



Independent Auditor's Report

Nepean Blue Mountains Local Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Nepean Blue Mountains 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.

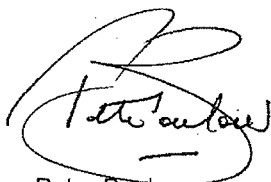
My opinion does *not* provide assurance:

- 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 Boulous
Director, Financial Audit Services

11 November 2011
SYDNEY



Health

Nepean Blue Mountains
Local Health District

Certification of the Parent/Consolidated Financial Statements, Nepean Blue Mountains Local Health Network, for the 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 Regulation 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 Nepean Blue Mountains 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.

Kay Hyman
Chief Executive

Date 10 November 2011.

Nepean Blue Mountains Local Health Network
Statement of Financial Position as at 30 June 2011

PARENT			CONSOLIDATION		
Actual 2011 \$000	Budget (Unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (Unaudited) 2011 \$000	
ASSETS					
Current Assets					
25,214	29,102	Cash and Cash Equivalents	17	25,214	29,102
14,093	9,258	Receivables	18	14,093	9,258
3,454	3,898	Inventories	19	3,454	3,898
42,761	42,258	Total Current Assets		42,761	42,258
Non-Current Assets					
762	72	Receivables	18	762	72
Property, Plant and Equipment					
431,312	432,173	- Land and Buildings	20	431,312	432,173
26,330	26,119	- Plant and Equipment	20	26,330	26,119
2,291	302	- Infrastructure Systems	20	2,291	302
459,933	458,594	Total Property, Plant and Equipment		459,933	458,594
460,695	458,666	Total Non-Current Assets		460,695	458,666
503,456	500,924	Total Assets		503,456	500,924
LIABILITIES					
Current Liabilities					
43,303	16,711	Payables	22	43,303	16,711
2,907	1,271	Borrowings	23	2,907	1,271
43,206	38,635	Provisions	24	43,206	38,635
803	63	Other	25	803	63
90,219	56,680	Total Current Liabilities		90,219	56,680
Non-Current Liabilities					
10,847	10,222	Borrowings	23	10,847	10,222
146	-	Provisions	24	146	-
10,993	10,222	Total Non-Current Liabilities		10,993	10,222
101,212	66,902	Total Liabilities		101,212	66,902
402,244	434,022	Net Assets		402,244	434,022
EQUITY					
402,244	434,022	Accumulated Funds		402,244	434,022
402,244	434,022	Total Equity		402,244	434,022

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health Network
Statement of Changes in Equity for the Six Months ended 30 June 2011

	Notes	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
Balance at 1 January 2011		-	-	-	-
Result For The Six Months Ended 30 June 2011		13,669	-	-	13,669
Total Comprehensive Income For The Six Months Ended 30 June 2011		13,669	-	-	13,669
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	33	388,575	-	-	388,575
Balance at 30 June 2011		402,244	-	-	402,244

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health Network
Statement of Cash Flows for the Six Months Ended 30 June 2011

PARENT			CONSOLIDATION	
Actual 2011 \$000	Budget (Unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (Unaudited) 2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
(157,586)	(132,824)	Employee Related	(157,586)	(132,824)
(251)	(9)	Grants and Subsidies	(251)	(9)
(685)	(561)	Finance Costs	(685)	(561)
(88,471)	(113,243)	Other	(88,471)	(113,243)
(246,993)	(246,637)	Total Payments	(246,993)	(246,637)
Receipts				
20,033	16,270	Sale of Goods and Services	20,033	16,270
1,138	524	Interest Received	1,138	524
3,178	953	Other	3,178	953
24,349	17,747	Total Receipts	24,349	17,747
Cash Flows From Government				
227,634	231,013	NSW Department of Health Recurrent Allocations	227,634	231,013
37,789	37,578	NSW Department of Health Capital Allocations	37,789	37,578
(11)	(11)	NSW Department of Health Asset Sale Proceeds Transferred to the	(11)	(11)
1,728	5,978	Cash Reimbursements from the Crown Entity	1,728	5,978
267,140	274,558	Net Cash Flows From Government	267,140	274,558
44,496	45,668	NET CASH FLOWS FROM OPERATING ACTIVITIES	44,496	45,668
CASH FLOWS FROM INVESTING ACTIVITIES				
435	435	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	435	435
(42,851)	(42,228)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(42,851)	(42,228)
(42,416)	(41,793)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(42,416)	(41,793)
CASH FLOWS FROM FINANCING ACTIVITIES				
11,103	11,181	Proceeds from Borrowings and Advances	11,103	11,181
(1,999)	-	- Repayment of Borrowings and Advances	(1,999)	-
9,104	11,181	NET CASH FLOWS FROM FINANCING ACTIVITIES	9,104	11,181
11,184	15,056	NET INCREASE / (DECREASE) IN CASH	11,184	15,056
-	-	- Opening Cash and Cash Equivalents	-	-
14,030	14,046	Cash Transferred In as a Result of Equity Transfers	14,030	14,046
25,214	29,102	CLOSING CASH AND CASH EQUIVALENTS	25,214	29,102

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health Network
Service Group Statements
for the Six Months Ended 30 June 2011

NETWORK'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 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000		
Expenses excluding losses																				
Operating Expenses																				
Employee Related	12,015	63	11,889	17,487	80,006	15,169	17,487	80,006	15,169	17,487	1,246	2,617	2,617	1,246	2,617	2,617	1,246	2,617	157,679	
Visiting Medical Officers	126	-	497	1,072	7,346	425	251	7,346	425	251	-	22	22	-	22	22	-	22	9,739	
Other Operating Expenses	10,881	21	6,424	10,109	59,943	3,109	4,797	59,943	3,109	4,797	2,316	5,342	5,342	2,316	5,342	5,342	2,316	5,342	102,942	
Depreciation and Amortisation	703	1	1,673	993	5,116	65	375	993	65	375	58	23	23	58	23	23	58	23	9,007	
Grants and Subsidies	193	-	-	-	-	-	-	-	-	-	34	1	1	-	1	1	-	1	228	
Finance Costs	-	-	-	87	511	25	-	87	511	25	-	-	-	-	-	-	-	-	623	
Total Expenses excluding losses	23,918	85	20,483	29,448	152,922	18,793	22,910	152,922	18,793	22,910	3,654	8,005	8,005	3,654	8,005	8,005	3,654	8,005	280,218	
Revenue																				
Sale of Goods and Services	244	-	4,040	134	15,767	127	1,024	15,767	127	1,024	56	966	966	56	966	966	56	966	22,358	
Investment Revenue	1	-	129	-	704	5	9	704	5	9	-	186	186	-	186	186	-	186	1,034	
Grants and Contributions	20	-	1,216	4	411	10	666	411	10	666	-	222	222	-	222	222	-	222	2,549	
Other Revenue	25	-	75	19	34	9	75	34	9	75	24	79	79	24	79	79	24	79	340	
Total Revenue	290	-	5,460	157	16,916	151	1,774	16,916	151	1,774	80	1,453	1,453	80	1,453	1,453	80	1,453	26,281	
Gain / (Loss) on Disposal	(10)	-	(5)	(77)	(4,576)	-	(59)	(4,576)	-	(59)	(389)	(6)	(6)	(389)	(6)	(6)	(389)	(6)	(5,124)	
Other Gains / (Losses)	(2)	-	(34)	(1)	(131)	(1)	(9)	(131)	(1)	(9)	-	(8)	(8)	-	(8)	(8)	-	(8)	(186)	
Net Cost of Services	23,640	85	15,062	29,369	140,713	18,643	21,204	140,713	18,643	21,204	3,963	6,568	6,568	3,963	6,568	6,568	3,963	6,568	259,247	
Government Contributions																				
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011	(23,640)	(85)	(15,062)	(29,369)	(140,713)	(18,643)	(21,204)	(140,713)	(18,643)	(21,204)	(3,963)	(6,568)	(6,568)	(3,963)	(6,568)	(6,568)	(3,963)	(6,568)	(13,669)	
TOTAL COMPREHENSIVE INCOME	(23,640)	(85)	(15,062)	(29,369)	(140,713)	(18,643)	(21,204)	(140,713)	(18,643)	(21,204)	(3,963)	(6,568)	(6,568)	(3,963)	(6,568)	(6,568)	(3,963)	(6,568)	(13,669)	

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

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

The Service Group Statement uses statistical data to 31 May 2011 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.

Nepean Blue Mountains 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 Nepean Blue Mountains 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 Nepean Blue Mountains Network 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*. The Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the six month financial statements presented herein consist of the Network (as the parent entity) and the consolidated financial statements of the economic entity. Separate financial statements of the special purpose entity are not presented in the consolidated statements. Notes capture both the parent and consolidated values with notes 3, 4, 11, 22 and 24 being especially relevant.

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

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

These consolidated financial statements for the six months ended 30 June 2011 have been authorised for issue by the Chief Executive on **10 November 2011**.

2 Summary of Significant Accounting Policies

Statement of Compliance

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

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) and Note 32.

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.

Notwithstanding the consolidated entity has a working capital deficiency of \$47.458 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 Nepean Blue Mountains 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 Nepean Blue Mountains 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 by the entity 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 Networks 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 Nepean Blue Mountains 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.

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

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

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

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

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 Nepean Blue Mountains Local Health Network.

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

Accounting Standard/Interpretation

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

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

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

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

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

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

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

a) Employee Benefits and Other Provisions

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

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

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

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

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former Sydney West 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 accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 22, "Payables".

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

iii) Other Provisions

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

b) Insurance

The Network's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Agencies. The expense (premium) is determined by the Fund Manager based on past Area Health Service claim experience.

c) Finance Costs

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

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.

**Nepean Blue Mountains 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 health services for which no charges are raised by the authorities. It is not practical to estimate the related values.

Grants and Contributions

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

NSW Department of Health Allocations

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

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

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

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

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

f) Acquisition of Assets

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

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

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

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

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

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

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

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

Buildings	2.5%
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Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

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

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

i) Revaluation of Non-Current Assets

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

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.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The policy requirements of the NSW Department of Health require the Network to revalue its Land and Buildings and Infrastructure at minimum every three years by independent valuation.

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

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

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

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

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

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

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

j) Impairment of Property, Plant and Equipment

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

k) Assets Not Able to be Reliably Measured

The Network may at times hold certain assets that are not recognised in the Statement of Financial Position because the Network is unable to measure reliably the value of the assets.

l) Restoration Costs

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

m) 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.

n) Intangible Assets

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

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

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

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over 5 years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

o) 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.

p) 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.

q) Inventories

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

r) Loans and Receivables

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

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

s) Investments

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

* *Fair value through profit or loss - The Network subsequently measures investments designated upon initial recognition "at fair value through profit or loss" at fair value. Gains or losses on these assets are recognised in the Result for the Period.*

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'.

t) Impairment of financial assets

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

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

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the Result for the Year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the Result for the Year.

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
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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.

u) 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.

v) 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.

w) 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*.

x) 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 assets and liabilities were recognised by the transferor immediately prior to the restructure - refer Note 33. 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.

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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(i).

(ii) Accumulated Funds

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

(iii) Separate Reserves

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

ab) Trust Funds

The Network receives monies in a trustee capacity for various trusts as set out in Note 27. 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 Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided. The budget figures are unaudited.

ad) Service Group Statements Allocation Methodology

Expenses and revenues are assigned to service groups in accordance with statistical data of the former Area Health Service for the twelve months ended 31 December 2010 which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT 2011 \$000		CONSOLIDATION 2011 \$000
	3. Employee Related	
	Employee related expenses comprise the following:	
-	Salaries and Wages	113,435
-	Awards	6,413
-	Superannuation - Defined Benefit Plans	2,692
-	Superannuation - Defined Contribution Plans	10,458
-	Long Service Leave	4,305
-	Annual Leave	14,374
-	Sick Leave and Other Leave	4,205
-	Redundancies	1
-	Workers' Compensation Insurance	1,796
<u>-</u>		<u>157,679</u>
	The following additional information is provided:	
-	Employee Related Expenses Capitalised - Land and Buildings	1
	4. Personnel Services	
	Personnel Services comprise the purchase of the following:	
113,435	Salaries and Wages	-
6,413	Awards	-
2,692	Superannuation - Defined Benefit Plans	-
10,458	Superannuation - Defined Contribution Plans	-
4,305	Long Service Leave	-
14,374	Annual Leave	-
4,205	Sick Leave and Other Leave	-
1	Redundancies	-
1,796	Workers' Compensation Insurance	-
0	Fringe Benefits Tax	-
<u>157,679</u>		<u>-</u>
	The following additional information is provided:	
1	Personnel Services Expenses Capitalised - Land and Buildings	-
	5. Other Operating Expenses	
1,447	Blood and Blood Products	1,447
2,487	Domestic Supplies and Services	2,487
9,164	Drug Supplies	9,164
3,472	Food Supplies	3,472
1,540	Fuel, Light and Power	1,540
27,398	General Expenses (See (b) below)	27,398
1,197	Hospital Ambulance Transport Costs	1,197
2,692	Information Management Expenses	2,692
318	Insurance	318
	Maintenance (See (c) below)	
780	Maintenance Contracts	780
1,928	New/Replacement Equipment under \$10,000	1,928
	Repairs	
1,634	Maintenance/Non Contract	1,634
(117)	Other	(117)
12,374	Medical and Surgical Supplies	12,374
354	Motor Vehicle Expenses	354
499	Postal and Telephone Costs	499
658	Printing and Stationery	658
303	Rates and Charges	303
378	Rental	378
10,588	Special Service Departments	10,588
764	Staff Related Costs	764
22,469	Sundry Operating Expenses (See (a) below)	22,469
615	Travel Related Costs	615
<u>102,942</u>		<u>102,942</u>

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

			CONSOLIDATION
PARENT	2011	\$000	
(a) Sundry Operating Expenses comprise:			
Contract for Patient Services	22,469		22,469
			<u><u>22,469</u></u>
(b) General Expenses include:-			
7 Advertising	7		
32 Books, Magazines and Journals Consultancies	32		
50 - Operating Activities	50		
98 Courier and Freight	98		
22 Auditor's Remuneration - Audit of Financial Statements	22		
4 Auditor's Remuneration - Other Services	4		
177 Data Recording and Storage	177		
65 Legal Services	65		
35 Membership/Professional Fees	35		
785 Motor Vehicle Operating Lease Expense - Minimum Lease Payments	785		
1,353 Other Operating Lease Expense - Minimum Lease Payments	1,353		
373 Security Services	373		
1 Translator Services	1		
23,800 Purchase of Services from Health Reform Transition Office (*)	23,800		
(c) Reconciliation Total Maintenance			
Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	4,225		
599 Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	599		
			<u><u>4,824</u></u>
			23,800

(*) The Health Reform Transition Office has allocated costs to the respective Local Health Networks using data available from Episode Funding returns and estimates based upon the Network's service activity.

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	6. Depreciation and Amortisation	
7,186	Depreciation - Buildings	7,186
161	Amortisation - Leased Buildings	161
1,571	Depreciation - Plant and Equipment	1,571
89	Depreciation - Infrastructure Systems	89
<u>9,007</u>		<u>9,007</u>
	7. Grants and Subsidies	
182	Hawkesbury-Hills Division of General Practice Ltd	182
24	Nepean Division of General practice	24
22	Other	22
<u>228</u>		<u>228</u>
	8. Finance Costs	
351	Finance Lease Interest Charges	351
272	Interest on Bank Overdrafts and Loans	272
<u>623</u>	Total Finance Costs	<u>623</u>

Nepean Blue Mountains 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
	9. Sale of Goods and Services	
	(a) Sale of Goods comprise the following:-	
1,258	Sale of Prosthesis	1,258
17	Other	17
96	Pharmacy Sales	96
	(b) Rendering of Services comprise the following:-	
11,064	Patient Fees	11,064
14	Staff-Meals and Accommodation	14
1,688	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	1,688
1,192	- Annual Charge	1,192
4	Cafeteria/Kiosk	4
495	Car Parking	495
472	Child Care Fees	472
423	Clinical Services (excluding Clinical Drug Trials)	423
22	Fees for Medical Records	22
23	Information Retrieval	23
3,557	Highly Specialised Drugs	3,557
1,159	Motor Accident Authority Third Party	1,159
643	Services Provided to Non NSW Health Organisations	643
33	Private Use of Motor Vehicle	33
198	Other	198
22,358		22,358
	10. Investment Revenue	
	Interest	
669	- Bank	669
365	Lease and Rental Income	365
1,034		1,034

Nepean Blue Mountains 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
	11. Grants and Contributions	
108	Clinical Drug Trials	108
460	Commonwealth Government Grants	460
1,038	Industry Contributions/Donations	1,038
414	Cancer Institute Grants	414
215	NSW Government Grants	215
2,692	Personnel Services - Superannuation Defined Benefit Plans	-
4,812	Personnel Services - Long Service Leave	-
249	Research Grants	249
65	Other Grants	65
<u>10,053</u>		<u>2,549</u>
	12. Other Revenue	
	Other Revenue comprises the following:-	
29	Commissions	29
17	Conference and Training Fees	17
16	Cremation Certificates	16
12	Sponsorship Income	12
6	Use of telephones	6
142	Treasury Managed Fund Hindsight Adjustment	142
118	Other	118
<u>340</u>		<u>340</u>
	13. Gain/(Loss) on Disposal	
7,858	Property, Plant and Equipment	7,858
2,299	Less Accumulated Depreciation	2,299
5,559	Written Down Value	5,559
435	Less Proceeds from Disposal	435
<u>(5,124)</u>	Total Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(5,124)</u>
	14. Other Gains/(Losses)	
(186)	Impairment of Receivables	(186)
<u>(186)</u>		<u>(186)</u>

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

PARENT & CONSOLIDATION

15. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	359	1,437		1,796
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	4,530	18,120		22,650
Total amount of unexpended contributions as at balance date	4,889	19,557	0	24,446

Comment on restricted assets appears in Note 21

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

16 Service Groups of the Health Service

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

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

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

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

Service Group 1.3 - Outpatient Services

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

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

Service Group 2.1 - Emergency Services

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

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

Service Group 2.2 - Inpatient Hospital Services

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

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT	2011 \$000	CONOLIDATION	2011 \$000
17. Cash and Cash Equivalents			
	25,214	Cash at Bank and On Hand	25,214
	<u>25,214</u>		<u>25,214</u>
		Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:	
	25,214	Cash and Cash Equivalents (per Statement of Financial Position)	25,214
	<u>25,214</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>25,214</u>

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	18. Receivables	
	Current	
	(a) Sale of Goods and Services	
949	-Patient Fees	949
4,962	- Other	4,962
2,625	Intra Health Receivables NSW Health	2,625
4,136	Goods and Services Tax	4,136
1,382	Other Debtors	1,382
<hr/>		
14,054	Sub Total	14,054
(182)	Less Allowance for Impairment	(182)
<hr/>		
13,872	Sub Total	13,872
221	Prepayments	221
<hr/>		
14,093		14,093
<hr/>		
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
-	Balance at 1 January 2011	-
4	Amounts written off during the reporting period	4
	Increase/(decrease) in Allowance Recognised in	
27	Result for the Six Months Ended 30 June 2011	27
<hr/>		
(23)	Balance at 30 June	(23)
<hr/>		
	(c) Movement in the Allowance for Impairment	
	Other Debtors	
-	Balance at 1 January 2011	-
159	Increase/(decrease) in Allowance Recognised in	159
	Result for the Six Months Ended 30 June 2011	
<hr/>		
(159)	Balance at 30 June	(159)
<hr/>		
(182)		(182)
<hr/>		
762	Non-Current	762
	Prepayments	
<hr/>		
762		762
<hr/>		
	(d) Sale of Goods and Services Receivables	
	(Current and Non-Current) include:	
386	Patient Fees - Compensable	386
755	Patient Fees - Ineligible	755
(192)	Patient Fees - Other	(192)
<hr/>		
949		949
<hr/>		

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

Nepean Blue Mountains 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. Inventories 'Current - Held for Distribution	
1,615	Drugs	1,615
1,839	Medical and Surgical Supplies	1,839
<u>3,454</u>		<u>3,454</u>

**Nepean Blue Mountains 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. Property, Plant and Equipment	
	Land and Buildings - Fair Value	
646,762	Gross Carrying Amount	646,762
215,450	Less Accumulated Depreciation and Impairment	215,450
<u>431,312</u>	Net Carrying Amount	<u>431,312</u>
	Plant and Equipment - Fair Value	
45,868	Gross Carrying Amount	45,868
19,538	Less Accumulated Depreciation and Impairment	19,538
<u>26,330</u>	Net Carrying Amount	<u>26,330</u>
	Infrastructure Systems - Fair Value	
7,149	Gross Carrying Amount	7,149
4,858	Less Accumulated Depreciation and Impairment	4,858
<u>2,291</u>	Net Carrying Amount	<u>2,291</u>
<u>459,933</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>459,933</u>

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

PARENT & CONSOLIDATION

20. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2011							
Net Carrying Amount at 1 January 2011	-	-	-	-	-	-	-
Additions	-	550	33,472	-	8,909	-	42,931
Disposals	(105)	(268)	-	-	(618)	-	(991)
Administrative Restructures - Transfers In/(Out)	23,945	294,958	36,701	49,406	19,610	2,380	427,000
Depreciation Expense	-	(7,186)	-	(161)	(1,571)	(89)	(9,007)
Reclassifications	-	-	-	-	-	-	0
Net Carrying Amount at 30 June 2011	23,840	288,054	70,173	49,245	26,330	2,291	459,933

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Network [see note 2(f)].
- (ii) Land and Buildings were transferred to the Network from the former Sydney West Area Health Service. These assets were valued for Sydney West Area Health Service by AON Valuation Services on 30 June 2008. AON Valuation Services was not an employee of Sydney West Area Health Service.

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
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PARENT	2011	\$000	2011	\$000
21. Restricted Assets				

The Network's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets, which are retained as Cash, are only available for application in accordance with the terms of the donor restrictions.

Category				
Specific Purposes	9,009		9,009	
Private Practice Funds	15,437		15,437	
	<u>24,446</u>		<u>24,446</u>	

Nepean Blue Mountains
Local Health Network
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PARENT	2011 \$000	CONSOLIDATION
24. Provisions		
Current Employee Benefits and Related On-Costs		
Annual Leave - Short Term Benefit	-	28,242
Annual Leave - Long Term Benefit	-	12,198
Long Service Leave On-Costs	-	2,766
Provision for Personnel Services Liability	43,206	-
Total Current Provisions	43,206	43,206
Non-Current Employee Benefits and Related On-Costs		
Long Service Leave On-Costs	-	146
Provision for Personnel Services Liability	146	-
Total Non-Current Provisions	146	146
Aggregate Employee Benefits and Related On-Costs		
Provisions - Current	43,206	43,206
Provisions - Non-Current	146	146
Accrued Salaries, Wages and On-Costs (Note 22)	-	7,227
Accrued Liability - Purchase of Personnel Services (Note 22)	7,227	-
	50,579	50,579

Nepean Blue Mountains 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. Other Liabilities		
Current		
Income in Advance	803	803
	803	803

Nepean Blue Mountains 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. Commitments for Expenditure					
(a) Capital Commitments					
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:					
Not later than one year	35,657			35,657	
Later than one year and not later than five years	2,450			2,450	
Later than five years	-			-	
	<u>38,107</u>			<u>38,107</u>	
Total Capital Expenditure Commitments (Including GST)					
Of the commitments reported at 30 June 2011 it is expected that \$0.618 Million will be met from locally generated moneys.					
(b) Other Expenditure Commitments					
Aggregate other expenditure contracted for the acquisition of general operating goods and services contracted for at balance date and not provided for:					
Not later than one year	2,847			2,847	
Later than one year and not later than five years	-			-	
Later than five years	-			-	
	<u>2,847</u>			<u>2,847</u>	
Total Other Expenditure Commitments (Including GST)					
(c) Operating Lease Commitments					
Commitments in relation to non-cancellable operating leases are payable as follows:					
Not later than one year	3,183			3,183	
Later than one year and not later than five years	9,342			9,342	
Later than five years	8,571			8,571	
	<u>21,096</u>			<u>21,096</u>	
Total Operating Lease Commitments (Including GST)					

Nepean Blue Mountains 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. Commitments for Expenditure					
					(Continued)
(d) Finance Lease Commitments					
Minimum lease payment commitments in relation to finance leases are payable as follows:					
Not later than one year	3,425				3,425
Later than one year and not later than five years	12,131				12,131
Later than five years	265				265
	15,821				15,821
Minimum Lease Payments (Including GST)					
Less: Future Finance Charges	3,695				3,695
Less: GST	1,438				1,438
	10,688				10,688
Present Value of Minimum Lease Payments (Excluding GST)					
The present value of finance lease commitments is as follows:					
Not later than one year	2,114				2,114
Later than one year and not later than five years	8,361				8,361
Later than five years	213				213
	10,688				10,688
Present Value of Minimum Lease Payments (Excluding GST)					
Classified as:					
(a) Current (Note 23)	2,114				2,114
(b) Non-Current (Note 23)	8,574				8,574
	10,688				10,688

Finance Lease commitment is in respect of Hawkesbury Private Hospital commenced in August 1996. The term of the lease is twenty years at which time the ownership of the buildings transfers to the NSW State Government

(e) Contingent Asset Related to Commitments for Expenditure

The total of "Commitments for Expenditure" above, i.e. \$77.871 million as at 30 June 2011 includes input tax credits of \$7.079 million that are expected to be recoverable from the Australian Taxation Office.

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

27 Trust Funds

The Network holds trust fund moneys of \$6.475 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust	Refundable Deposits	Private Practice Trust Funds	Total
	2011 \$000	2011 \$000	2011 \$000	2011 \$000
Cash Balance at the beginning of the financial reporting period	-	-	-	-
Administrative restructures transferred in	332	1,140	5,313	6,785
Receipts	173	157	4,436	4,766
Expenditure	(4)	(146)	(4,926)	(5,076)
Cash Balance at the end of the financial reporting period	501	1,151	4,823	6,475

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PARENT AND CONSOLIDATED

28 Contingent Liabilities and Assets

a) Claims on Managed Fund

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

b) Workers Compensation Hindsight Adjustment

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2010/11. As a result, the 2005/06 final and 2007/08 interim hindsight calculations pertaining to the former Sydney West Area Health Service will be paid in 2011/12.

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

c) Affiliated Health Organisations

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

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

Nepean Blue Mountains Local Health Network
Notes to and forming part of the Financial Statements
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PARENT	2011				CONSOLIDATION
	\$'000				2011
					\$'000
29. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services					
Net Cash Flows from Operating Activities	(44,496)				(44,496)
Depreciation	9,007				9,007
Allowance for Impairment	186				186
Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	1,728				1,728
Decrease/(Increase) in Provisions	1,658				1,658
Increase / (Decrease) in Prepayments and Other Assets	(8,981)				(8,981)
(Increase)/ Decrease in Creditors	22,105				22,105
Net Gain/ (Loss) on Sale of Property, Plant and Equipment	5,124				5,124
NSW Health Department Recurrent Allocations	227,634				227,634
NSW Health Department Capital Allocations	37,789				37,789
Asset Sale Proceeds Transferred to the NSW Department of Health	(11)				(11)
					251,743
					259,247
30. 2010/11 Voluntary Services					
It is considered impracticable to quantify the monetary value of voluntary services provided to the Network. Services provided include:					
· Chaplaincies and Pastoral Care -					Patient & Family Support
· Pink Ladies/Hospital Auxiliaries -					Patient Services, Fund Raising
· Patient Support Groups -					Practical Support to Patients and Relative
· Community Organisations -					Counselling, Health Education, Transport, Home Help & Patient Activities

Nepean Blue Mountains Local Health Network
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PARENT AND CONSOLIDATED

31 Unclaimed Moneys

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

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

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

32 Budget Review - Consolidated

Net Cost of Services

The actual Net Cost of Services was lower than budget by \$4.413 million, primarily due to higher than budgeted revenue received of \$2.030 million and lower than budgeted expenditure of \$1.973 million for the reporting period. Improved performance on Other Working expenditure and Repairs, Maintenance and Renewals contributed significantly to the period end result. Revenue initiatives will continue to be an area of focus in the new financial year.

Result for the Period

The surplus for the period was higher than budget by \$2.77 million reflecting higher than expected revenues received and lower than expected expenditure when compared to budget. Improved performance in Other Operating expenditure was offset by lower than expected performance in Employee Related and Visiting Medical Officer expenditure. Improved performance in Grants and Subsidies revenues reflected higher Commonwealth and Budget Sector Grants received when compared to budget. Improved performance in Investment revenues is reflected in the period result.

Assets and Liabilities

The actual Total Assets is comparable with budget and will continue to be impacted upon by the ongoing transition of services between entities as the transition process continues into the new financial year.

The actual Total Liabilities are higher than budget by \$34.310 million due to the impact of the additional provision for annual leave at the financial year end and ongoing payables transactions reflective of the activities for the reporting period.

Cash Flows

The actual Net Cash Flows from Operating Activities was lower than budget by \$1.172 million resulting mainly from higher than expected cash receipts when compared with the associated budget expectation.

The actual Net Cash Flows from Investing Activities are comparable with the associated budget allocations.

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

	'\$000
Initial Allocation, 1 January 2011	196,016
Award Increases	4,287
Special Projects	
Caring Together Initiatives	244
Nurse/Midwife Strategy	122
COAG Additional Bed Capacity	2,000
Musculo-Skeletal Clinics	270
Additional Surgery Activity	200
Other	
VMOs Remuneration Supplementation	424
Transfer of Long Service Leave Liability to Crown	(2,107)
Hawkesbury District Health Service Supplementation	1,539
Hawkesbury Availability Charge	3,538
Superannuation Guarantee Charge Adjustment	323
Other Enhancements and LHN Budget realignment from other entities	24,158
Balance as per Statement of Comprehensive Income	<u>231,014</u>

Nepean Blue Mountains Local Health
Network
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33. Increase/(Decrease) in Net Assets from Equity Transfers

Net assets of \$387.629million transferred from the former Sydney West 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 \$46.435 Million transferred from the former Health Service with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Other equity transfers effected in the six months were:

- \$0.946 million reduction in Loan from Health Support Services in relation to staff leave transfers

In overview the Equity Transfers resulted in the transfer of assets and liabilities as follows:

	2011
	\$000
Assets	
Cash and Cash Equivalents	23,490
Receivables	4,146
Inventory	3,181
Assets Held for Sale	4,568
Land and Buildings	368,309
Plant and Equipment	19,748
Infrastructure Assets	2,380
Work in Progress	36,828
Total Assets	462,650
Liabilities	
Creditors and Accruals	17,772
Borrowings and Finance Leases	14,610
Employee Provisions	41,693
Total Liabilities	74,075
Increase/(Decrease) in Net Assets From Equity Transfers	388,575

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Note 34 Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT & CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount
		2011 \$000
Cash and Cash Equivalents (note 17)	N/A	25,214
Receivables (note 18) ¹	Loans and receivables (at amortised cost)	9,736
Total Financial Assets		<u>34,950</u>
Financial Liabilities		
Borrowings (note 23)	Financial liabilities	13,754
Payables (note 22) ²	measured at amortised cost	41,593
Total Financial Liabilities		<u>55,347</u>

Notes

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

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

(b) Credit Risk

Credit risk arises when there is the possibility of the Network's debtors defaulting on their contractual obligations, resulting in a financial loss to the Network. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any

Nepean Blue Mountains Local Health Network
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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.

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 4.84% in 2010/11.

Receivables - trade debtors

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

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, \$3.188M related to debtors that were not past due and not considered impaired and debtors of \$2.564M were past due but not considered impaired. Together these represent 96.12% of total trade debtors.

The Receivables include Patient Fees Compensables which are frequently not settled within 6 months of the date of the service provision due to the length of time it takes to settle legal claims. Most of the Network's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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

	\$000		
2011	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	1,618	1,618	
3 months - 6 months overdue	1,128	946	182
> 6 months overdue			

Notes

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

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

(c) Liquidity Risk

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when

Nepean Blue Mountains Local Health Network
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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 period, 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 Nepean Blue Mountains Local Health Network (refer Note 2).

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

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

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

Nepean Blue Mountains Local Health Network
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Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure \$'000				Maturity Dates			
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
						\$000	\$000	\$000
2011	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
Accrued Salaries		4,896			4,896			
Wages, On-Costs and Payroll Deductions		621			621			
Creditors		36,076			36,076			
Borrowings:								
Other Loans and Deposits	6.19%	3,066	3,066			793	1,774	499
Finance Leases	6.60%	10,688		10,688		2,114	8,361	213
		55,347	3,066	10,688	41,593	2,907	10,135	712

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.
2. Of the \$1.774M disclosed in the 2011 'other loans and deposits' time band 1-5 yrs, the Network has no intent to effect payments in advance of maturity dates.

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d) **Market and Interest Rate Risk**

Market Risk

Market risk is the risk that the fair value or 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. The Network has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest rate risk

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

However, the Network is 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	Equity
2011					
Financial Assets					
Cash and Cash Equivalents	25,214	-	-	-	-
Receivables	9,736	-	-	-	-
Financial Liabilities					
Payables	41,593	-	-	-	-
Borrowings	13,754	137	137	-137	-137

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(e) Fair Value compared to Carrying Amount

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

Note 35 Post Balance Date Events

There are no known post balance date events which effect the 2010/11 financial statements.

However, the *Health Services Amendment (Local Health Districts and Boards) Act 2011 No. 4* established Local Health Districts with effect from 1 July 2011 in lieu of the previous network structure. A local health district board has been established for each District with the Minister selecting the membership of each board so that the membership has an appropriate mix of skills and expertise to oversee and provide guidance to the District.

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

END OF AUDITED FINANCIAL STATEMENTS