294</u>	Net Carrying Amount	<u>11,294</u>
<u>482,481</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>482,481</u>

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20. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
Parent & Consolidation	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>								
Net Carrying Amount at 1 January 2011	0	0	0	0	0	0	0	0
Additions	0	145	3,630	0	4,398	37	0	8,210
Disposals	0	0	0	0	(117)	0	0	(117)
In/(Out)	51,798	405,984	1,270	539	12,185	11,434	0	483,210
Depreciation Expense	0	(7,293)	0	(91)	(1,260)	(177)	0	(8,821)
Reclassifications	0	986	(2,197)	0	1,210	0	0	(1)
Net Carrying Amount at 30 June 2011	51,798	399,822	2,703	448	16,416	11,294	0	482,481

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Network [see note 2(h)].
- (ii) Land and Buildings were valued by Graham Scrymgeour AAPI (certified practicing valuer), NSW registration No 1578 for and on behalf of Global Valuation Services Ltd as at 1 July 2007 [see note 2(i)]. Graham Scrymgeour is not an employee of the Health Service.
- (iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (i). 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 Department of Finance and Services:

Year	Land	Buildings	Infrastructure
10/11	100%	100%	100%

Central Coast Local Health Network  
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**PARENT**

**CONSOLIDATION**

2011  
\$000

2011  
\$000

**21. Restricted Assets**

The Network'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**

7,124

Specific Purposes

7,124

52

Research Grants

52

3,148

Private Practice Funds

3,148

10,324

10,324



Central Coast Local Health Network  
Notes to and forming part of the Financial Statements  
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PARENT		CONSOLIDATION
	22. Payables	
2011		2011
\$000		\$000
	<b>Current</b>	
5,638	Accrued Salaries, Wages and On-Costs	5,638
2,163	Taxation and Payroll Deductions	2,163
10,878	Creditors	10,878
	Other Creditors	
16,495	- Intra Health Liability	16,495
	- Taxation	142
6,708	- Other	6,708
<u>41,882</u>		<u>42,024</u>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 34.*

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
<b>23. Provisions</b>		
<b>Current Employee Benefits and Related On-Costs</b>		
0	Annual Leave - Short Term Benefit	28,203
0	Annual Leave - Long Term Benefit	12,026
0	Long Service Leave On-Costs	2,635
42,864	Provision for Personnel Services Liability	0
<u>42,864</u>	<b>Total Current Provisions</b>	<u>42,864</u>
<b>Non-Current Employee Benefits and Related On-Costs</b>		
0	Long Service Leave On-Costs	139
139	Provision for Personnel Services Liability	0
<u>139</u>	<b>Total Non-Current Provisions</b>	<u>139</u>
<b>Aggregate Employee Benefits and Related On-Costs</b>		
0	Provisions - Current	42,864
0	Provisions - Non-Current	139
0	Accrued Salaries, Wages, On-Costs, Taxation and Payroll Deductions (Note 22)	7,801
50,804	Accrued Liability - Purchase of Personnel Services (Note 22)	0
<u>50,804</u>		<u>50,804</u>

Central Coast Local Health Network  
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**PARENT**

**CONSOLIDATION**

**2011**  
**\$000**

**2011**  
**\$000**

**24. Other Liabilities**

**Current**  
Income in Advance

3,893

3,893

3,893

3,893

Central Coast Local Health Network  
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PARENT		CONSOLIDATION
2011 \$000	25. Commitments for Expenditure	2011 \$000
	(a) Capital Commitments	
	Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:	
913	Not later than one year	913
913	Total Capital Expenditure Commitments (Including GST)	913
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for the acquisition of other purchase orders contracted for at balance date and not provided for:	
7,713	Not later than one year	7,713
7,713	Total Other Expenditure Commitments (Including GST)	7,713
	(c) Operating Lease Commitments	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
1,638	Not later than one year	1,638
497	Later than one year and not later than five years	497
2,135	Total Operating Lease Commitments (Including GST)	2,135
	(d) Contingent Asset Related to Commitments for Expenditure	
	The total of 'Commitments for Expenditure' above, i.e. \$10.7 million as at 30 June 2011 includes input tax credits of \$978 thousand that are expected to be recoverable from the Australian Taxation Office.	

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PARENT & CONSOLIDATION

26 Trust Funds

The Network holds trust fund moneys of \$384 thousand 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 Network 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
	2011 \$000	2011 \$000	2011 \$000	2011 \$000
Cash Balance at the beginning of the financial reporting period	0	0	0	0
Receipts	0	47	4,265	4,312
Expenditure	0	0	3,928	3,928
Cash Balance at the end of the financial reporting period	0	47	337	384

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**PARENT AND CONSOLIDATED**

**27 Contingent Liabilities and Assets**

**a) Claims on Managed Fund**

The Networks are members of the NSW Treasury Managed Fund. The predecessor organisations were also members since 1 July 1989. The Fund will pay to or on behalf of the Network 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 Network. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the Network or the former Area Health Services. 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 Network.

**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 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2010/11. As a result, the 2005/06 final and 2007/08 interim hindsight calculations pertaining to the former Northern Sydney and Central Coast Area Health Service will be paid in 2011/12.

It is not possible for the Network to reliably quantify the adjustment to be received.

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PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	<b>28. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services</b>	
16,626	Net Cash Flows from Operating Activities	16,626
(8,821)	Depreciation	(8,821)
0	Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	(7,671)
(3,646)	Decrease/(Increase) in Provisions	(3,646)
17,174	Increase / (Decrease) in Prepayments and Other Assets	17,174
(30,710)	(Increase)/ Decrease in Creditors	(30,710)
(321)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(321)
(233,896)	NSW Health Department Recurrent Allocations	(233,896)
(5,710)	NSW Health Department Capital Allocations	(5,710)
<u>(249,304)</u>	<b>Net Cost of Services</b>	<u>(256,975)</u>
	<b>29. Non-Cash Financing and Investing Activities</b>	
435,969	Administrative Restructure	435,969
<u>435,969</u>		<u>435,969</u>
	<b>30. 2010/11 Voluntary Services</b>	
	It is considered impracticable to quantify the monetary value of voluntary services provided to the Network. Services provided include:	
	<ul style="list-style-type: none"> <li>. Chaplaincies and Pastoral Care - Patient &amp; Family Support</li> <li>. Pink Ladies/Hospital Auxiliaries - Patient Services, Fund Raising</li> <li>. Patient Support Groups - Practical Support to Patients and Relative</li> <li>. Community Organisations - Counselling, Health Education, Transport, Home Help &amp; Patient Activities</li> </ul>	

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**PARENT AND CONSOLIDATED**

**31 Unclaimed Moneys**

Unclaimed salaries and wages are paid to the credit of the NSW Treasury 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 Health Services by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of health services.

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

**32 Budget Review - Parent and Consolidated**

**Net Cost of Services**

The actual Net Cost of Services was lower than budget by \$1.7 million primarily due to Commonwealth Grants and Annual Infrastructure Charges received in excess of the revenue budget. This was offset in part by the cost of additional gazetted public holidays and go-live support for the Electronic Medical Record

**Result for the Period**

The result was \$4.6 million favourable to budget. This was primarily due to the phasing of the subsidy cashflow for the former Northern Sydney Central Coast Area Health Service which reduced subsidy by \$15.8 million for the second six months of the year. This has impacted the local health networks accordingly.

**Assets and Liabilities**

Current Assets were favourable to budget by \$43.5 million. This was due to there being no opening cash or opening trade debtors. Fixed Assets were unfavourable to budget by \$7.7 million related to the provision for depreciation remaining in the Health Reform Transitional Organisation rather than being transferred to the Local Health Network. Liabilities are higher than budget by \$33.3 million mainly due to increases in Payables as the network commenced with no trade creditors.

**Cash Flows**

Operating cash flows reflect a variance of \$20.2 million favourable over budget related to the Network starting with zero trade creditors and trade debtors with an offsetting shortfall in Government Subsidy Contributions.

Movements in the level of the NSW Health Department Recurrent Allocation that have occurred since the time of the initial allocation on 1 January 2011 are as follows:

	'\$000
Initial Allocation, 1 January 2011	219,228
Award Increases	6,682
Special Projects	1,598
Carry Forward Balances	795
Distribution from NTO to LHNs	17,044
RMR >\$10,000 transfers between NTO & LHNs	2,710
Redundancies	116
LSL Liability	(2,263)
COAG Funding	1,000
Other	4,255
Capital Adjustments	5,810
	<hr/>
Balance as per Statement of Comprehensive Income	<u>256,975</u>



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**33 Increase/(Decrease) in Net Assets from Equity Transfers**

Net assets of \$444.9 million transferred from the former Northern Sydney and Central Coast Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for Health Services assumed by the Network on that date in accordance with the provisions of the Health Services Act 1989.

Consistent with Treasury approval, Long Service Leave liability of \$173.3 Million transferred from the Health Service with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Assets and Liabilities transferred are as follows:

	<b>2011</b> <b>\$000</b>
<b>Assets:</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	8,963
Receivables	4,055
Inventories	3,649
<b>Total Current Assets</b>	<b>16,667</b>
<b>Non-Current Assets</b>	
Property, Plant and Equipment	
- Land and Buildings	459,591
- Plant and Equipment	12,185
- Infrastructure Systems	11,434
Total Property, Plant and Equipment	483,210
<b>Total Non-Current Assets</b>	<b>483,210</b>
<b>Total Assets</b>	<b>499,877</b>
<b>Liabilities:</b>	
<b>Current Liabilities</b>	
Payables	(13,678)
Provisions	(39,230)
Other	(1,910)
<b>Total Current Liabilities</b>	<b>(54,818)</b>
<b>Non-Current Liabilities</b>	
Provisions	(127)
<b>Total Non-Current Liabilities</b>	<b>(127)</b>
<b>Total Liabilities</b>	<b>(54,945)</b>
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>444,932</b>

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**Note 34 Financial Instruments**

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

The Network's main risks arising from financial instruments are outlined below, together with the Network'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 Network, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/internal auditors on a continuous basis.

**(a) Financial Instrument Categories**

**PARENT & CONSOLIDATION**

Financial Assets Class:	Category	Carrying Amount
		2011 \$000
Cash and Cash Equivalents (note 17)		17,177
Receivables (note 18)1	Loans and receivables (at amortised cost)	7,200
Total Financial Assets		<u>24,377</u>
<b>Financial Liabilities</b>		
Payables (note 22)2	Financial liabilities	42,361
Total Financial Liabilities		<u>42,361</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 Network's debtors defaulting on their contractual obligations, resulting in a financial loss to the Network. 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 Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

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

**Cash**

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.62% in 2010/11. The TCorp Hour-Glass cash facility is discussed in para (d) below.

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Network 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 Network 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, \$2.51 million related to debtors that were not past due and not considered impaired and debtors of \$1.4 million were past due but not considered impaired. Together these represent 96% 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 Network's debtors are Health Insurance Companies or Compensation Insurers settling claims in

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respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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

	\$000		
2011	Total <sup>1,2</sup>	Past due but not impaired <sup>1,2</sup>	Considered impaired <sup>1,2</sup>
<3 months overdue	1,361	-	1,361
3 months - 6 months overdue	149	-	149
> 6 months overdue	-	-	-

**Notes**

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

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

**Authority Deposits**

The Health Service has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 5.44% , while over the year the weighted average interest rate was 5.42% on a weighted average balance during the year of \$5,033,000. None of these assets are past due or impaired.

**(c) Liquidity Risk**

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

The Health Service has negotiated no loan outside of arrangements with the NSW Department of Health or NSW Treasury.

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

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

In those instances where settlement cannot be effected in accordance with the above, 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 below summarises the maturity profile of the Health Service's financial liabilities together with the interest rate exposure.

**Maturity Analysis and Interest Rate Exposure of Financial Liabilities**

	\$'000				Maturity Dates			
	Interest Rate Exposure				Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	Weighted Average Effective Int. Rate	Nominal Amount 1	Fixed Interest Rate	Variable Interest Rate				
%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>2011</b>								
Payables:								
Accrued Salaries		5,638			5,638	5,638		
Wages, On-Costs and Payroll Deductions		2,163			2,163	2,163		
Creditors		17,728			17,728	17,728		
		<u>25,529</u>			<u>25,529</u>	<u>25,529</u>		

**Notes:**

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

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**d) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The Network 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 Network 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 assumes that all other variables remain constant.

*Interest rate risk*

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

However, Networks are not permitted to borrow external to the NSW Department of Health (Energy loans which are negotiated through Treasury excepted).

Both Treasury and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Network 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 Network's exposure to interest rate risk is set out below.

	\$'000				
	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	17,177	(172)	172	172	(172)

*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 Health Service has no direct equity investments. The Network holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2011 \$'000
Cash facility	Cash, money market instruments	Up to 2 years	5,067

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

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

NSW TCorp provides sensitivity analysis information for each of the Investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). 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
		2011 \$'000
Hour-Glass Investment - Cash facility	+/- 1%	51

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

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

Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount:

	2011 \$'000	2011 \$'000
	Carrying amount	Fair value
Financial assets	19,310	5,067
Financial liabilities	42,361	-

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

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The Network 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	2011 Total \$'000
TCorp Hour-Glass Invt.Facility	0	5,067	0	5,067

(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 2011.

**Note 35 Post Balance Date Events**

There are no known post balance date events which affect the 2010/11 financial statements. However, the Health Services Amendment (Local Health Districts and Boards) Act 2011 No. 4 established Local Health Districts with effect from 1 July 2011 in lieu of the previous network structure. A local health district board has been established for each District with the Minister selecting the membership of each board so that the membership has an appropriate mix of skills and expertise to oversee and provide guidance to the district.

A revised governance framework, endorsed by the Minister for Health, requires the dissolution of the three Health Reform Transitional Organisations which operated in 2010/11 to oversight the establishment of Local Health Districts and provide specialty services. Under the revised framework the majority of staff and services will be assigned to Local Health Districts.

END OF AUDITED FINANCIAL STATEMENTS