



INDEPENDENT AUDITOR'S REPORT

South Eastern Sydney Local Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the South Eastern Sydney 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 year'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.

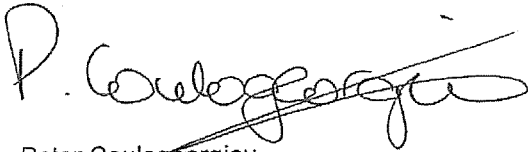
My opinion does *not* provide assurance:

- 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 Coulogeorgiou
Director, Financial Audit Services

21 December 2011
SYDNEY



**Certification of Parent/Consolidated Financial Statements
South Eastern Sydney Local Health Network
For 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:
 - Australian Accounting Standards (which include Australian Accounting Interpretations)
 - *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the South Eastern Sydney Local Health Network.
- 3) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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



Chief Executive

Date 21/12/11

South Eastern Sydney Local Health Network
Statement of Changes in Equity for the Six Months ended 30 June 2011

	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
Notes	\$000	\$000	\$000	\$000
Balance at 1 January 2011				0
Result For The Six Months Ended 30 June 2011	(35,399)			(35,399)
Other Comprehensive Income	0			0
Total Comprehensive Income For The Six Months Ended 30 June 2011	<u>(35,399)</u>	0	0	<u>(35,399)</u>
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	38 922,741			922,741
Balance at 30 June 2011	<u><u>887,342</u></u>	0	0	<u><u>887,342</u></u>

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health Network
Statement of Financial Position as at 30 June 2011

PARENT		CONSOLIDATION	
Actual	Budget (unaudited)		Budget (unaudited)
2011	2011	Notes	2011
\$000	\$000		\$000
ASSETS			
Current Assets			
7,609	4,560	Cash and Cash Equivalents	7,609
62,643	12,281	Receivables	62,643
11,403	10,544	Inventories	11,403
68,281	66,831	Financial Assets at Fair Value	68,281
2,449	440	Non Current Assets Held for Sale	2,449
152,385	94,656	Total Current Assets	152,385
Non-Current Assets			
Property, Plant and Equipment			
826,269	828,312	- Land and Buildings	826,269
52,202	54,552	- Plant and Equipment	52,202
88,431	86,634	- Infrastructure Systems	88,431
966,902	969,498	Total Property, Plant and Equipment	966,902
481	0	Intangible Assets	481
22,522	21,906	Other	22,522
989,905	991,404	Total Non-Current Assets	989,905
1,142,290	1,086,060	Total Assets	1,142,290
LIABILITIES			
Current Liabilities			
116,251	54,803	Payables	116,251
104	271	Borrowings	104
122,508	115,296	Provisions	122,508
1,300	779	Other	1,300
240,163	171,149		240,163
2	0	Liabilities Associated with Assets Held for Sale	2
240,165	171,149	Total Current Liabilities	240,165
Non-Current Liabilities			
0	22	Borrowings	0
387	387	Provisions	387
14,396	15,659	Other	14,396
14,783	16,068	Total Non-Current Liabilities	14,783
254,948	187,217	Total Liabilities	254,948
887,342	898,843	Net Assets	887,342
EQUITY			
887,342	898,843	Accumulated Funds	887,342
887,342	898,843	Total Equity	887,342

The accompanying notes form part of these financial statements

South Eastern Sydney Local Health Network
Network Group Statement
for the Six Months Ended 30 June 2011

NETWORK'S EXPENSES AND INCOME	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Not	Total	
	1.1 *	1.2 *	1.3 *	2.1 *	2.2 *	3.1 *	4.1 *	5.1 *	6.1 *	Attributable	Total							
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Expenses excluding losses																		
Operating Expenses																		
Employee Related	15,205	753	61,766	28,009	208,543	26,318	30,262	2,133	23,945	0							396,934	
Visiting Medical Officers	848	32	2,787	1,429	9,440	1,201	1,162	189	1,004	0								18,092
Other Operating Expenses	7,701	615	29,998	13,529	97,659	12,917	13,054	10,750	13,026	0								199,249
Depreciation and Amortisation	740	42	3,395	1,478	11,128	1,437	1,715	120	1,197	0								21,252
Grants and Subsidies	19	1	181	67	543	79	64	1	260	0								1,215
Finance Costs	0	0	2	1	4	1	1	0	1	0								10
Payments to Affiliated Health Organisations	487	0	0	0	91	0	15,378	0	0	0								15,956
Total Expenses excluding losses	25,000	1,443	98,129	44,513	327,408	41,953	61,636	13,193	39,433	0								652,708
Revenue																		
Sale of Goods and Services	1,040	9	21,891	2,221	45,039	1,204	11,628	358	7,147	0								90,537
Investment Revenue	33	1	1,359	85	1,519	48	221	27	1,388	0								4,681
Grants and Contributions	115	1	1,787	158	2,533	116	421	3	2,555	0								7,689
Other Revenue	85	1	1,486	111	2,562	41	355	72	382	0								5,095
Total Revenue	1,273	12	26,523	2,575	51,653	1,409	12,625	460	11,472	0								108,002
Gain / (Loss) on Disposal	0	0	14	1	11	0	2	0	1	0								29
Other Gains / (Losses)	(5)	0	(90)	(9)	(189)	(5)	(47)	(2)	(8)	0								(355)
Net Cost of Services	23,732	1,431	71,682	41,946	275,933	40,549	49,056	12,735	27,968	0								545,032
Government Contributions	0	0	0	0	0	0	0	0	0	0								509,633
RESULT FOR THE YEAR	(23,732)	(1,431)	(71,682)	(41,946)	(275,933)	(40,549)	(49,056)	(12,735)	(27,968)	509,633								509,633
Other Comprehensive Income	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
Total COMPREHENSIVE INCOME	(23,732)	(1,431)	(71,682)	(41,946)	(275,933)	(40,549)	(49,056)	(12,735)	(27,968)	509,633								(35,399)

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

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

The Network Group Statement uses statistical data from the former South Eastern Sydney and Illawarra Area Health Service to 31 December 2010 to allocate the current periods financial information on expenses and revenue to each network group. No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.

South Eastern Sydney Local Health Network
Network Group Statement
for the Six Months Ended 30 June 2011

NETWORK'S ASSETS AND LIABILITIES	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Network Group	Not Attributable	Total
	1.1 * \$000	1.2 * \$000	1.3 * \$000	2.1 * \$000	2.2 * \$000	3.1 * \$000	4.1 * \$000	5.1 * \$000	6.1 * \$000	Network Group	Network Group	\$000	\$000
ASSETS													
Current Assets													
Cash and Cash Equivalents	291	17	1,144	519	3,816	489	719	154	460			0	7,609
Receivables	738	7	15,384	1,494	29,959	817	7,323	267	6,654			0	62,643
Inventories	441	35	1,717	774	5,590	739	747	615	745			0	11,403
Financial Assets at Fair Value	2,615	151	10,265	4,657	34,251	4,389	6,448	1,380	4,125			0	68,281
Non-Current Assets Held for Sale	2,449	0	0	0	0	0	0	0	0			0	2,449
Total Current Assets	6,534	210	28,510	7,444	73,616	6,434	15,237	2,416	11,984			0	152,385
Non-Current Assets													
- Land and Buildings	28,779	1,624	131,990	57,446	432,716	55,856	66,668	4,664	46,526			0	826,269
- Plant and Equipment	1,819	103	8,339	3,629	27,337	3,528	4,212	295	2,940			0	52,202
- Infrastructure Systems	3,080	174	14,126	6,148	46,312	5,978	7,135	499	4,979			0	88,431
Intangible Assets	17	1	77	33	251	33	39	3	27			0	481
Other	863	50	3,386	1,536	11,296	1,448	2,127	455	1,361			0	22,522
Total Non-Current Assets	34,558	1,952	157,918	68,792	517,912	66,843	80,181	5,916	55,833			0	989,905
TOTAL ASSETS	41,092	2,162	186,428	76,236	591,528	73,277	95,418	8,332	67,817			0	1,142,290
LIABILITIES													
Current Liabilities													
Payables	4,492	359	17,502	7,893	56,980	7,537	7,616	6,272	7,600			0	116,251
Borrowings	4	0	16	7	52	7	10	2	6			0	104
Provisions	4,693	232	19,063	8,645	64,364	8,123	9,340	658	7,390			0	122,508
Other	50	3	195	89	653	84	123	26	79			0	1,302
Total Current Liabilities	9,239	594	36,776	16,634	122,049	15,751	17,089	6,958	15,075			0	240,165
Non-Current Liabilities													
Provisions	15	1	60	27	203	26	30	2	23			0	387
Other	551	32	2,164	982	7,222	925	1,359	291	870			0	14,396
Total Non-Current Liabilities	566	33	2,224	1,009	7,425	951	1,389	293	893			0	14,783
TOTAL LIABILITIES	9,805	627	39,000	17,643	129,474	16,702	18,478	7,251	15,968			0	254,948
NET ASSETS	31,287	1,535	147,428	58,593	462,054	56,575	76,940	1,081	51,849			0	887,342

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

Assets and liabilities that are specific to network groups are allocated accordingly, eg Non-Current Assets Held for Sale. Remaining assets and liabilities are apportioned to network groups in accordance with the methodology advised in Note 2(ad), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each network group.

South Eastern Sydney Local Health Network
Statement of Cash Flows for the Six Months Ended 30 June 2011

PARENT			CONSOLIDATION	
Actual	Budget (unaudited)		Actual	Budget (unaudited)
2011	2011	Notes	2011	2011
\$000	\$000		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
(384,856)	(371,969)	Employee Related	(384,856)	(371,969)
(1,336)	(380)	Grants and Subsidies	(1,336)	(380)
(10)	0	Finance Costs	(10)	0
<u>(182,270)</u>	<u>(209,947)</u>	Other	<u>(182,270)</u>	<u>(209,947)</u>
<u>(568,472)</u>	<u>(582,296)</u>	Total Payments	<u>(568,472)</u>	<u>(582,296)</u>
Receipts				
71,963	97,962	Sale of Goods and Services	71,963	97,962
4,680	5,217	Interest Received	4,680	5,217
2,559	1,577	Other	2,559	1,577
<u>79,202</u>	<u>104,756</u>	Total Receipts	<u>79,202</u>	<u>104,756</u>
Cash Flows From Government				
479,952	479,952	NSW Department of Health Recurrent Allocations	479,952	479,952
9,544	13,657	NSW Department of Health Capital Allocations	9,544	13,657
20,137	0	Cash Reimbursements from the Crown Entity	20,137	0
<u>509,633</u>	<u>493,609</u>	Net Cash Flows From Government	<u>509,633</u>	<u>493,609</u>
<u>20,363</u>	<u>16,069</u>	NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>20,363</u>	<u>16,069</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
161	161	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	161	161
(16,953)	55,445	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(16,953)	55,445
<u>(1,450)</u>	<u>(66,831)</u>	Purchases of Investments	<u>(1,450)</u>	<u>(66,831)</u>
<u>(18,242)</u>	<u>(11,225)</u>	NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(18,242)</u>	<u>(11,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
(526)	(337)	Repayment of Borrowings and Advances	(526)	(337)
<u>(526)</u>	<u>(337)</u>	NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(526)</u>	<u>(337)</u>
1,595	4,507	NET INCREASE / (DECREASE) IN CASH	1,595	4,507
0	0	Opening Cash and Cash Equivalents	0	0
6,014	53	Cash Transferred In as a Result of Equity Transfers	6,014	53
<u>7,609</u>	<u>4,560</u>	CLOSING CASH AND CASH EQUIVALENTS	<u>7,609</u>	<u>4,560</u>

The accompanying notes form part of these financial statements.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

1 The South Eastern Sydney Local Health Network Reporting Entity

The South Eastern Sydney 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 South Eastern Sydney 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. These Divisions provide personnel services to enable a Network to exercise its functions.

As a consequence the values in the six monthly financial statements presented herein consist of The South Eastern Sydney Local Health Network (as the parent entity), and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 12, 27, 29 and 34 being especially relevant.

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

The Network 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 Chief Executive Officer and the Director of Finance on 7 December 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 1883, 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 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(ac).

Other

Notwithstanding the consolidated entity has a working capital deficiency of \$87.778 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 South Eastern Sydney Local Hospital 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 South Eastern Sydney Local Hospital 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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

- Local Health Districts have the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- The South Eastern Sydney Local Hospital Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the entity and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Department throughout the financial year".

Statement of Compliance

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

Other

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at "fair value through profit and loss" and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

The consolidated entity has a deficiency of working capital of \$116.928 million. Notwithstanding that a deficiency exists the financial statements have been prepared on a going concern basis because the NSW Department of Health will provide ongoing financial support to the Network in accordance with the Appropriation Act to enable the Network to pay its debts as and when they fall due (ref. Note 39).

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 South Eastern Sydney 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 2009-10, *Classification of Rights Issue*, has application from 1 July 2010 and provides clarification concerning equity instruments which have no material impact on the Health Service.

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.

AASB 2009-14, *Prepayments of a Minimum Funding Requirement*, applies from 1 January 2011 and principally addresses contributions relating to future service. It has no impact on the Network.

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

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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 17.00% are applied to the value of leave payable at 30 June 2011, such on-costs being consistent with actuarial assessment.

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

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

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former South Eastern Sydney and Illawarra 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 27, "Payables".

The superannuation expense for the reporting period is determined by using the formulae specified by NSW 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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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.

Patient Fees

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates gazetted by the NSW Department of Health on a regular basis or when required. Patient fees are recognised after patient's discharge.

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. 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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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 are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

f) Acquisition of Assets

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(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%
MV Passengers	12.5%
MV Other	20.0%
Office Equipment	10.0%
Plant and Machinery	10.0%
Furniture, Fittings and Furnishings	5.0%

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

"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(o).

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

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

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

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

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

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

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

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

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

j) Impairment of Property, Plant and Equipment

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

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 has not identified any assets which are not able to be reliably measured.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 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.

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.

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over three years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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.

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 Network determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial period end.

- * Fair value through profit or loss - The 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 Networks 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 1987. TCorp 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 South Eastern Sydney 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 Period. 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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

Any reversals of impairment losses are reversed through the Result for the Period where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

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

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 Period 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*

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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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 retained funds from the former Area Health Service.

(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.

aa) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 32. 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 budget figures are unaudited.

ac) Emerging Asset

The Network's emerging interest in the St George, Sydney and Randwick Hospitals carparks has been valued in accordance with the Department of Health's policy for Accounting for Privately Financed Projects. This policy required the former Area Health Service to initially determine the estimated written down replacement cost by reference to the project's historical cost escalated by a construction index and the system's estimated working life. The estimated written down replacement cost was then allocated on a systematic basis over the concession period of 25 years using the annuity method and the Government Bond rate of 5.16% at commencement of the concession period.

ad) Network Group Statements Allocation Methodology

General Fund Expenses are assigned to service groups in accordance with statistical data of the former Area Health Service for the six months ended 31 December 2010, and special purpose expenses and all revenues for the twelve months ended 30 June 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.

South Eastern Sydney 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
3 Employee Related		
	Employee related expenses comprise the following:	
0	Salaries and Wages	282,699
0	Awards	13,321
0	Superannuation - Defined Benefit Plans	7,647
0	Superannuation - Defined Contribution Plans	28,207
0	Long Service Leave	12,470
0	Annual Leave	38,050
0	Sick Leave and Other Leave	11,004
0	Workers' Compensation Insurance	3,527
0	Fringe Benefit Tax	9
<u>0</u>	Total	<u>396,934</u>
No employee related expenses were capitalised during the reporting period		
4 Personnel Services		
	Personnel Services comprise the following:	
282,699	Salaries and Wages	0
13,321	Awards	0
7,647	Superannuation - Defined Benefit Plans	0
28,207	Superannuation - Defined Contribution Plans	0
12,470	Long Service Leave	0
38,050	Annual Leave	0
11,004	Sick Leave and Other Leave	0
3,527	Workers' Compensation Insurance	0
9	Fringe Benefit Tax	0
<u>396,934</u>	Total	<u>0</u>
No employee related expenses were capitalised during the reporting period		
5 Other Operating Expenses		
5,487	Blood and Blood Products	5,487
7,917	Domestic Supplies and Services	7,917
37,082	Drug Supplies	37,082
11,234	Food Supplies	11,234
4,938	Fuel, Light and Power	4,938
34,023	General Expenses (See (b) below)	34,023
1,594	Hospital Ambulance Transport Costs	1,594
1,244	Information Management Expenses	1,244
255	Insurance	255
	Maintenance (See (c) below)	
2,561	Maintenance Contracts	2,561
3,177	New/Replacement Equipment under \$10,000	3,177
4,378	Repairs Maintenance/Non Contract	4,378
27,623	Medical and Surgical Supplies	27,623
789	Postal and Telephone Costs	789
1,573	Printing and Stationery	1,573
931	Rates and Charges	931
1,229	Rental	1,229
45,522	Special Service Departments	45,522
2,564	Staff Related Costs	2,564
2,714	Sundry Operating Expenses (See (a) below)	2,714
2,414	Travel Related Costs	2,414
<u>199,249</u>		<u>199,249</u>

South Eastern Sydney 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 (a) Sundry Operating Expenses comprise:	
2,678	Contract for Patient Services	2,678
36	Isolated Patient Travel and Accommodation Assistance Scheme	36
<u>2,714</u>		<u>2,714</u>
	(b) General Expenses include:-	
46	Advertising	46
511	Books, Magazines and Journals	511
	Consultancies	
315	- Operating Activities	315
3	- Capital Works	3
219	Courier and Freight	219
196	Auditor's Remuneration - Audit of Financial Statements	196
272	Data Recording and Storage	272
224	Legal Services	224
209	Membership/Professional Fees	209
476	Motor Vehicle Expenses	476
659	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	659
832	Other Operating Lease Expense - Minimum Lease Payments	832
25	Quality Assurance/Accreditation	25
37	Translator Services	37
91	Security Services	91
504	Other	504
101	- Child Care	101
158	- Chaplaincy	158
13,651	- Services purchased from HRTO	13,651
14,679	- Corporate Services purchased from HRTO	14,679
815	- Other Management Services	815
<u>34,023</u>		<u>34,023</u>
	(c) Reconciliation Total Maintenance	
10,116	Maintenance Expense - Contracted Labour and Other (Non Employee Related) included in Note 5	10,116
1,909	Employee Related/Personnel Services Maintenance included in Notes 3 and 4	1,909
<u>12,025</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>12,025</u>
	6 Depreciation and Amortisation	
15,070	Depreciation - Buildings	15,070
4,064	Depreciation - Plant and Equipment	4,064
2,118	Depreciation - Infrastructure Systems	2,118
<u>21,252</u>		<u>21,252</u>
	7 Grants and Subsidies	
983	Grants to COMPACS	983
117	Research Organisations	117
49	Budget Sector Other Grants	49
66	Other	66
<u>1,215</u>		<u>1,215</u>

South Eastern Sydney 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
	8 Finance Costs	
<u>10</u>	Interest on Bank Overdrafts and Loans	<u>10</u>
<u>10</u>		<u>10</u>
	9 Payments to Affiliated Health Organisations	
	(a) Recurrent Sourced	
7,739	Calvary Hospital	7,739
488	Eastern Sydney Scarba Centre	488
5,329	War Memorial Hospital Waverley	5,329
<u>13,556</u>		<u>13,556</u>
	(b) Capital Sourced	
2,400	Calvary Hospital	2,400
<u>2,400</u>		<u>2,400</u>
	10 Sale of Goods and Services	
	(a) Sale of Goods comprise the following:-	
3,105	Sales of Prosthesis	3,105
94	Other - Equipment Sales	94
898	Pharmacy Sales	898
<u>4,097</u>		<u>4,097</u>
	(b) Rendering of Services comprise the following:-	
47,207	Patient Fees	47,207
177	Staff-Meals and Accommodation	177
4,821	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	4,821
7,094	- Annual Charge	7,094
18	Cafeteria/Kiosk	18
527	Car Parking	527
343	Child Care Fees	343
22	Clinical Services (excluding Clinical Drug Trials)	22
762	Commercial Activities	762
100	Fees for Medical Records	100
20,248	Highly Specialised Drugs	20,248
3,391	Motor Accidents Authority - 3rd Party receipts	3,391
1,656	Services Provided to Non NSW Health Organisations	1,656
74	Other	74
<u>86,440</u>		<u>86,440</u>
<u>90,537</u>		<u>90,537</u>
	11 Investment Revenue	
	Interest	
1,560	- T Corp Hour Glass Investment Facilities Designated at Fair Value through Profit or Loss	1,560
169	- Other	169
2,952	Lease and Rental Income	2,952
<u>4,681</u>		<u>4,681</u>

South Eastern Sydney 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
12 Grants and Contributions		
1,001	Clinical Drug Trials	1,001
398	Commonwealth Government Grants	398
2,460	Industry Contributions/Donations	2,460
781	Cancer Institute Grants	781
1,520	NSW Government Grants	1,520
390	Research Grants	390
991	Health Program Grants	991
40	Clinical Initiatives and Quality Improvements	40
108	Home & Community Care Grants	108
7,689		7,689
13 Other Revenue		
Other Revenue comprises the following:-		
202	Commissions	202
144	Conference and Training Fees	144
52	Sale of Merchandise, Old Wares and Books	52
67	Sponsorship Income	67
1,310	Treasury Managed Fund Hindsight Adjustment	1,310
2,536	Rights to Receive Fixed Assets	2,536
83	Professional Fee	83
78	Equipment Hire Fee	78
29	Cremation Certificate Revenue	29
84	Private Practice Transfers	84
526	Other	526
5,111		5,111
14 Gain/(Loss) on Disposal		
877	Property Plant and Equipment	877
(728)	Less Accumulated Depreciation	(728)
149	Written Down Value	149
(162)	Less Proceeds from Disposal	(162)
13	Gain/(Loss) on Disposal of Property Plant and Equipment	13
15 Other Gains/(Losses)		
(355)	Impairment of Receivables	(355)
(355)		(355)

16 PARENT & CONSOLIDATION

Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Total
	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	61	4,144	4,205
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	1,906	70,765	72,671
Total amount of unexpended contributions as at balance date	1,967	74,909	76,876

Comment on restricted assets appears in Note 26

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

17 Network Groups

Network 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.

Network 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.

Network 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.

Network 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.

Network 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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Network 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.

Network 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.

Network 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.

Network 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.

South Eastern Sydney 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
18 Cash and Cash Equivalents		
56	Cash on Hand	56
3,962	Cash at Bank	3,962
292	Cash at Bank Capital	292
3,299	Short Term Deposits	3,299
<u>7,609</u>		<u>7,609</u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
7,609	Cash and Cash Equivalents (per Statement of Financial Position)	7,609
<u>7,609</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>7,609</u>
Refer to Note 39 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.		
19 Receivables		
Current		
(a) Sale of Goods and Services		
11,560	- Patient Fees	11,560
6,055	- Other	6,055
26,615	Intra Health Receivables NSW Health	26,615
11,822	Good and Services Tax	11,822
418	Debtors Expense Recoupment	418
921	Debtors SMP GST Infra Fee	921
3,281	Debtors Expenses	3,281
973	Other Debtors	973
<u>61,645</u>	Sub Total	<u>61,645</u>
(382)	Less Allowance for Impairment	(382)
<u>61,263</u>	Sub Total	<u>61,263</u>
1,380	Prepayments	1,380
<u>62,643</u>	Total	<u>62,643</u>
(b) Movement in the Allowance for Impairment		
Sale of Goods and Services		
0	Balance at 1 January 2011	0
	Increase/(decrease) in Allowance Recognised in	
(382)	Result for the Six Months Ended 30 June 2011	(382)
<u>(382)</u>	Balance at 30 June	<u>(382)</u>
(c) Movement in the Allowance for Impairment		
Other Debtors		
0	Balance at 1 January 2011	0
0	Result for the Six Months Ended 30 June 2011	0
<u>0</u>	Balance at 30 June	<u>0</u>
<u>(382)</u>		<u>(382)</u>
(d) Sale of Goods and Services Receivables		
(Current and Non-Current) include:		
1,393	Patient Fees - Compensable	1,393
2,375	Patient Fees - Ineligible	2,375
7,792	Patient Fees - Other	7,792
<u>11,560</u>		<u>11,560</u>

Details regarding credit risk, liquidity and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

South Eastern Sydney 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
20 Inventories		
Current- Held for Distribution		
5,209	Drugs	5,209
6,190	Medical and Surgical Supplies	6,190
4	Other including Goods in Transit	4
11,403		11,403
21 Financial Assets at Fair Value		
Current		
68,281	Treasury Corporation - Hour-Glass Investment Facilities	68,281
68,281		68,281
Refer to Note 39 for further information regarding credit risk, liquidity risk and market risk arising from financial investments.		
22 Property, Plant and Equipment		
Land and Buildings -Fair Value		
1,379,098	Gross Carrying Amount	#####
(552,829)	Less Accumulated Depreciation and Impairment	(552,829)
826,269	Net Carrying Amount	826,269
Plant and Equipment - Fair Value		
119,893	Gross Carrying Amount	119,893
(67,691)	Less Accumulated Depreciation and Impairment	(67,691)
52,202	Net Carrying Amount	52,202
Infrastructure Systems - Fair Value		
169,443	Gross Carrying Amount	169,443
(81,012)	Less Accumulated Depreciation and Impairment	(81,012)
88,431	Net Carrying Amount	88,431
966,902	Total Property, Plant and Equipment At Net Carrying Amount	966,902

PARENT AND CONSOLIDATION

22 Property, Plant and Equipment - Reconciliation

	Land \$000	Buildings \$000	Work in Progress \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
2011						
Net Carrying Amount at 1 January 2011		0	0			0
Additions		122	2,668	13,697	0	16,487
Disposals				(149)		(149)
Administrative Restructures - Transfers In/(Out)	162,237	666,000	10,297	42,733	90,549	971,816
Depreciation Expense		(15,070)		(4,064)	(2,118)	(21,252)
Reclassifications		1,803	(1,788)	(15)		0
Net Carrying Amount at 30 June 2011	162,237	652,855	11,177	52,202	88,431	966,902

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Network [see note 2(f)].
- (ii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (i).
This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indice applied to Non Current Assets as determined by the Land and Property Management Authority.

Year	Land	Buildings	Infrastructure
08/09	93	102	102
09/10	105	103	103
10/11	100	100	100

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended to 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
23 Intangible Assets		
Software		
481	Cost (Gross Carrying Amount)	481
0	Less Accumulated Amortisation and Impairment	0
<u>481</u>	Net Carrying Amount	<u>481</u>

23 Intangibles - Reconciliation

	Software WIP \$000	Other \$000	Total \$000
2011			
Net Carrying Amount at 1 January 2011	0	0	0
Additions (From Internal Development or Acquired Separately)	481	0	481
Amortisation (Recognised in Depreciation and Amortisation)	0	0	0
Net Carrying Amount at 30 June 2011	481	0	481

24 Other Assets

Non-Current		
22,522	Emerging Rights to Assets (refer Note 2 (ac))	22,522
<u>22,522</u>		<u>22,522</u>

25 Non-Current Assets (or Disposal Groups) Held for Sale

Assets Held for Sale		
2,449	Land and Buildings	2,449
<u>2,449</u>	Total	<u>2,449</u>

Liabilities Associated with Assets Held for Sale

2	Valuation Fees	2
<u>2</u>	Total	<u>2</u>

26 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		
39,733	Specific Purposes	39,733
16,511	Research Grants	16,511
20,632	Private Practice Funds	20,632
<u>76,876</u>	Total	<u>76,876</u>

South Eastern Sydney 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
27 Payables		
Current		
10,697	Accrued Salaries, Wages and On-Costs	10,697
8,852	Taxation & Payroll Deductions	8,852
36,267	Creditors	36,267
	Other Creditors	
3,735	- Capital Works	3,735
33,506	- Intra Health Liability	33,506
23,194	- Other	23,194
<u>116,251</u>		<u>116,251</u>
28 Borrowings		
Current		
104	Other Loans and Deposits	104
<u>104</u>		<u>104</u>
<p>No Assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.</p> <p>Other loans still to be extinguished represent monies to be repaid to the NSW Department of Health.</p> <p>Final repayment is scheduled for 30 June 2012.</p>		
29 Provisions		
Current Employee Benefits and Related On-Costs		
65,349	Annual Leave - Short Term Benefit	65,349
49,805	Annual Leave - Long Term Benefit	49,805
7,354	Long Service Leave On Costs	7,354
<u>122,508</u>	Total Current Provisions	<u>122,508</u>
Non Current Employee Benefits and Related On-Costs		
387	Long Service Leave On Costs	387
<u>387</u>	Total Non-Current Provisions	<u>387</u>
Aggregate Employee Benefits and Related On-Costs		
122,508	Provisions - Current	122,508
387	Provisions - Non-Current	387
10,697	Accrued Salaries, Wages and On-Costs (Note 27)	10,697
<u>133,592</u>		<u>133,592</u>

**South Eastern Sydney 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
	30 Other Liabilities	
	Current	
1,300	Income in Advance	1,300
<u>1,300</u>		<u>1,300</u>
	Non-Current	
14,396	Income in Advance	14,396
<u>14,396</u>		<u>14,396</u>

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

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

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

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

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT

CONSOLIDATION

2011 \$000	31 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:	
7,237	Not later than one year	7,237
1,896	Later than one year and not later than five years	1,896
<u>9,133</u>	Total Capital Expenditure Commitments (Including GST)	<u>9,133</u>
	Of the commitments reported at 30 June 2011 it is expected that \$2.319m will be met from locally generated moneys.	
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for the acquisition of goods and services contracted for at balance date and not provided for:	
14,453	Not later than one year	14,453
815	Later than one year and not later than five years	815
<u>15,268</u>	Total Other Expenditure Commitments (Including GST)	<u>15,268</u>
	(c) Operating Lease Commitments	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
739	Not later than one year	739
1,756	Later than one year and not later than five years	1,756
220	Later than five years	220
<u>2,715</u>	Total Operating Lease Commitments (Including GST)	<u>2,715</u>

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

(d) Contingent Asset Related to Commitments for Expenditure

The total of "Commitments for Expenditure" above, i.e. \$27.116m as at 30 June 2011 includes input tax credits of \$2.711m that are expected to be recoverable from the Australian Taxation Office.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

32 Trust Funds

The Network holds trust fund moneys of \$5.987 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the 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	471	229	9,253	9,953
Receipts	1,077	38	13,276	14,391
Payments	(983)	(51)	(17,323)	(18,357)
Cash balance at the end of the financial reporting period	<u>565</u>	<u>216</u>	<u>5,206</u>	<u>5,987</u>

33 Contingent Liabilities/Contingent Assets

a) Claims on NSW Treasury Managed Fund

The Network is a member of the NSW Treasury Managed Fund. The predecessor organisation was also a member 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

NSW 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 South Eastern Sydney Illawarra Area Health Service will be paid in 2011/12.

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

c) Affiliated Health Organisations

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

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

South Eastern Sydney 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
34 Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services		
20,363	Net Cash Flows from Operating Activities	20,363
(21,252)	Depreciation	(21,252)
(382)	Allowance for Impairment	(382)
(20,137)	Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	(20,137)
2,536	Income in Advance for emerging assets	2,536
(7,066)	Decrease/(Increase) in Provisions	(7,066)
51,106	Increase / (Decrease) in Prepayments and Other Assets	51,106
(80,733)	(Increase)/ Decrease in Creditors	(80,733)
29	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	29
(479,952)	NSW Health Department Recurrent Allocations	(479,952)
(9,544)	NSW Health Department Capital Allocations	(9,544)
0	Cash Reimbursements from the Government	0
<u>(545,032)</u>	Net Cost of Services	<u>(545,032)</u>

35 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

36 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.

**South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

PARENT AND CONSOLIDATED

37 Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was higher than budget by \$3.950m (0.73%) due to unfunded costs outside of the Network's control, including public holiday costs incurred in January and April (\$3.1m), subsidised blood products provided to the Prince of Wales Private Hospital at no charge (\$0.5m) and increases in blood product costs passed on to the Network in June 2011 (\$1.3m).

Result for the Year

The result for the year from ordinary activities was lower than budget by \$40.649m, mainly due to recurrent allocations from NSW Health being directed to the Southern Transition Organisation for services purchased by the Network.

Assets and Liabilities

The Current Asset variance of \$57.915m above budget was mainly due to Intra Health Receivables where settlements between the Network, Illawarra Shoalhaven Local Hospital Network (ISLHN) and the Southern Transition Organisation are yet to occur.

The Liabilities variance of \$97.065m above budget was mainly due to Intra Health Payables where settlements between the Network, ISLHN and the Southern Transition Organisation are yet to occur.

Cash Flows

Cash inflows from Operating Activities were \$3.828m higher than budget.

Cash outflows from Investing Activities were \$6.551m higher than budget.

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 NCOS as per DOH Letter (note 1 below)	460,653
Initial Allocation Rollover of Net Assets & Contributions	(26,397)
Balance Sheet and SPF Realignment	9,923
Award Increases	13,321
Entity Tsfs HRTO Southern - January 2011	13,000
Additional Bed Capacity & Planned Surgery Activity through COAG	4,000
Dementia Behaviour Management	406
Musculo-Skeletal Clinics	30
Mothersafe Program at RHW	150
Caring Together - Improving Workplace Culture	458
Keep The Safe Funding	554
Specialised Clinical Service People with Intellectual Disability	208
Implementation Plan for Aged Care Assessment Program	156
Renal Services Enhancements	783
VMO Increases	787
CT Multidisciplinary Ward Rounds	139
Staff Specialist Allowance	1,642
Voluntary Redundancy	333
Nursing Hours Provision	202
Mental Health DBMA	(312)
Tsf LSL to Crown from STO	(5,561)
Calvary Hospital Dementia Unit	(2,400)
Distribution of STO to LHN's	26,188
Doubtful Debts from STO	623
Emergency Physician Incentive Package	792
Interstate Patient Outflows Adj	472
Mental Health Patient Fees	166
SASS/SSS Super Exp to Super Guarrantee Charge	799
Liquidity Assistance	(21,301)
Other Service Enhancements	138
Balance as per Statement of Comprehensive Income	<u><u>479,952</u></u>

Note 1: IA Budget NCOS does not include new account A473999 Budget (Overrun)/Favourability (\$24,863k)

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

38 Increase/(Decrease) in Net Assets from Equity Transfers

Net assets of \$922.741 million transferred from the former South Eastern Sydney and Illawarra Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the South Eastern Sydney Local Health Network on that date in accordance with the provisions of the Health Services Act 1997.

Assets and Liabilities transferred are as follows:

	\$000
Assets	
Cash & Cash Equivalents and Financial Assets	72,845
Receivables	7,782
Inventories	10,534
Prepayments	4,940
Property Plant and Equipment	971,816
Emerging Assets	19,986
Assets Held for Sale	2,449
Liabilities	
Payables	(34,813)
Loans	(630)
Provisions	(115,829)
Income in Advance	(16,339)
Increase/(Decrease) in Net Assets From Equity Transfers	<u>922,741</u>

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

39 Financial Instruments

The South Eastern Sydney Local Health 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 South Eastern Sydney Local Health Network does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The South Eastern Sydney Local Health 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 Governing Council and the Chief Executive have overall responsibility for the establishment and oversight of risk monitoring and review and agree policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the South Eastern Sydney Local Health Network, to set risk limits and controls and monitor risks. Compliance with policies is monitored by the Audit Committee/Internal auditors on a regular and planned basis.

(a) Financial Instrument Categories

PARENT and CONSOLIDATION

Financial Assets		Carrying
Class:	Category	Amount
		2011
		\$000
Cash and Cash Equivalents (note 18)		7,609
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	49,441
Financial Assets at Fair Value (note 21)	At fair value through profit or loss (designated as such upon initial recognition)	68,281
Available-for-Sale Financial Assets (note 25)	(At fair value)	2,447
Total Financial Assets		<u><u>127,778</u></u>
Financial Liabilities		
Borrowings (note 28)	Financial liabilities	104
Payables (note 27) ²	measured at	107,399
Other (note 30)	amortised cost	15,696
Total Financial Liabilities		<u><u>123,199</u></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)

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

(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 South Eastern Sydney Local Health 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 South Eastern Sydney Local Health Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The South Eastern Sydney Local Health Network deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balance deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.67 % in 2010/11. The TCorp Hour Glass cash facility is discussed in paragraph (d) below.

Receivables - trade debtors

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

The South Eastern Sydney Local Health 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, \$14.161m related to debtors that were not past due and not considered impaired, and debtors of \$3.072 were past due but not considered impaired. Together these represent 97.83% of the total trade debtors. The Receivables include Patient Fees Compensables which are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the South Eastern Sydney Local Health 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 not been renegotiated.

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

	\$000		
2011	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	5,805	5,805	0
3 months - 6 months overdue	2,112	1,730	382
> 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.

South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Authority Deposits

The South Eastern Sydney Local Health Network has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 7.00 % , while over the year the weighted average interest rate was 5.24% on a weighted average balance during the year of \$72.427m. None of these assets is past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when they fall due. The Network 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 Network has negotiated no loan outside of arrangements with the NSW Department of Health or the Sustainable Energy Development Authority.

During the current and prior year, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Network'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 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 generally settled in accordance with the policy set by the NSW Department of Health. If trade terms are not specified, payment is also generally made no later than the end of the month following the month in which an invoice or a statement is received.

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

The table below summarises the maturity profile of the South Eastern Sydney Local Health Network's financial liabilities together with the interest rate exposure.

South Eastern Sydney Local Hospital 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

	Weighted Average Effective Int. Rate	Interest Rate Exposure \$'000				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
2011	%	\$000	\$000	\$000	\$000	\$000	\$000	
Payables:								
Accrued Salaries Wages, On-Costs and Payroll Deductions		19,549			19,549			
Creditors		96,702			96,702			
Borrowings:								
Other Loans and Deposits	6.95	104	104		104			
		<u>116,355</u>	<u>104</u>	<u>0</u>	<u>116,251</u>	<u>0</u>	<u>0</u>	

Notes:

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

South Eastern Sydney 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 South Eastern Sydney Local Health Network's exposures to market risk are primarily through interest rate risk on the South Eastern Sydney Local Health Network's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The South Eastern Sydney Local Health 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 South Eastern Sydney Local Health 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 South Eastern Sydney Local Health Network's interest bearing liabilities.

However, Health Networks are not permitted to borrow external to the NSW Department of Health (Sustainable Energy Development Authority loans which are negotiated through Treasury excepted). Both SEDA and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The South Eastern Sydney Local Health 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 South Eastern Sydney Local Health Network's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1%		+1%	
		Profit	Equity	Profit	Equity
2011					
Financial Assets					
Cash and Cash Equivalents	7,609	-76.09	-76.09	76.09	76.09
Receivables	49,441				
Financial Assets at Fair Value	68,281	-682.81	-682.81	682.81	682.81
Other Financial Assets	0	0	0	0	0
Financial Liabilities					
Payables	107,399				
Borrowings	104				

**South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

Other price risk - TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes. The South Eastern Sydney Local Health Network has no direct equity investments. The South Eastern Sydney Local Health Network holds units in the following Hour-Glass investment trusts:

Facility	Investment Sectors	Investment Horizon	2011 \$'000
Cash facility	Cash, money market instruments	Up to 2 years	3,299
Strategic cash facility	Cash, money market and other interest rate instruments	2 years to 4 years	10,923
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	4 years to 7 years	29,546
Long-term growth facility	Cash, money market instruments, Australian and International bonds listed property, Australian and International shares	7 years and over	27,811

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

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

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

NSW TCorp provides sensitivity analysis information for each of the facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (ie 95% probability). The TCorp Hour Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity).

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year for each facility (as advised by TCorp).

	Change in unit price	Impact on profit/loss
		2011 \$'000
Hour-Glass Investment - Cash facility	+/- 2.69%	88.74
Hour-Glass Investment - Strategic cash facility	+/- 5.08%	554.89
Hour-Glass Investment - Medium-term growth facility	+/- 7.35%	2,171.63
Hour-Glass Investment - Long-term growth facility	+/- 9.60%	2,669.86

**South Eastern Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011**

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

The South Eastern Sydney Local Health Network uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique.

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2011 Total \$'000
TCorp Hour-Glass Invt.Facility		71,579		71,579

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

There were no transfers between level 1 and 2 during the period ended 30 June 2011.

40 Post Balance Date Events

There are no known post balance day 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

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

END OF AUDITED FINANCIAL STATEMENTS