



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Mid North Coast Local Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Mid North 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.

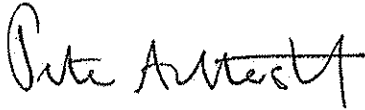
My opinion does *not* provide assurance:

- 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

5 October 2011
SYDNEY



**Mid North Coast Local Health Network
Certification of the Parent/Consolidated Financial Statements
For The Six Months 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:
 - a) Australian Accounting Standards (which include Australian Accounting Interpretations),
 - b) *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 Mid North Coast Local Health Network; and
- 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.

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Stephen Rodwell
Acting Chief Executive

30 September 2011

Mid North Coast Local Health Network
Statement of Comprehensive Income for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION		
Actual 2011 \$000	Budget (unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (unaudited) 2011 \$000
Expenses excluding losses				
Operating Expenses				
0	0	3	116,061	115,728
116,061	115,728	4	0	0
20,140	20,124		20,140	20,124
70,942	73,733	5	70,942	73,733
5,652	5,088	2(h), 6	5,652	5,088
155	179	7	155	179
212,950	214,852		212,950	214,852
Revenue				
19,847	20,597	8	19,847	20,597
238	263	9	238	263
11,313	9,464	10	4,501	3,511
1,280	1,124	11	1,280	1,124
32,678	31,448		25,866	25,495
(348)	(275)	12	(348)	(275)
180,620	183,679	26	187,432	189,632
Government Contributions				
NSW Department of Health				
167,555	178,260	2(d)	167,555	178,260
NSW Department of Health				
5,949	6,816	2(d)	5,949	6,816
Acceptance by the Crown Entity of				
0	0	2(a)(ii)	6,812	5,953
173,504	185,076		180,316	191,029
(7,116)	1,397		(7,116)	1,397
Other Comprehensive Income				
0	0		0	0
0	0		0	0
(7,116)	1,397		(7,116)	1,397

The accompanying notes form part of these financial statements.

Mid North Coast Local Health Network
Statement of Financial Position as at 30 June 2011

PARENT				CONSOLIDATION	
Actual 2011 \$000	Budget (unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (unaudited) 2011 \$000	
ASSETS					
Current Assets					
9,460	7,422	Cash and Cash Equivalents	15	9,460	7,422
14,638	5,309	Receivables	16	14,638	5,309
691	574	Inventories	17	691	574
24,789	13,305	Total Current Assets		24,789	13,305
Non-Current Assets					
Property, Plant and Equipment					
229,120	231,983	- Land and Buildings	18	229,120	231,983
11,972	10,802	- Plant and Equipment	18	11,972	10,802
10,121	10,276	- Infrastructure Systems	18	10,121	10,276
251,213	253,061	Total Property, Plant and Equipment		251,213	253,061
251,213	253,061	Total Non-Current Assets		251,213	253,061
276,002	266,366	Total Assets		276,002	266,366
LIABILITIES					
Current Liabilities					
32,166	15,136	Payables	20	32,166	15,136
26,208	25,030	Provisions	21	26,208	25,030
0	306	Other	22	0	306
58,374	40,472	Total Current Liabilities		58,374	40,472
Non-Current Liabilities					
90	8	Provisions	21	90	8
465	300	Other	22	465	300
555	308	Total Non-Current Liabilities		555	308
58,929	40,780	Total Liabilities		58,929	40,780
217,073	225,586	Net Assets		217,073	225,586
EQUITY					
217,073	225,586	Accumulated Funds		217,073	225,586
217,073	225,586	Total Equity		217,073	225,586

The accompanying notes form part of these financial statements.

Mid North Coast Local Health Network
Statement of Changes in Equity for the Six Months ended 30 June 2011

	Notes	Accumulated Funds \$000	Total \$000
Balance at 1 January 2011		0	0
Result For The Six Months Ended 30 June 2011		(7,116)	(7,116)
Other Comprehensive Income		<u>0</u>	<u>0</u>
Total Comprehensive Income For The Six Months Ended 30 June 2011		<u>(7,116)</u>	<u>(7,116)</u>
Transactions With Owners in Their Capacity As Owners			
Increase in Net Assets From Equity Transfers	30	<u>224,189</u>	<u>224,189</u>
Balance at 30 June 2011		<u>217,073</u>	<u>217,073</u>

The accompanying notes form part of these financial statements.

Mid North Coast Local Health Network
Statement of Cash Flows for the Six Months Ended 30 June 2011

PARENT			CONSOLIDATION	
Actual 2011 \$000	Budget (unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (unaudited) 2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
0	0	Employee Related	(110,011)	(113,199)
(155)	(181)	Grants and Subsidies	(155)	(181)
(200,822)	(213,751)	Other	(90,811)	(100,552)
(200,977)	(213,932)	Total Payments	(200,977)	(213,932)
Receipts				
18,449	20,463	Sale of Goods and Services	18,449	20,463
238	263	Interest Received	238	263
11,545	11,184	Other	11,545	11,184
30,232	31,910	Total Receipts	30,232	31,910
Cash Flows From Government				
167,555	178,260	NSW Department of Health Recurrent Allocations	167,555	178,260
5,949	6,816	NSW Department of Health Capital Allocations	5,949	6,816
5,119	4,362	Cash Reimbursements from the Crown Entity	5,119	4,362
178,623	189,438	Net Cash Flows From Government	178,623	189,438
7,878	7,416	NET CASH FLOWS FROM OPERATING ACTIVITIES	7,878	7,416
CASH FLOWS FROM INVESTING ACTIVITIES				
(5,261)	(6,837)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(5,261)	(6,837)
(5,261)	(6,837)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(5,261)	(6,837)
2,617	579	NET INCREASE / (DECREASE) IN CASH	2,617	579
0	0	Opening Cash and Cash Equivalents	0	0
6,843	6,843	Cash Transferred In as a Result of Equity Transfers	6,843	6,843
9,460	7,422	CLOSING CASH AND CASH EQUIVALENTS	9,460	7,422

The accompanying notes form part of these financial statements.

Mid North Coast Local Health Network
Service Group Statements
for the Six Months Ended 30 June 2011

SERVICES EXPENSES AND INCOME	2011	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
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses												
Operating Expenses												
Employee Related	10,557	284	4,102	17,030	58,386	12,463	9,240	338	3,661	0	116,061	
Visiting Medical Officers	816	0	19	1,373	15,994	1,453	482	2	1	0	20,140	
Other Operating Expenses	7,095	762	10,976	5,398	34,699	5,514	3,998	2,108	392	0	70,942	
Depreciation and Amortisation	580	8	397	630	3,127	538	307	39	16	0	5,652	
Grants and Subsidies	174	0	0	(6)	(9)	1	(5)	0	0	0	155	
Total Expenses excluding losses	19,232	1,054	15,494	24,425	112,197	19,969	14,022	2,487	4,070	0	212,950	
Revenue												
Sale of Goods and Services	657	48	4,370	543	10,613	336	3,015	56	209	0	19,847	
Investment Revenue	29	0	111	3	70	7	12	3	3	0	238	
Grants and Contributions	1,352	57	1,186	23	460	66	655	446	256	0	4,501	
Other Revenue	96	5	66	132	739	116	98	22	6	0	1,280	
Total Revenue	2,134	110	5,733	701	11,882	525	3,780	527	474	0	25,866	
Other Gains / (Losses)	(20)	0	(18)	(43)	(209)	(39)	(14)	(4)	(1)	0	(348)	
Net Cost of Services	17,118	944	9,779	23,767	100,524	19,483	10,256	1,964	3,597	0	187,432	
Government Contributions										180,316	180,316	
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011												
Other Comprehensive Income												
Increase/(Decrease) in Asset Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME												(7,116)

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

* The name and purpose of each service group is summarised in Note 14.

The Service Group Statement uses statistical data from the former North Coast 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.

Mid North Coast Local Health Network
Service Group Statements (Continued)
for the Six Months Ended 30 June 2011

	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Total
	1.1 *	1.2 *	1.3 *	2.1 *	2.2 *	3.1 *	4.1 *	5.1 *	6.1 *	2011	2011	2011	2011	2011	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
SERVICE'S ASSETS AND LIABILITIES															
ASSETS															
Current Assets															
Cash and Cash Equivalents	854	47	688	1,085	4,985	887	623	110	181	0	9,460				
Receivables	1,208	62	3,244	397	6,725	297	2,139	288	268	0	14,636				
Inventories	69	7	107	53	337	54	39	21	4	0	691				
Total Current Assets	2,131	116	4,039	1,535	12,047	1,238	2,801	429	453	0	24,789				
Non-Current Assets															
Property, Plant and Equipment															
- Land and Buildings	23,917	324	16,094	25,539	126,762	21,809	12,445	1,561	649	0	229,120				
- Plant and Equipment	1,250	17	841	1,334	6,623	1,140	650	83	34	0	11,972				
- Infrastructure Systems	1,057	14	711	1,128	5,599	963	550	70	29	0	10,121				
Total Non-Current Assets	26,224	355	17,646	28,001	138,984	23,912	13,645	1,734	712	0	251,213				
TOTAL ASSETS	28,355	471	21,685	29,536	151,031	25,150	16,446	2,163	1,165	0	276,002				
LIABILITIES															
Current Liabilities															
Payables	3,217	346	4,977	2,448	15,731	2,500	1,813	956	178	0	32,166				
Provisions	2,384	64	926	3,846	13,184	2,814	2,087	76	827	0	26,208				
Total Current Liabilities	5,601	410	5,903	6,294	28,915	5,314	3,900	1,032	1,005	0	58,374				
Non-Current Liabilities															
Provisions	8	0	3	13	46	10	7	0	3	0	90				
Other	42	2	34	53	245	44	31	5	9	0	465				
Total Non-Current Liabilities	50	2	37	66	291	54	38	5	12	0	555				
TOTAL LIABILITIES	5,651	412	5,940	6,360	29,206	5,368	3,938	1,037	1,017	0	58,929				
NET ASSETS	22,704	59	15,745	23,176	121,825	19,782	12,508	1,126	148	0	217,073				

The name and purpose of each service group is summarised in Note 14. Assets and liabilities that are specific to service groups are allocated accordingly, e.g. Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(e)(d), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

1 The Health Network Reporting Entity

The Mid North 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 Mid North Coast Local Health 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*. This Division provides 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 Acting Chief Executive on 30 September 2011.

2 Summary of Significant Accounting Policies

Basis of Preparation

The 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 Financial 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 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(ab).

Notwithstanding the consolidated entity has a working capital deficiency of \$33.585 million 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 the Mid North 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 Mid North 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.

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 Mid North 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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Statement of Compliance

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

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 Mid North 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 July 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 July 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 July 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.

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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 North 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 20, "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.

d) Income Recognition

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

Sale of Goods

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

Rendering of Services

Revenue 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 from time to time.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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.

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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(y)).

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%
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. 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(n).

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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.

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

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

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

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

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

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

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

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.

k) Assets Not Able to be Reliably Measured

The Network may at times hold certain assets that are not recognised in the Statement of Financial Position because the Network is unable to measure reliably the value of the assets. The Network holds no such assets as at 30 June 2011.

l) 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.

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

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

n) Investment Properties

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

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

o) Intangible Assets

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

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

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

The Network's intangible assets are amortised using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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

p) 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.

q) 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.

r) 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.

s) 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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

t) 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 Mid North Coast Local Health 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 Mid North 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.*

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 Mid North Coast Local Health 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 Network commits to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

u) 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 Year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Result for the Year.

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

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

v) 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.

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.

w) 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.

x) Borrowings

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

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

y) 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.

z) 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 "accumulated funds" includes all current and prior period retained funds.

(iii) Separate Reserves

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

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

aa) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 24. 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.

ab) 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 budgeted figures are unaudited.

ac) Emerging Asset

The Network has valued emerging assets in accordance with the Department of Health's policy for Accounting for Privately Financed Projects. This policy requires the Network to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The Network does not have any emerging assets at 30 June 2011.

ad) 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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT 2011 \$000		CONSOLIDATION 2011 \$000
3. Employee Related		
Employee related expenses comprise the following:		
0	Salaries and Wages	83,450
0	Awards	4,181
0	Superannuation - Defined Benefit Plans	1,693
0	Superannuation - Defined Contribution Plans	7,816
0	Long Service Leave	5,119
0	Annual Leave	9,308
0	Sick Leave and Other Leave	3,056
0	Workers' Compensation Insurance	1,408
0	Fringe Benefits Tax	30
<u>0</u>		<u>116,061</u>
The following additional information is provided:		
0	Employee Related Expenses Capitalised - Land and Buildings	0
0	Employee Related Expenses Capitalised - Plant and Equipment	0
4. Personnel Services		
Personnel Services comprise the purchase of the following:		
83,450	Salaries and Wages	0
4,181	Awards	0
1,693	Superannuation - Defined Benefit Plans	0
7,816	Superannuation - Defined Contribution Plans	0
5,119	Long Service Leave	0
9,308	Annual Leave	0
3,056	Sick Leave and Other Leave	0
1,408	Workers' Compensation Insurance	0
30	Fringe Benefits Tax	0
<u>116,061</u>		<u>0</u>
The following additional information is provided:		
0	Personnel Services Expenses Capitalised - Land and Buildings	0
0	Personnel Services Expenses Capitalised - Plant and Equipment	0

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	5. Other Operating Expenses	
923	Blood and Blood Products	923
2,621	Domestic Supplies and Services	2,621
7,524	Drug Supplies	7,524
4,564	Food Supplies	4,564
1,762	Fuel, Light and Power	1,762
21,946	General Expenses (See (b) below)	21,946
3,670	Hospital Ambulance Transport Costs	3,670
986	Information Management Expenses	986
135	Insurance	135
	Maintenance (See (c) below)	
1,218	Maintenance Contracts	1,218
1,492	New/Replacement Equipment under \$10,000	1,492
786	Maintenance/Non Contract	786
10,784	Medical and Surgical Supplies	10,784
422	Motor Vehicle Expenses	422
455	Postal and Telephone Costs	455
434	Printing and Stationery	434
192	Rates and Charges	192
664	Rental	664
8,314	Special Service Departments	8,314
1,052	Staff Related Costs	1,052
128	Sundry Operating Expenses (See (a) below)	128
870	Travel Related Costs	870
<u>70,942</u>		<u>70,942</u>
	 (a) Sundry Operating Expenses comprise:	
<u>128</u>	Contract for Patient Services	<u>128</u>
<u>128</u>		<u>128</u>
	 (b) General Expenses include:-	
15	Advertising	15
87	Books, Magazines and Journals	87
	Consultancies	
34	- Operating Activities	34
1	- Capital Works	1
172	Courier and Freight	172
119	Auditor's Remuneration - Audit of Financial Statements	119
348	Legal Services	348
7	Membership/Professional Fees	7
292	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	292
494	Other Operating Lease Expense - Minimum Lease Payments	494
1	Payroll Services	1
19	Quality Assurance/Accreditation	19
188	Security Services	188
27	Translator Services	27
1,449	Shared Corporate Services - Financial	1,449
18,692	Services Purchased from Health Reform Transition Organisation	18,692
1	Other	1
	 (c) Reconciliation Total Maintenance	
3,496	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	3,496
<u>455</u>	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	<u>455</u>
<u>3,951</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>3,951</u>

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
6. Depreciation and Amortisation		
4,088	Depreciation - Buildings	4,088
1,341	Depreciation - Plant and Equipment	1,341
223	Depreciation - Infrastructure Systems	223
<u>5,652</u>		<u>5,652</u>
7. Grants and Subsidies		
136	Non-Government Organisations	136
19	Promotion of Research	19
<u>155</u>		<u>155</u>

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	8. Sale of Goods and Services	
	(a) Sale of Goods comprise the following:-	
656	Sale of Prosthesis	656
28	Other	28
50	Pharmacy Sales	50
	(b) Rendering of Services comprise the following:-	
12,898	Patient Fees	12,898
12	Staff-Meals and Accommodation	12
854	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	854
121	- Annual Charge	121
18	Cafeteria/Kiosk	18
328	Clinical Services (excluding Clinical Drug Trials)	328
63	Commercial Activities	63
1	Enteral Nutrition Income	1
31	Fees for Medical Records	31
3,661	Highly Specialised Drugs	3,661
28	Linen Service Revenues - Non Health Services	28
760	Motor Accident Authority Third Party	760
3	Salary Packaging Fee	3
70	Services Provided to Non NSW Health Organisations	70
265	Other	265
19,847		19,847
	9. Investment Revenue	
209	Interest	209
29	- Other	29
238	Lease and Rental Income	238
238		238

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	10. Grants and Contributions	
348	Clinical Drug Trials	348
1,754	Commonwealth Government Grants	1,754
582	Industry Contributions/Donations	582
361	Cancer Institute Grants	361
1,357	NSW Government Grants	1,357
1,693	Personnel Services - Superannuation Defined Benefit Plans	0
5,119	Personnel Services - Long Service Leave	0
16	Research Grants	16
83	Other Grants	83
<u>11,313</u>		<u>4,501</u>
	11. Other Revenue	
	Other Revenue comprises the following:-	
11	Commissions	11
6	Sale of Merchandise, Old Wares and Books	6
906	Treasury Managed Fund Hindsight Adjustment	906
357	Other	357
<u>1,280</u>		<u>1,280</u>
	12. Other Gains/(Losses)	
<u>(348)</u>	Impairment of Receivables	<u>(348)</u>
<u>(348)</u>		<u>(348)</u>

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

13. 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	605	285	774	1,664
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	3,914	1,213	587	5,714
Total amount of unexpended contributions as at balance date	4,519	1,498	1,361	7,378

Comment on restricted assets appears in Note 19.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

14. Service Groups of the Health Service

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	15. Cash and Cash Equivalents	
<u>9,460</u>	Cash at Bank and On Hand	<u>9,460</u>
<u>9,460</u>		<u>9,460</u>
	Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial period to the Statement of Cash Flows as follows:	
<u>9,460</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>9,460</u>
<u>9,460</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>9,460</u>

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

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	16. Receivables	
	Current	
	(a) Sale of Goods and Services	
1,859	- Patient Fees	1,859
868	- Other	868
7,615	Intra Health Receivables NSW Health	7,615
3,543	Goods and Services Tax	3,543
799	Other Debtors	799
<u>14,684</u>	Sub Total	<u>14,684</u>
<u>(92)</u>	Less Allowance for Impairment	<u>(92)</u>
14,592	Sub Total	14,592
<u>46</u>	Prepayments	<u>46</u>
<u>14,638</u>		<u>14,638</u>
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
0	Balance at 1 January 2011	0
(256)	Amounts written off during the reporting period	(256)
348	Increase/(decrease) in Allowance Recognised in Result for the Six Months Ended 30 June 2011	348
<u>92</u>	Balance at 30 June	<u>92</u>
	(C) Sale of Goods and Services Receivables	
	(Current) include:	
104	Patient Fees - Compensable	104
58	Patient Fees - Ineligible	58
1,697	Patient Fees - Other	1,697
<u>1,859</u>		<u>1,859</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 31.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT	CONSOLIDATION
2011 \$000	2011 \$000
<u>691</u>	<u>691</u>
<u>691</u>	<u>691</u>

17. Inventories Current - Held for Distribution
Drugs

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	18. Property, Plant and Equipment	
	Land and Buildings - Fair Value	
353,791	Gross Carrying Amount	353,791
<u>124,671</u>	Less Accumulated Depreciation and Impairment	<u>124,671</u>
<u>229,120</u>	Net Carrying Amount	<u>229,120</u>
	Plant and Equipment - Fair Value	
28,086	Gross Carrying Amount	28,086
<u>16,114</u>	Less Accumulated Depreciation and Impairment	<u>16,114</u>
<u>11,972</u>	Net Carrying Amount	<u>11,972</u>
	Infrastructure Systems - Fair Value	
17,810	Gross Carrying Amount	17,810
<u>7,689</u>	Less Accumulated Depreciation and Impairment	<u>7,689</u>
<u>10,121</u>	Net Carrying Amount	<u>10,121</u>
<u>251,213</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>251,213</u>

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

18. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2011						
Net Carrying Amount at 1 January 2011	0	0	0	0	0	0
Additions	0	0	4,479	1,074	0	5,553
Administrative Restructures - Transfers In/(Out)	19,181	208,618	930	12,239	10,344	251,312
Depreciation Expense	0	(4,088)	0	(1,341)	(223)	(5,652)
Reclassifications	0	466	(466)	0	0	0
Net Carrying Amount at 30 June 2011	19,181	204,996	4,943	11,972	10,121	251,213

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Network [see note 2(f)].
- (ii) Land, Buildings and Infrastructure were valued by Benjamin Kingsberry (AAPI/CPV) of Australian Pacific Valuers Pty Ltd, registered valuers on 01 July 2008 [see note 2(i)]. Australian Pacific Valuers Pty Ltd is not an employee of the Network. This valuation occurred in the former North Coast Area Health Service. A full revaluation of Land, Buildings and Infrastructure Systems is scheduled for 2011/12.
- (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 indices applied to Non Current Assets as determined by the Department of Finance and Services:

Year	Land	Buildings	Infrastructure Systems
08/09	100.00%	100.00%	100.00%
09/10	94.50%	105.35%	105.35%
10/11	100.00%	100.00%	100.00%

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT

CONSOLIDATION

2011
\$000

2011
\$000

19. 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

4,519	Purchase of Assets	4,519
1,498	Health Promotion, Education & Research	1,498
1,361	Other	1,361
<u>7,378</u>		<u>7,378</u>

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
	20. Payables	
2011		2011
\$000		\$000
	Current	
0	Accrued Salaries, Wages and On-Costs	1,981
0	Taxation and Payroll Deductions	2,380
4,361	Accrued Liability - Purchase of Personnel Services	0
13,822	Creditors	13,822
	Other Creditors	
291	- Capital Works	291
8,712	- Intra Health Liability	8,712
4,980	- Other	4,980
<u>32,166</u>		<u>32,166</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 31.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
21. Provisions		
Current Employee Benefits and Related On-Costs		
0	Annual Leave - Short Term Benefit	18,004
0	Annual Leave - Long Term Benefit	6,488
0	Long Service Leave On-Costs	1,716
<u>26,208</u>	Provision for Personnel Services Liability	<u>0</u>
<u>26,208</u>	Total Current Provisions	<u>26,208</u>
Non-Current Employee Benefits and Related On-Costs		
0	Long Service Leave On-Costs	90
<u>90</u>	Provision for Personnel Services Liability	<u>0</u>
<u>90</u>	Total Non-Current Provisions	<u>90</u>
Aggregate Employee Benefits and Related On-Costs		
26,208	Provisions - Current	26,208
90	Provisions - Non-Current	90
0	Accrued Salaries, Wages and On-Costs (Note 20)	4,361
<u>4,361</u>	Accrued Liability - Purchase of Personnel Services (Note 20)	<u>0</u>
<u>30,659</u>		<u>30,659</u>
22. Other Liabilities		
Non-Current		
<u>465</u>	Other (1)	<u>465</u>
<u>465</u>		<u>465</u>

1 Other represents transferred employees benefits at fixed transfer dates.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000	23. 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:	
	Not later than one year	
8,067		8,067
8,067	Total Capital Expenditure Commitments (Including GST)	8,067
	Of the commitments reported at 30 June 2011 it is expected that \$0.198M will be met from locally generated moneys.	
	The Capital commitments above include commitments to the value of \$5.659M that are managed by the Health Infrastructure division of the Health Administration Corporation. Health Infrastructure are funded to manage all major capital projects greater than \$10M on behalf of Health Networks.	
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for the acquisition of operating expenses contracted for at balance date and not provided for:	
	Not later than one year	
1,006		1,006
1,006	Total Other Expenditure Commitments (Including GST)	1,006
	(c) Operating Lease Commitments	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
	Not later than one year	
1,420		1,420
2,388	Later than one year and not later than five years	2,388
31	Later than five years	31
3,839	Total Operating Lease Commitments (Including GST)	3,839

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

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

Motor vehicles are leased under an ongoing master rental agreement.

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

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

(d) Contingent Asset Related to Commitments for Expenditure

The total of "Commitments for Expenditure" above, i.e. \$12.912M as at 30 June 2011 includes input tax credits of \$1.162M that are expected to be recoverable from the Australian Taxation Office.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

24. Trust Funds

The Network holds trust fund moneys of \$1.002M 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
Amounts transferred on 1 January 2011 from Admin Restructure of Health Services	1	54	598	653
Receipts	0	94	3,203	3,297
Expenditure	0	(76)	(2,872)	(2,948)
Cash Balance at the end of the financial reporting period	<u>1</u>	<u>72</u>	<u>929</u>	<u>1,002</u>

**Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

PARENT AND CONSOLIDATED

25. 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 North Coast Area Health Service will be paid in 2011/12.

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

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	26. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services	
7,878	Net Cash Flows from Operating Activities	7,878
(5,652)	Depreciation	(5,652)
(348)	Allowance for Impairment	(348)
0	Acceptance by the Crown Entity of Employee Superannuation	(1,693)
(1,968)	Decrease/(Increase) in Provisions	(1,968)
12,452	Increase / (Decrease) in Prepayments and Other Assets	12,452
(19,478)	(Increase)/ Decrease in Creditors	(19,478)
(167,555)	NSW Health Department Recurrent Allocations	(167,555)
(5,949)	NSW Health Department Capital Allocations	(5,949)
0	Cash Reimbursements from the Government	(5,119)
(180,620)	Net Cost of Services	(187,432)

27. 2011 Voluntary Services

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

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

28. 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 within the Network 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 Networks.

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATED

29. Budget Review

Net Cost of Services

The actual Net Cost of Services was lower than budget by \$2.200 million, primarily due to lower than budget results for General Funds \$0.938 million and Special Purpose Funds \$1.262 million.

Result for the Period

The Result for the Period was lower than budget by \$8.513 million. This resulted mainly from the above Net Cost of Services movement and lower than budgeted NSW Health Recurrent Allocations by \$10.705 million.

The NSW Health Recurrent Allocations lower than budget result was attributable to a corresponding result for the former Area Health Service which noted an offsetting actual Recurrent Allocation higher than budget by proportional amounts.

Assets and Liabilities

Current Assets were \$11.484 million higher than budget. This was due primarily to the reduced level of Receivables brought to account in the Equity Transfer as at 1 January 2011 with a matching budget. At 30 June 2011 the Receivables balance returned to normal operational levels which has resulted in a significantly higher than budget performance with an increase of \$9.329 million. Other factors effecting this budget result include the higher than budget Cash and Cash Equivalents \$2.038 million.

Non-Current Assets were lower than budget by \$1.848 million which resulted mainly from delays in the Capital acquisition program of \$1.284 million and Depreciation expense higher than budget by \$0.564M.

Current Liabilities were higher than budget by \$17.902 million. This was mainly attributable to Payables of \$17.030 million. This was brought about by the reduced level of Trade Payables actuals and budgets brought to account in the Equity Transfer as at 1 January 2011. At 30 June 2011 the Trade Payables were at normal operational levels resulting in significantly higher than budget performance at \$8.730 million. Payables have also been effected by Intra Health Payables of \$5.310 million higher than budget, from transactions mainly with other local health networks and the Health Reform Transition Organisation for services purchased.

Cash Flows

Operating Activities - Net inflows were higher than budget by \$0.462 million. This resulted largely from lower than budgeted NSW Health Department Recurrent Allocations of \$10.705 million. This was offset by lower than budgeted Other Operating Payments resulting from increased Payables of \$9.741 million.

Investing Activities - Net outflows were lower than budget by \$1.576 million. This mainly resulted from under expenditure on the Local health Networks capital acquisition program.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 30 December 2010 are as follows:

	\$000
Initial Allocation, 30 December 2010	139,440
Award Increases	
Awards	4,181
Visiting Medical Officers	1,014
Special Projects	
Caring Together	544
Other	
Services Provided from Health Reform Transition Organisation	18,692
Other Enhancements	3,684
Balance as per Statement of Comprehensive Income	<u>167,555</u>

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

30. Increase/(Decrease) in Net Assets from Equity Transfers

Net assets of \$224.189M transferred from the former North Coast Area Health Service to the Mid North Coast Local Health Network with effect from 1 January 2011 commensurate with the responsibilities for the 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 \$90.598 Million transferred from the former North Coast Area 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:

	\$000
Assets	
Current Assets	
Cash & Cash Equivalents	6,843
Receivables	3,379
Inventory	574
Non-Current Assets	
Property, Plant and Equipment	
- Land and Buildings	228,729
- Plant and Equipment	12,239
- Infrastructure Systems	10,344
Liabilities	
Current Liabilities	
Payables	(12,984)
Provisions	(24,247)
Other	(306)
Non-Current Liabilities	
Provisions	(83)
Other	(299)
Increase in Net Assets From Equity Transfers	224,189

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

31. 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

Financial Assets		Carrying
Class:	Category	Amount
		2011
		\$000
Cash and Cash Equivalents (note 15)	N/A	9,460
Receivables (note 16) ¹	Loans and receivables (at amortised cost)	11,049
Total Financial Assets		<u>20,509</u>
Financial Liabilities		
Payables (note 20) ²	Financial liabilities	32,163
Other (Note 22) ²	(at amortised cost)	465
Total Financial Liabilities		<u>32,628</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)

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

CONSOLIDATION

Financial Assets		Carrying
Class:	Category	Amount
		2011
		\$000
Cash and Cash Equivalents (note 15)	N/A	9,460
Receivables (note 16) ¹	Loans and receivables (at amortised cost)	11,049
Total Financial Assets		<u>20,509</u>
 Financial Liabilities		
Payables (note 20) ²	Financial liabilities	32,163
Other (Note 22) ²	(at amortised cost)	465
Total Financial Liabilities		<u>32,628</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 4.5% in 2010/11.

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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, \$10.501M related to debtors that were not past due and not considered impaired and debtors of \$0.455M were past due but not considered impaired. Together these represent 99.24% 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 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.

2011	Total ^{1,2}	\$000 Past due but not impaired ^{1,2}	\$000 Considered impaired ^{1,2}
<3 months overdue	464	422	42
3 months - 6 months overdue	84	33	51
> 6 months overdue	0	0	0

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.

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

(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 Mid North 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.

During 2011 there have been instances where settlement could not be effected in accordance with with the above, eg due to short term liquidity constraints, and revised terms of trade were negotiated with several of the top suppliers.

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

Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure		Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000
2011						
Payables:						
Accrued Salaries		4,361	4,361	4,361	0	0
Wages, On-Costs and Payroll Deductions		27,802	27,802	27,802	0	0
Creditors		465	465	465	0	0
Other		32,628	32,628	32,628	0	0

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.

**Mid North Coast Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

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
2011					
Financial Assets					
Cash and Cash Equivalents	9,460	(95)	(95)	95	95

(e) Fair Value compared to Carrying Amount

Financial instruments are generally recognised at cost.

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

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

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

32. 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 oversee 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.