



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Southern NSW Local Health Network

To Members of the New South Wales Parliament

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

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity, as at 30 June 2011, and of the financial performance for the six months then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cashflows.

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

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

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



Peter Achterstraat
Auditor-General

5 October 2011
SYDNEY



Certification of Parent/Consolidated Financial Statements, Southern NSW Local Health Network For Period Ended 30 June 2011

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

- 1) The financial statements have been prepared in accordance with:
 - Australian Accounting Standards (which include Australian Accounting Interpretations)
 - *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions

- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Southern NSW 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.

Dr. Maxwell Alexander
Chief Executive
Southern NSW Local Health Network

4/10/11

Financial Statement Notes

	No.	Description
	1	The Health Service Reporting Entity
	2	Summary of Significant Accounting Policies
	3	Employee Related
	4	Personnel Services
	5	Other Operating Expenses
	(a)	Sundry Operating Expenses
	(b)	General Expenses
	(c)	Reconciliation of Total Maintenance
	6	Depreciation and Amortisation
	7	Grants and Subsidies
	8	Finance Costs
	9	Payments to Affiliated Health Organisations
	10	Sale of Goods and Services
	11	Investment Revenue
	12	Grants and Contributions
	13	Other Revenue
	14	Gain / (Loss) on Disposal
	15	Other Gains / (Losses)
Parent & Consolidation	16	Conditions on Contributions
	17	Service Groups of the Health Service
	18	Cash and Cash Equivalents
	19	Receivables
	20	Inventories
Parent & Consolidation	21	Property, Plant and Equipment
	22	Non-Current Assets (or Disposal Groups) Held for Sale
	23	Restricted Assets
	24	Payables
	25	Provisions
	26	Other Liabilities
	27	Commitments for Expenditure
Parent & Consolidation	28	Trust Funds
	29	Contingent Liabilities and Assets
	30	Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services
	31	2010/11 Voluntary Services
	32	Unclaimed Moneys
Parent & Consolidation	33	Budget Review
	34	Increase/(Decrease) in Net Assets from Equity Transfers
	35	Financial Instruments
	36	Post Balance Date Events

Southern NSW Local Health Network
Statement of Financial Position as at 30 June 2011

PARENT		CONSOLIDATION			
Actual 2011 \$000	Budget 2011 \$000	Notes	Actual 2011 \$000	Budget (Unaudited) 2011 \$000	
ASSETS					
Current Assets					
2,862	10,655	18	2,862	10,655	
11,116	2,610	19	11,116	2,610	
352	417	20	352	417	
165	-	22	165	-	
14,495	13,682		14,495	13,682	
Non-Current Assets					
656	-	19	656	-	
160,913	164,771	21	160,913	164,771	
9,875	9,133	21	9,875	9,133	
3,138	3,122	21	3,138	3,122	
173,926	177,026		173,926	177,026	
174,582	177,026		174,582	177,026	
189,077	190,708		189,077	190,708	
LIABILITIES					
Current Liabilities					
21,264	10,395	24	21,264	10,395	
14,795	13,959	25	14,795	13,959	
192	-	26	192	-	
36,251	24,354		36,251	24,354	
Non-Current Liabilities					
-	-	25	-	-	
-	-	26	-	-	
-	-		-	-	
36,251	24,354		36,251	24,354	
152,826	166,354		152,826	166,354	
EQUITY					
-	-		-	-	
152,826	166,354		152,826	166,354	
-	-		-	-	
152,826	166,354		152,826	166,354	

The accompanying notes form part of these financial statements.

Southern NSW Local Health Network
Statement of Changes in Equity for the Six Months Ended 30 June 2011

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
Balance at 1 January 2011		-	-	-	-
Result For The Six Months Ended 30 June 2011		(2,185)	-	-	(2,185)
Other Comprehensive Income					
Net Increase/(Decrease) in Property, Plant & Equipment		-	-	-	-
Available for Sale Financial Assets		-	-	-	-
-Valuation Gains/(Losses)		-	-	-	-
-Changes in Restoration Liability		-	-	-	-
Total Other Comprehensive Income		-	-	-	-
Total Comprehensive Income For The Six Months Ended 2011		(2,185)	-	-	(2,185)
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	34	155,011	-	-	155,011
Balance at 30 June 2011		152,826	-	-	152,826

The accompanying notes form part of these financial statements.

Southern NSW Local Health Network
Statement of Cash Flows for the Six Months Ended 30 June 2011

PARENT			CONSOLIDATION	
Actual 2011 \$000	Budget 2011 \$000		Actual 2011 \$000	Budget (Unaudited) 2011 \$000
		Notes		
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
(64,604)	(65,087)	Employee Related	(64,604)	(65,087)
-	(131)	Grants and Subsidies	-	(131)
-	-	Finance Costs	-	
(64,241)	(68,843)	Other	(64,241)	(68,843)
(128,845)	(134,061)	Total Payments	(128,845)	(134,061)
Receipts				
3,215	13,438	Sale of Goods and Services	3,215	13,438
181	138	Interest Received	181	138
2,534	644	Other	2,534	644
5,930	14,220	Total Receipts	5,930	14,220
Cash Flows From Government				
124,504	124,919	NSW Department of Health Recurrent Allocations	124,504	124,919
3,437	6,169	NSW Department of Health Capital Allocations	3,437	6,169
-		Asset Sale Proceeds transferred to the NSW Department of Health	-	
		Cash Reimbursements from the Crown Entity		
127,941	131,088	Net Cash Flows from Government	127,941	131,088
5,026	11,247	NET CASH FLOWS FROM OPERATING ACTIVITIES	5,026	11,247
		30		
CASH FLOWS FROM INVESTING ACTIVITIES				
-	-	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	-	
(3,961)	(2,389)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(3,961)	(2,389)
		Purchases of Investments		
(3,961)	(2,389)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,961)	(2,389)
CASH FLOWS FROM FINANCING ACTIVITIES				
-	-	Proceeds from Borrowings and Advances	-	
-	-	Repayment of Borrowings and Advances	-	
-	-	NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-
1,065	8,858	NET INCREASE / (DECREASE) IN CASH	1,065	8,858
-	-	Opening Cash and Cash Equivalents	-	-
1,797	1,797	Cash Transferred in/(out) as a result of administrative restructuring	1,797	1,797
2,862	10,655	CLOSING CASH AND CASH EQUIVALENTS	2,862	10,655
		18		

The accompanying notes form part of these financial statements.

**Southern NSW Local Health Network
Service Group Statements
for the Six Months Ended June 2011**

SERVICE'S EXPENSES AND INCOME	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Total		
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011		2011	
	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	
Expenses excluding losses																					
Operating Expenses																					
Employee Related	4,001	334	2,407	7,142	43,787	5,895	9,121	1,150	682												74,519
Visiting Medical Officers	242	1	183	2,088	8,509	1,860	1,059	55	241												14,238
Other Operating Expenses	1,650	459	3,841	8,838	28,090	5,562	7,519	832	154												56,945
Depreciation and Amortisation	202	7	240	790	2,305	216	674	42	31												4,507
Grants and Subsidies																					
Finance Costs																					
Payments to Affiliated Health Organisations																					
Other Expenses																					
Total Expenses excluding losses	6,095	801	6,671	18,858	82,691	13,533	18,373	2,079	1,108												150,209
Revenue																					
Sale of Goods and Services	106	4	89	413	9,157	193	3,655	15	7												13,639
Investment Revenue	4		19	8	143		5		1												181
Grants and Contributions	40	4	122	11	94	10	230	107	3												621
Other Revenue	4			326	1,270		627														2,227
Total Revenue	154	8	230	758	10,664	203	4,517	123	11												16,668
Gain / (Loss) on Disposal																					
Other Gains / (Losses)	(15)	(1)	(12)	(35)	(173)	(27)	(43)	(5)	(3)												(314)
Net Cost of Services	5,956	794	6,453	18,135	72,200	13,357	13,899	1,961	1,100												133,855
Government Contributions																					131,670
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011																					
Other Comprehensive Income	(5,956)	(794)	(6,453)	(18,135)	(72,200)	(13,357)	(13,899)	(1,961)	(1,100)												(2,185)
Increase/(Decrease in Asset Revaluation Reserve																					
Other																					
Total Other Comprehensive Income																					
TOTAL COMPREHENSIVE INCOME	(5,956)	(794)	(6,453)	(18,135)	(72,200)	(13,357)	(13,899)	(1,961)	(1,100)												(2,185)

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

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

The Service Group Statement uses statistical data from the former Greater Southern Area Health Service to 31 December 2010 to allocate the current period's financial information on expenses and revenue to each service group. No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

1. The Health Service Reporting Entity

The Southern NSW 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 Southern NSW 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 annual financial statements presented herein consist of the Health Service (as the parent entity), and the consolidated financial statements of the economic entity. Separate financial statements of the special purpose entity are not presented in the consolidated statements. Notes capture both the parent and consolidated values with notes 3, 4, 12, 24, 25 and 30 being especially

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

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

These consolidated financial statements for the six months ended 30 June 2011 have been authorised for issue by both the Director of Finance and the Chief Executive on [INSERT DATE].

2. Summary of Significant Accounting Policies

Basis of preparation

The Network's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2010*, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the act. The requirements of the Health Services Act 1997 and its regulations including the Accounts and Audit Determination for Public Health Organisations have also been observed.

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Notwithstanding the consolidated entity has a working capital deficiency of \$21.756 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 Southern NSW Local Health Network have been prepared on a going concern basis.

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

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

Other mitigating circumstances why the going concern basis is appropriate include:
Local Health Districts have the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.

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

Statement of Compliance

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

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

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

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

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

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Southern NSW 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

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

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

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

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

a) Employee Benefits and Other Provisions

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

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

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On-costs of 17% are applied to the value of leave payable at 30 June 2011, such on-costs being 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 Greater Southern 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 24, "Payables".

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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 claim experience.

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health from time to time.

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.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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 Networks for which no charges are raised by the authorities. Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

Grants and Contributions

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

NSW Department of Health Allocations

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

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

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

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

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

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

f) Interstate Patient Flows

Networks recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The revenue values reported within the financial statements have been based on 2009/10 activity data for the former Greater Southern Area Health Service using standard cost weighted separation values to reflect estimated costs in 2010/11 for acute weighted inpatient separations.

There are no patient flow expense/revenue items for the six months ended 30 June 2011.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

g) 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(z)).

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

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

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

h) Capitalisation Thresholds

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

i) Depreciation of Property, Plant and Equipment

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

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

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

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

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

j) Revaluation of Non-Current Assets

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

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

The policy requirements of the NSW Department of Health require the Network to revalue its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the Network as at 30 June 2011 was completed on 25 May 2010 and was based on an independent assessment.

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

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

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

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

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

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

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

k) 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.

l) 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 for the assets. NIL existed at Balance Date.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

m) Restoration Costs

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

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

The 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.

o) Investment Properties

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

p) 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.

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

q) Maintenance

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

r) Leased Assets

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

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

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

s) Inventories

Inventories are stated at cost adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a 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.

t) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the Result for the Year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

u) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Southern NSW Local Health Network determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

* *Fair value through profit or loss - The Southern NSW Local Health Network subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Result for the Period.*

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency's key management personnel.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

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

- * *Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Southern NSW 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 Year when impaired, derecognised or through the amortisation process.*

- * *Available-for-sale investments - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Result for the 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.

v) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Result for the 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.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

w) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Network transfers the financial asset:

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

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

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

x) 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.

y) Borrowings

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

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

z) Equity Transfers

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

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

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

aa) Equity and Reserves

(i) Asset Revaluation Reserve

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

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

ab) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 28. 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.

ac) Budgeted Amounts

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

The budget figures are unaudited.

ad) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 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

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.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	3. Employee Related	
	Employee related expenses comprise the following:	
	Salaries and Wages	54,129
	Awards	2,374
	Superannuation - defined benefit plans	1,258
	Superannuation - defined contributions	4,987
	Long Service Leave	2,411
	Annual Leave	5,970
	Sick Leave and Other Leave	2,131
	Redundancies	-
	Workers Compensation Insurance	1,244
	Fringe Benefits Tax	15
		74,519
-		74,519
	4. Personnel Services	
	Personnel Services comprise the purchase of the following:	
54,129	Salaries and Wages	
2,374	Awards	
1,258	Superannuation - defined benefit plans	
4,987	Superannuation - defined contributions	
2,411	Long Service Leave	
5,970	Annual Leave	
2,131	Sick Leave and Other Leave	
-	Redundancies	
1,244	Workers Compensation Insurance	
15	Fringe Benefits Tax	
-	Staff Related Costs	
74,519		-
	5. Other Operating Expenses	
582	Blood and Blood Products	582
1,401	Domestic Supplies and Services	1,401
3,603	Drug Supplies	3,603
6,923	Food Supplies	6,923
1,138	Fuel, Light and Power	1,138
19,059	General Expenses (See (b) below)	19,059
3,979	Hospital Ambulance Transport Costs	3,979
666	Information Management Expenses	666
135	Insurance	135
	Maintenance (See (c) below)	
530	Maintenance Contracts	530
1,293	New/Replacement Equipment under \$10,000	1,293
1,147	Repairs	1,147
-	Maintenance/Non Contract	-
7	Other	7
5,092	Medical and Surgical Supplies	5,092
345	Motor Vehicle Expenses	345
344	Postal and Telephone Costs	344
222	Printing and Stationery	222
145	Rates and Charges	145
410	Rental	410
7,129	Special Service Departments	7,129
1,758	Staff Related Costs	1,758
18	Sundry Operating Expenses (See (a) below)	18
1,019	Travel Related Costs	1,019
56,945		56,945

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
5. Other Operating Expenses (cont...)		
	(a) Sundry Operating Expenses comprise:	
-	Aircraft Expenses (Ambulance)	-
18	Contract for Patient Services	18
-	Isolated Patient Travel and Accommodation Assistance Scheme	-
18		18
	(b) General Expenses include:-	
48	Advertising	48
18	Books, Magazines and Journals	18
	Consultancies	
56	- Operating Activities	56
-	- Capital Works	-
112	Courier and Freight	112
80	Auditor's Remuneration - Audit of financial reports	80
-	Auditor's Remuneration - Other Services	-
3	Data Recording and Storage	3
(1)	Legal Services	(1)
-	Membership/Professional Fees	-
546	Motor Vehicle Operating Lease Expense - minimum lease payments	546
392	Other Operating Lease Expense - minimum lease payments	392
-	Payroll Services	-
3	Quality Assurance/Accreditation	3
236	Security Services	236
7867	Services Purchased from HRTO	7,867
7828	Corporate Services Purchased from HRTO	7,828
12	Translator Services	12
-	Service Agreement Charges	-
1,859	Other	1,859
19,059	Total General Expenses	19,059
	(c) Reconciliation Total Maintenance	
2,977	Maintenance expense - contracted labour and other (non employee related), included in Note 5	2,977
-	Employee related/Personnel Services maintenance expense included in Notes 3 and 4	-
2,977	Total maintenance expenses included in Notes 3, 4 and 5	2,977

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	6. Depreciation and Amortisation	
3,529	Depreciation - Buildings	3,529
-	Amortisation - Leased Buildings	-
878	Depreciation - Plant and Equipment	878
100	Depreciation - Infrastructure Systems	100
4,507		4,507
	7. Grants and Subsidies	
-	Non Government Organisations	-
-	Community Aged Care Packages	-
-	Other	-
-		-
	8. Finance Costs	
-	Finance Lease Interest Charges	-
-	Other Interest Charges	-
-	Total Finance Costs	-
-		-
	9. Payments to Affiliated Health Organisations	
	Recurrent Sourced	
-		-
-		-
-		-
-		-
-		-

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT

CONSOLIDATION

2011
\$000

2011
\$000

10. Sale of Goods and Services

(a) Sale of Goods comprise the following:-

292	Sale of Prosthesis	292
2	Other	2
14	Pharmacy Sales	14

(b) Rendering of Services comprise the following:-

10,156	Patient Fees	10,156
20	Staff-Meals and Accommodation	20
7	Child Care Fees	7
372	Clinical Services (excluding Clinical Drug Trials)	372
126	Commercial Activities	126
12	Fees for Medical Records	12
3	Information Retrieval	3
1,138	High Cost Drugs	1,138
2	Meals on Wheels	2
378	Motor Accident Authority Third Party	378
2	Patient Transport Fees	2
19	Services Provided to Non NSW Health Organisations	19
912	Multi Purpose Service Centre Fees	912
184	Other	184

13,639

13,639

11. Investment Revenue

55	Interest	55
	- T Corp Hour Glass Investment Facilities designated at Fair Value through profit or loss	
	- Other	
126	Lease and Rental Income	126
	Royalties	
	Dividends	
	Other	

181

181

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	12. Grants and Contributions	
93	Commonwealth Government grants	93
-	Commonwealth Teaching Hospital grants	-
428	Industry Contributions/Donations	428
-	Cancer Institute grants	-
47	NSW Government grants	47
3,729	Personnel Services - Superannuation Defined Benefits	-
53	Other grants	53
4,350		621
	13. Other Revenue	
	Other Revenue comprises the following:-	
1	Bad Debts recovered	1
10	Commissions	10
16	Conference and Training Fees	16
-	Discounts	-
-	Lease and Rental Income	-
6	Sale of Merchandise, Old Wares and Books	6
-	Sponsorship Income	-
-	Treasury Managed Fund Hindsight Adjustment	-
-	Unclaimed Deposits	-
2,174	Insurance Refunds	2,174
20	Other	20
2,227		2,227
	14. Gain/(Loss) on Disposal	
180	Property, Plant and Equipment	180
180	Less Accumulated Depreciation	180
-	Written Down Value	-
-	Less Proceeds from Disposal	-
-	Gain/(Loss) on Disposal of Property, Plant and Equipment	-
-	Assets Held for Sale	-
-	Less Proceeds from Disposal	-
-	Gain/(Loss) on Disposal of Assets Held for Sale	-
-	Total Gain/(Loss) on Disposal	-
	15. Other Gains/(Losses)	
	Property, plant and equipment asset revaluation increment/decrement	
	Investment property revaluation increment/decrement	
	Financial instruments at fair value revaluation increment/decrement	
(314)	Impairment of Receivables	(314)
(314)		(314)

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	2	30	515	547
Contributions recognised in amalgamated balance as at 1 January 2011 which were not expended in the current reporting period	20	133	1,227	1,380
	<hr/>			
Total amount of unexpended contributions as at balance date	22	163	1,742	1,927
	<hr/> <hr/>			

Comment on restricted assets appears in Note 23

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

17 Service Groups of the Health Service

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Service Group 2.2 - Inpatient Hospital Services

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

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Service Group 6.1 - Teaching and Research

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

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

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	18. Cash and Cash Equivalents	
2,862	Cash at bank and on hand	2,862
-	Short Term Deposits	-
<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>
2,862		2,862
	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:	
2,862	Cash and cash equivalents (per Statement of Financial Position)	2,862
-	Bank Overdraft	-
<hr style="border-top: 1px solid black;"/>		<hr style="border-top: 1px solid black;"/>
2,862	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	2,862
<hr style="border-top: 3px double black;"/>		<hr style="border-top: 3px double black;"/>

Refer to Note 35 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Southern NSW 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
	19. Receivables	
	Current	
2,519	(a) Sale of Goods and Services	2,519
-	Leave Mobility	-
5,224	Intra Health Receivables NSW Health	5,224
2,825	Goods and Services Tax	2,825
532	Other Debtors	532
<hr/>		<hr/>
11,100	Sub Total	11,100
<hr/>		<hr/>
(70)	Less Allowance for impairment	(70)
<hr/>		<hr/>
11,030	Sub Total	11,030
86	Prepayments	86
<hr/>		<hr/>
11,116		11,116
<hr/> <hr/>		<hr/> <hr/>
	(b) Movement in the allowance for impairment	
	Sale of Goods & Services	
-	Balance at 1 January 2011	-
245	Amounts written off during the year	245
-	Amounts recovered during the year	-
	Increase/(decrease) in allowance recognised in	
(313)	Result for the Six Months Ended 30 June 2011	(313)
(68)	Balance at 30 June	(68)
	(c) Movement in the allowance for impairment	
	Other Debtors	
-	Balance at 1 January 2011	-
71	Amounts written off during the year	71
(71)	Amounts recovered during the year	(71)
	Increase/(decrease) in allowance recognised in	
(1)	Result for the Six Months Ended 30 June 2011	(1)
(1)	Balance at 30 June	(1)
<hr/>		<hr/>
(69)		(69)
<hr/> <hr/>		<hr/> <hr/>
	Non Current	
	(a) Sale of Goods and Services	
	Other Debtors	
<hr/>		<hr/>
-	Sub Total	-
<hr/>		<hr/>
	Less Allowance for impairment	
<hr/>		<hr/>
-	Sub Total	-
656	(a) Prepayments	656
<hr/>		<hr/>
656		656
<hr/> <hr/>		<hr/> <hr/>
	(b) Sale of Goods and Services Receivables	
	(Current and Non Current) include:	
106	Patient Fees - Compensable	106
38	Patient Fees - Ineligible	38
1,859	Patient Fees - Other	1,859
<hr/>		<hr/>
2,003		2,003
<hr/> <hr/>		<hr/> <hr/>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	20. Inventories	
	Current - Held for Distribution	
352	Drugs	352
-	Medical and Surgical Supplies	-
-	Food and Hotel Supplies	-
-	Engineering Supplies	-
-	Other including Goods in Transit	-
352		352
352		352

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
21. Property, Plant and Equipment		
	Land and Buildings - fair value	
324,793	Gross Carrying Amount	324,793
163,880	Less Accumulated depreciation and impairment	163,880
<u>160,913</u>	Net Carrying Amount	<u>160,913</u>
	Plant and Equipment - fair value	
18,811	Gross Carrying Amount	18,811
8,936	Less Accumulated depreciation and impairment	8,936
<u>9,875</u>	Net Carrying Amount	<u>9,875</u>
	Infrastructure Systems - fair value	
6,025	Gross Carrying Amount	6,025
2,887	Less Accumulated depreciation and impairment	2,887
<u>3,138</u>	Net Carrying Amount	<u>3,138</u>
<u>173,926</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>173,926</u>

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATED

21. Property, Plant and Equipment (continued) - Reconciliations

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Other Leased Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2011								
Net Carrying amount at start of year	-	-	-	-	-	-	-	-
Additions	-	-	1,984	-	1,978	-	-	3,962
Reclassifications to Intangibles	-	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	(165)	-	-	-	-	-	-	(165)
Disposals	-	-	-	-	-	-	-	-
Administrative restructures - transfers in/(out)	17,073	143,003	2,547	-	8,775	3,238	-	174,636
Net revaluation increment less revaluation decrements	-	-	-	-	-	-	-	-
Impairment losses (recognised in "other gains/losses)	-	-	-	-	-	-	-	-
Depreciation expense	-	(3,529)	-	-	(878)	(100)	-	(4,507)
Reclassifications	-	729	(729)	-	-	-	-	-
Net Carrying amount at end of year	16,908	140,203	3,802	-	9,875	3,138	-	173,926

(i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Health Service [see note 2(g)].

(ii) Land, Buildings and Infrastructure were independently valued by Opteon Property Group as at 30 June 2010. [see note 2(j)]. The valuation was based on market values where market based evidence was available. Where there was no market based evidence the depreciated replacement cost was adopted. Opteon Property Group is not an employee of the Health Service.

Southern NSW 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
	22. Non Current Assets (or Disposal Groups) Held for Sale	
	Assets held for sale	
165	Land and Buildings	165
-	Plant and Equipment	-
-	Infrastructure Systems	-
	Other	
<hr/>		<hr/>
165		165

Non-current assets held for sale include Land at Kialla Road, Crookwell, which is deemed surplus to requirements.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT

CONSOLIDATION

2011
\$000

2011
\$000

23. 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

1,527	Specific Purposes	Hospital/Ward Specific	1,527
	Other - Not restricted to specific hospitals		
65		Education	65
306		Frontline Health Services	306
29		Other	29

1,927

1,927

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
	24. Payables	
2011		2011
\$000		\$000
	Current	
2,631	Accrued Salaries and Wages	2,631
2,814	Taxation and Payroll Deductions	2,814
-	Accrued Liability - Purchase of Personnel Services	-
7,252	Creditors	7,252
-	Interest	-
	Other Creditors	
783	- Capital Works	783
6,080	- Intra Health Liability	6,080
1,627	- Other	1,627
77	- Taxation	77
<hr/>		<hr/>
21,264		21,264

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 35.

Southern NSW 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
	25. Provisions	
	Current Employee benefits and related on-costs	
-	Annual Leave - Short Term Benefit	-
13,409	Annual Leave - Long Term Benefit	13,409
1,386	Long Service Leave On-Costs	1,386
<u>14,795</u>	Total Current Provisions	<u>14,795</u>
	Non Current Employee benefits and related on-costs	
-	Long Service Leave On-Costs	-
	Sick Leave	
	Other	
	Provision for Personnel Services Liability	-
<u>-</u>	Total Non Current Provisions	<u>-</u>
	Aggregate Employee Benefits and Related On-costs	
14,795	Provisions - current	14,795
-	Provisions - non-current	-
5,445	Accrued Salaries and Wages and on costs (Note 24)	5,445
	Accrued Liability - Purchase of Personnel Services (Note 24)	
<u>20,240</u>		<u>20,240</u>

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	26. Other Liabilities	
	Current	
192	Income in Advance	192
-	Other	-
<hr/>		<hr/>
192		192
	Non-Current	
-	Income in Advance	-
-	Other	-
<hr/>		<hr/>
-		-
<hr/> <hr/>		<hr/> <hr/>

Income in Advance of \$191,694 was received for the provision of patient accommodation.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011 \$000	27. 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:	
1,910	Not later than one year	1,910
712	Later than one year and not later than five years	712
-	Later than five years	-
2,622	Total Capital Expenditure Commitments (including GST)	2,622
	Of the commitments reported at 30 June 2011 it is expected that none will be met from locally generated moneys.	
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for rental payments contracted for at balance date and not provided for:	
590	Not later than one year	590
1,029	Later than one year and not later than five years	1,029
-	Later than five years	-
1,619	Total Other Expenditure Commitments (including GST)	1,619
	(c) Operating Lease Commitments	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
1,199	Not later than one year	1,199
874	Later than one year and not later than five years	874
-	Later than five years	-
2,073	Total Operating Lease Commitments (including GST)	2,073

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATION

28 Trust Funds

The Network holds trust fund moneys of **\$0.748** million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Health Service cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust	Refundable Deposits	Private Practice Trust Funds	Total
	2011 \$000	2011 \$000	2011 \$000	2011 \$000
Cash Balance at the beginning of the financial reporting period	-	-	-	-
Receipts	848	504	722	2,074
Expenditure	(202)	(439)	(685)	(1,326)
Cash Balance at the end of the financial reporting period	646	65	37	748

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

PARENT AND CONSOLIDATED

29 Contingent Liabilities and Assets

a) Claims on Managed Fund

The Networks are members of the NSW Treasury Managed Fund. The predecessor organisations were also members since 1 July 1989. The Fund will pay to or on behalf of the Network all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Network. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the Network or the former Area Health Services. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Network.

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2009/10. As a result, the 2004/05 final and 2006/07 interim hindsight calculations will be paid in 2011/12.

It is not possible for the Network to reliably quantify the benefit or liability to be recorded.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT

CONSOLIDATION

2011
\$000

2011
\$000

30 Reconciliation Of Net Cash Flows from Operating Activities To Net Cost Of Services

5,026	Net Cash Flows from Operating Activities	5,026
(4,507)	Depreciation	(4,507)
(69)	Allowance For Impairment	(69)
-	Acceptance by the Crown Entity of Employee Superannuation Benefits	(3,729)
(192)	Decrease/(Increase) in Income in Advance	(192)
(742)	Decrease/(Increase) in Provisions	(742)
9,168	Increase / (Decrease) in Prepayments and Other Assets	9,168
(10,869)	(Increase)/ Decrease in Creditors	(10,869)
-	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	-
(124,504)	(NSW Health Department Recurrent Allocations)	(124,504)
(3,437)	(NSW Health Department Capital Allocations)	(3,437)
-	(Asset Sale Proceeds transferred to the NSW Health Department)	-
-	(Fair value adjustment to interest free loans)	-
<hr/>		
(130,126)	Net Cost of Services	(133,855)
<hr/>		

31 2010/11 Voluntary Services

It is considered impracticable to quantify the monetary value of voluntary service 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 Relative |
| . Community Organisations - | Counselling, Health Education, Transport,
Home Help & Patient Activities |

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT AND CONSOLIDATED

32 Unclaimed Moneys

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

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

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

33 Budget Review - Parent and Consolidated

Net Cost of Services

The actual Net Cost of Services was higher than budget by \$11.320M (9.24%). This was primarily due to the additional costs incurred by the Network to attract permanent medical, nursing and allied health professionals in an environment of increasing demand for rural health services.

The network has recorded a budget deficit in VMO costs (\$2.482m) and employee related costs (\$6.734m) to funding not aligned with current activity demands.

Other issues placing pressure on the Network's ability to deliver a balanced NCOS position include Operating Expenses (\$4.673M), as a result of increasing cost of services provided by the NSW Ambulance Services, higher than expected costs to achieve activity targets at major facilities, costs and the ongoing maintenance of the infrastructure of ageing facilities.

Assets and Liabilities

Total Assets were below budget by \$1.631M. The transfer of net assets relating to the Network from the former Greater Southern Area Health Service totalled \$155.011M. Total liabilities exceeded budget by \$11.897M.

Cash Flows

Net Cash Flows from Operating Activities were \$6.221M unfavourable to budget.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on **22 December 2010 (with effect from 1 January 2011)** are as follows:

	'\$000
Initial Allocation	99,996
Nurses Award	2,423
VMO Award Increases	647
Special Projects	
Mental Health Enhancements	0
Drug and Alcohol Enhancements	0
Garling Report	533
COAG	850
Other	
Service Enhancements	(912)
Rural Doctors	533
Nursing	10
Education & Training	7
Liquidity Assistance	9,442
Other Adjustments	(4,305)
HRT0 Expenditure Distribution	15,695
Balance as per Statement of Comprehensive Income	124,919

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

Net assets of \$155.011 Million transferred from the former Greater Southern Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the Network on that date in accordance with the provisions of the *Health Services Act 1989*.

Consistent with Treasury approval, Long Service Leave liability of \$22.108 Million transferred from the Health Service with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Assets and Liabilities transferred are as follows:

	2011
	\$000
Assets	
Cash	1,797
Receivables	501
Inventory	417
Prepayments	2,109
Property, Plant & Equipment	174,636
Liabilities	
Payables	(10,395)
Provisions	(14,054)
Increase/(Decrease) in Net Assets From Equity Transfers	155,011

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

35 Financial Instruments

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

The Network's main risks arising from financial instruments are outlined below, together with the Network's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the Network, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit Committee/Internal auditors on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets		Carrying
Class:	Category	Amount
		2011
		\$000
Cash and Cash Equivalents (note 18)	N/A	2,862
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	11,030
Total Financial Assets		<u>13,892</u>
Financial Liabilities		
Borrowings	Financial liabilities	-
Payables (note 24) ²	measured at amortised cost	21,264
Total Financial Liabilities		<u>21,264</u>

Notes

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

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

Southern NSW 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 Network ,including cash,receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.65%. The TCorp Hour Glass cash facility is discussed in para (d) below.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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. This evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The 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, \$0.342M related to debtors that were not past due and not considered impaired and debtors of \$1.109M were past due but not considered impaired. Together these represent 95% of total trade debtors. The Receivables include Patient Fees Compensables which are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims.

Most of the Networks' debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

Only the 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	\$000	\$000
2011	Total^{1,2}	Past due but not impaired^{1,2}	Considered impaired^{1,2}
<3 months overdue	916	915	1
3 months - 6 months overdue	155	152	3
> 6 months overdue	108	42	66

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.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

(c) Liquidity Risk

Liquidity risk is the risk that the 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 NSW Treasury.

During the current 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 settled in accordance with the policy set by the NSW Department of Health. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints, the Network prioritises payments to minimise outstanding creditors greater than 45 days. From time to time the Network also requests subsidy advance from the NSW Department of Health to overcome liquidity issues. The Network also renegotiates payment terms with creditors.

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

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	\$'000 Interest Rate Exposure			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	\$000
Payables:								
Accrued salaries		5,445	-	-	5,445	5,445	-	-
Wages and payroll deductions		-	-	-	-	-	-	-
Creditors		15,115	-	-	15,115	15,115	-	-
Borrowings:								
Bank Overdraft		-	-	-	-	-	-	-
Non Interest Loans		-	-	-	-	-	-	-
Other Loans and Deposits		-	-	-	-	-	-	-
Finance leases		-	-	-	-	-	-	-
		20,560	-	-	20,560	20,560	-	-

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.

Southern NSW Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

(d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Health Service operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

	\$'000	-1%		+1%	
		Carrying Amount	Profit	Equity	Profit
2011					
Financial assets					
Cash and cash equivalents	2,862	-	-	-	-
Receivables	11,030	-	-	-	-
Financial assets at fair value					
Other financial assets					
Financial liabilities					
Payables	21,264	-	-	-	-
Borrowings	-	-	-	-	-

(e) Fair Value compared to Carrying Amount

Financial instruments are generally recognised at cost.

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

	2011 \$'000	2011 \$'000
	Carrying amount	Fair value
Financial assets		
Cash & Cash Equiv.	2,862	2,862
Receivables	11,030	11,030
Financial liabilities		
Payables	21,264	21,264
Borrowings	-	-

36 Post Balance Date Events

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

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