



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Northern Sydney Local Health Network

To Members of the New South Wales Parliament

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

Opinion

In my opinion, the financial statements:

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

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

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



Peter Achterstraat
Auditor-General

11 October 2011
SYDNEY



**Certification of Parent/Consolidated Financial Statements
Northern Sydney 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 Northern Sydney Local Health Network
3. There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Vicki Taylor
Chief Executive

Date: 04.10.2011

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

PARENT				CONSOLIDATION	
Actual	Budget (unaudited)		Notes	Actual	Budget (unaudited)
2011	2011			2011	2011
\$000	\$000			\$000	\$000
		Expenses excluding losses			
		Operating Expenses			
-	-	Employee Related	3	324,000	326,477
324,000	326,477	Personnel Services	4	-	-
17,963	17,607	Visiting Medical Officers		17,963	17,607
191,385	189,867	Other Operating Expenses	5	191,385	189,867
19,638	17,903	Depreciation and Amortisation	2(h), 6	19,638	17,903
3,940	5,018	Grants and Subsidies	7	3,940	5,018
2	-	Finance Costs	8	2	-
20,338	22,099	Payments to Affiliated Health Organisations	9	20,338	22,099
577,266	578,971	Total Expenses excluding losses		577,266	578,971
		Revenue			
69,858	73,483	Sale of Goods and Services	11	69,858	73,483
2,883	1,651	Investment Revenue	12	2,883	1,651
23,435	8,177	Grants and Contributions	13	7,747	8,177
2,864	1,857	Other Revenue	14	2,864	1,857
98,840	85,168	Total Revenue		83,152	85,168
1,333	19,284	Gain/(Loss) on Disposal	15	1,333	19,284
(704)	(717)	Other Gains/(Losses)	16	(704)	(717)
477,797	475,236	Net Cost of Services	37	493,485	475,236
		Government Contributions			
		NSW Department of Health			
441,073	441,073	Recurrent Allocations	2(d)	441,073	441,073
14,952	18,881	Capital Allocations	2(d)	14,952	18,881
(13,229)	-	Asset Sale Proceeds Transferred to the		(13,229)	-
-	-	NSW Department of Health		-	-
-	9,666	Acceptance by the Crown Entity of		-	9,666
-	-	Employee Benefits	2(a)(ii)	15,688	9,666
442,796	469,620	Total Government Contributions		458,484	469,620
(35,001)	(5,616)	RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011		(35,001)	(5,616)
		Other Comprehensive Income			
-	-	for the six months ended 30 June 2011		-	-
(35,001)	(5,616)	TOTAL COMPREHENSIVE INCOME		(35,001)	(5,616)
		FOR THE SIX MONTHS ENDED 30 JUNE 2011			

Northern Sydney 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					
73,069	97,838	Cash and Cash Equivalents	19	73,069	97,838
65,741	88,751	Receivables	20	65,741	88,751
7,033	7,729	Inventories	21	7,033	7,729
<u>145,843</u>	<u>194,318</u>			<u>145,843</u>	<u>194,318</u>
8,101	17,219	Non-Current Assets Held for Sale	23	8,101	17,219
<u>153,944</u>	<u>211,537</u>	Total Current Assets		<u>153,944</u>	<u>211,537</u>
Non-Current Assets					
1,332	1,351	Receivables	20	1,332	1,351
-	-	Other Financial Assets	23	-	-
Property, Plant and Equipment					
873,229	772,850	- Land and Buildings	22	873,229	772,850
49,994	58,083	- Plant and Equipment	22	49,994	58,083
33,532	34,049	- Infrastructure Systems	22	33,532	34,049
<u>956,755</u>	<u>864,982</u>	Total Property, Plant and Equipment		<u>956,755</u>	<u>864,982</u>
<u>958,087</u>	<u>866,333</u>	Total Non-Current Assets		<u>958,087</u>	<u>866,333</u>
<u>1,112,031</u>	<u>1,077,870</u>	Total Assets		<u>1,112,031</u>	<u>1,077,870</u>
LIABILITIES					
Current Liabilities					
103,896	24,008	Payables	25	103,896	24,008
92,141	85,947	Provisions	27	92,141	85,947
8,057	106,431	Other	28	8,057	106,431
<u>204,094</u>	<u>216,386</u>	Total Current Liabilities		<u>204,094</u>	<u>216,386</u>
Non-Current Liabilities					
49,565	-	- Borrowings	26	49,565	-
312	26	Provisions	27	312	26
31,313	-	- Other	28	31,313	-
<u>81,190</u>	<u>26</u>	Total Non-Current Liabilities		<u>81,190</u>	<u>26</u>
<u>285,284</u>	<u>216,412</u>	Total Liabilities		<u>285,284</u>	<u>216,412</u>
<u>826,747</u>	<u>861,458</u>	Net Assets		<u>826,747</u>	<u>861,458</u>
EQUITY					
826,747	861,458	Accumulated Funds		826,747	861,458
<u>826,747</u>	<u>861,458</u>	Total Equity		<u>826,747</u>	<u>861,458</u>

Northern Sydney Local Health Network

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

	Notes	Accumulated Funds \$000
Balance at 1 January 2011		-
Result For The Six Months Ended 30 June 2011		<u>(35,001)</u>
Total Comprehensive Income For The Six Months Ended 30 June 2011		<u>(35,001)</u>
Transactions With Owners In Their Capacity As Owners		
Increase/(Decrease) in Net Assets From Equity Transfers	37	<u>861,748</u>
Balance at 30 June 2011		<u><u>826,747</u></u>

Northern Sydney Local Health Network

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

PARENT			CONSOLIDATION	
Actual 2011 \$000	Budget (unaudited) 2011 \$000		Actual 2011 \$000	Budget (unaudited) 2011 \$000
		Notes		
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
(302,715)	(316,292)	Employee Related	(302,715)	(316,292)
(3,941)	(5,018)	Grants and Subsidies	(3,941)	(5,018)
(2)	-	Finance Costs	(2)	-
(160,923)	(170,845)	Other	(160,923)	(170,845)
(467,581)	(492,155)	Total Payments	(467,581)	(492,155)
Receipts				
20,296	(4,501)	Sale of Goods and Services	20,296	(4,501)
1,819	1,300	Interest Received	1,819	1,300
11,474	16,566	Other	11,474	16,566
33,589	13,365	Total Receipts	33,589	13,365
Cash Flows From Government				
441,073	441,073	NSW Department of Health Recurrent Allocations	441,073	441,073
14,952	18,881	NSW Department of Health Capital Allocations	14,952	18,881
-	-	- Asset Sale Proceeds Transferred to the	-	-
(13,229)	-	- NSW Department of Health	(13,229)	-
-	-	- Cash Reimbursements from the Crown Entity	-	-
442,796	459,954	Net Cash Flows From Government	442,796	459,954
8,804	(18,836)	NET CASH FLOWS FROM OPERATING ACTIVITIES	8,804	(18,836)
CASH FLOWS FROM INVESTING ACTIVITIES				
(52,727)	49,246	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(52,727)	49,246
-	-	- Purchases of Investments	-	-
(52,727)	49,246	NET CASH FLOWS FROM INVESTING ACTIVITIES	(52,727)	49,246
CASH FLOWS FROM FINANCING ACTIVITIES				
49,565	1	Repayment of Borrowings and Advances	49,565	1
49,565	1	NET CASH FLOWS FROM FINANCING ACTIVITIES	49,565	1
5,642	30,411	NET INCREASE / (DECREASE) IN CASH	5,642	30,411
67,427	67,427	Cash Transferred In as a Result of Equity Transfers	67,427	67,427
73,069	97,838	CLOSING CASH AND CASH EQUIVALENTS	73,069	97,838

Service Group Statements
for the Six Months ended 30 June 2011

SERVICE'S EXPENSES AND INCOME	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Not Attributable	Total
	1.1 *	1.2 *	1.3 *	2.1 *	2.2 *	3.1 *	4.1 *	5.1 *	6.1 *		
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenses excluding losses											
Operating Expenses											
Employee Related	21,909	10	34,310	27,378	119,424	47,224	24,178	4,728	44,842	-	324,001
Visiting Medical Officers	687	-	2,444	705	10,741	369	114	51	2,852	-	17,963
Other Operating Expenses	8,868	28	23,184	10,820	90,315	20,463	9,095	5,636	22,940	-	191,385
Depreciation and Amortisation	1,030	2	3,478	1,317	8,663	1,596	677	57	2,719	-	19,639
Grants and Subsidies	(609)	-	198	277	200	0	0	0	262	-	3,940
Finance Costs	-	-	-	-	1	-	-	-	-	-	1
Payments to Affiliated Health Organisations	114	-	25	17	92	2,746	17,041	4	290	-	20,339
	32,007	39	63,540	40,520	229,430	73,339	53,692	10,720	73,914	-	577,268
Revenue											
Sale of Goods and Services	2,753	8	3,430	3,047	35,305	11,556	5,676	419	8,187	-	69,559
Investment Revenue	158	-	257	68	1,143	201	95	17	943	-	2,865
Grants and Contributions	2,641	-	591	9	951	53	418	177	2,907	-	7,747
Other Revenue	175	2	330	196	1,158	210	217	47	330	-	2,665
Total Revenue	5,727	10	4,698	3,321	38,559	11,521	6,408	661	12,347	-	83,154
Gain / (Loss) on Disposal	66	2	168	117	549	106	117	28	162	-	1,333
Other Gains / (Losses)	(117)	-	(165)	(119)	(303)	(20)	(24)	(51)	(63)	-	(709)
Net Cost of Services	28,212	29	58,952	37,697	190,695	61,751	47,191	10,064	81,493	-	493,495
Government Contributions	-	-	-	-	-	-	-	-	-	459,484	459,484
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011	(26,212)	(29)	(59,532)	(37,697)	(150,655)	(61,751)	(47,191)	(10,064)	(61,433)	459,484	(35,601)

Service Group Statements focus on the key measures of service delivery performance.
* The name and purpose of each service group is summarised in Note 18.

The Service Group Statement uses statistical data, from the former Northern Sydney and Central Coast Area Health Service to 31 December 2010, to allocate the current period's financial information on expenses and revenue to each service group. No changes that have occurred during the period 1 January 2011 and 30 June 2011 which materially impact this allocation have been adjusted for.

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

SERVICE'S ASSETS AND LIABILITIES	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Service Group	Not Attributable	Total
	1.1 *	1.2 *	1.3 *	2.1 *	2.2 *	3.1 *	4.1 *	5.1 *	6.1 *		
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS											
Current Assets											
Cash and Cash Equivalents	4,051	5	8,043	5,120	29,049	9,283	6,796	1,357	9,358	-	73,069
Receivables	4,508	6	3,643	2,624	30,484	9,107	5,065	521	9,762	-	65,741
Inventories	177	1	384	245	4,829	501	373	52	474	-	7,033
Non-Current Assets Held for Sale	425	1	1,393	543	3,574	658	262	23	1,122	-	8,101
Total Current Assets	9,161	13	13,463	8,541	67,933	19,549	12,596	1,963	20,715	-	153,944
Non-Current Assets											
Receivables	62	-	74	53	618	185	103	11	198	-	1,332
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-
Property, Plant and Equipment											
- Land and Buildings	45,782	101	150,194	68,599	385,209	70,959	39,003	2,515	120,068	-	873,229
- Plant and Equipment	2,621	6	8,599	3,353	22,950	4,062	2,233	144	6,022	-	43,694
- Infrastructure Systems	1,759	4	5,167	2,249	14,792	2,725	1,495	97	4,643	-	33,592
Total Non-Current Assets	50,253	110	164,854	64,223	422,659	77,931	42,638	2,768	132,671	-	958,087
TOTAL ASSETS	59,433	123	178,097	72,764	490,599	97,480	55,434	4,721	153,386	-	1,112,031
LIABILITIES											
Current Liabilities											
Payables	2,619	11	5,668	3,624	71,299	7,394	5,515	768	6,997	-	103,696
Provisions	6,231	3	9,757	7,796	33,962	13,430	6,876	1,344	12,752	-	92,141
Other	447	1	887	598	3,203	1,024	749	150	1,032	-	8,057
Total Current Liabilities	9,297	15	16,312	11,977	108,463	21,849	13,139	2,262	20,781	-	204,695
Non-Current Liabilities											
Borrowings	2,748	4	5,456	3,479	19,705	8,297	4,610	920	6,346	-	49,565
Provisions	21	-	33	28	115	45	23	5	43	-	312
Other	1,733	2	3,447	2,193	12,449	3,978	2,912	582	4,009	-	31,313
Total Non-Current Liabilities	4,502	6	8,936	5,700	32,269	12,320	7,545	1,508	10,398	-	81,189
TOTAL LIABILITIES	13,802	21	25,248	17,677	140,732	32,169	20,684	3,770	31,179	-	285,284
NET ASSETS	45,631	103	152,849	55,087	349,867	65,311	34,749	951	122,207	-	826,747

The name and purpose of each service group is summarised in Note 18

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

Northern Sydney 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 Northern Sydney Local Health Network, "the Network", was established under the provisions of the Health Services Act 1997 with effect from 1 January 2011.

The Network, as a reporting entity, comprises all the operating activities of the Hospital facilities and the Community Health Centres under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the Network. The Network is a not-for-profit entity (as profit is not its principal objective).

The Network controls the Northern Sydney Local Health Network Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 in accordance with the Public Sector Employment and Management Act 2002 and the Health Services Act 1997. These Divisions provide personnel services to enable a Network to exercise its functions.

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

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

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

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

2 Summary of Significant Accounting Policies

Basis of Preparation

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

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

Notwithstanding the consolidated entity has a working capital deficiency of \$50.15M 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 Northern Sydney 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 Northern Sydney 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 Northern Sydney 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.

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

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

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

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

Accounting Standard/Interpretation

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

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

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

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

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

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

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

a) Employee Benefits and Other Provisions

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

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

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

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

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

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former Northern Sydney 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 25, "Payables".

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

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) **Revenue 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

Service is generally recognised as revenue when the service is provided.

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.

Use of Hospital Facilities

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

- * a monthly charge raised by the Network based on a percentage of receipts generated
- ^ the residue of the Private Practice Trust Fund at the end of each financial year, such sum being credited for Network use in the advancement of the Network or individuals within it.

Use of Outside Facilities

The Network uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

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

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(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.

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

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

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

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

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

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

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

i) Revaluation of Non-Current Assets

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. And also valued in accordance with Guidelines paper (TPP07-1). This policy adopts fair value in accordance with AASB116, *Property, Plant and Equipment* and AASB140, *Investment Property*. Investment property is separately discussed at Note 2(n).

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

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

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

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

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

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

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

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

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

j) Impairment of Property, Plant and Equipment

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

k) Assets Not Able to be Reliably Measured

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

l) Restoration Costs

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

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

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

n) Investment Properties

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

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 Health Service does not have any property that meets the definition of Investment Property.

o) Intangible Assets

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

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

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

Computer software developed or acquired by the Network are recognised as intangible assets and are amortised over five 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.

p) Maintenance

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

q) Leased Assets

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

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

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

r) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

Obsolete items are disposed of upon identification in accordance with delegated authority.

s) Loans and Receivables

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

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

t) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. The Northern Sydney 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.

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

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

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

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

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

- * *Held-to-maturity investments* – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Northern Sydney Local Health Network has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Result for the Period when impaired, derecognised or through the amortisation process.
- * *Available-for-sale investments* - Any residual investments that do not fall into any other category are accounted for as available-for-sale investments and measured at fair value in other comprehensive income until disposed or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Result for the Year. However, interest calculated using the effective interest method and dividends are recognised in the Result for the Period.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date; i.e. the date the Network commits to purchase or sell the asset.

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

u) Impairment of financial assets

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

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

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

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

v) De-recognition of financial assets and financial liabilities

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

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

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

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

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

w) **Payables**

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Network.

x) **Borrowings**

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

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

y) **Equity Transfers**

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

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

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

z) **Equity and Reserves**

(i) **Asset Revaluation Reserve**

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

(ii) **Accumulated Funds**

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

(iii) **Separate Reserves**

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

aa) **Trust Funds**

The Network receives monies in a trustee capacity for various trusts as set out in Note 29. As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, they are not brought to account in the financial statements.

ab) **Budgeted Amounts**

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

ac) **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 six 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.

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

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
3. Employee Related		
Employee related expenses comprise the following:		
	Salaries and Wages	244,544
	Superannuation - Defined Benefit Plans	6,006
	Superannuation - Defined Contribution Plans	22,219
	Long Service Leave	9,671
	Annual Leave	30,624
	Sick Leave and Other Leave	8,079
	Redundancies	506
	Workers' Compensation Insurance	2,351
		324,000
The following additional information is provided:		
	Employee Related Expenses Capitalised - Plant and Equipment	73
4. Personnel Services		
Personnel Services comprise the purchase of the following:		
244,544	Salaries and Wages	
6,006	Superannuation - Defined Benefit Plans	
22,219	Superannuation - Defined Contribution Plans	
9,671	Long Service Leave	
30,624	Annual Leave	
8,079	Sick Leave and Other Leave	
506	Redundancies	
2,351	Workers' Compensation Insurance	
		324,000
The following additional information is provided:		
73	Personnel Services Expenses Capitalised - Plant and Equipment	
5. Other Operating Expenses		
3,970	Blood and Blood Products	3,970
5,653	Domestic Supplies and Services	5,653
19,978	Drug Supplies	19,978
6,932	Food Supplies	6,932
4,260	Fuel, Light and Power	4,260
58,835	General Expenses (See (b) below)	58,835
1,771	Hospital Ambulance Transport Costs	1,771
470	Information Management Expenses	470
388	Insurance	388
	Maintenance (See (c) below)	
1,772	Maintenance Contracts	1,772
8,732	New/Replacement Equipment under \$10,000	8,732
3,474	Repairs/Maintenance/Non Contract	3,474
6	Other	6
648	Motor Vehicle Expenses	648
30,694	Medical and Surgical Supplies	30,694
1,230	Postal and Telephone Costs	1,230
894	Printing and Stationery	894
792	Rates and Charges	792
415	Rental	415
35,916	Special Service Departments	35,916
2,671	Staff Related Costs	2,671
1	Sundry Operating Expenses (See (a) below)	1
1,883	Travel Related Costs	1,883
		191,385

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

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	<u>(a) Sundry Operating Expenses comprise:</u>	
1	Contract for Patient Services	1
<u>1</u>		<u>1</u>
	<u>(b) General Expenses include:-</u>	
29	Advertising	29
118	Books, Magazines and Journals	118
352	Courier and Freight	352
140	Auditor's Remuneration - Audit of Financial Statements	140
5	Auditor's Remuneration - Other Services	5
373	Data Recording and Storage	373
89	Legal Services	89
76	Membership/Professional Fees	76
919	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	919
205	Other Operating Lease Expense - Minimum Lease Payments	205
24	Payroll Services	24
59	Quality Assurance/Accreditation	59
216	Security Services	216
929	Translator Services	929
38,511	Service Agreement Charges: Services provided by Transition Office	38,511
15,190	Service Agreement Charges: Services provided by RNSH PPP (Infrashore P/L)	15,190
1,599	Other	1,599
<u>58,834</u>	Total General Expenses	<u>58,834</u>
	<u>(c) Reconciliation Total Maintenance</u>	
13,157	Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	13,157
1,735	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	1,735
<u>14,892</u>	Total Maintenance Expenses included in Notes 3, 4 and 5	<u>14,892</u>

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
6. Depreciation and Amortisation		
14,759	Depreciation - Buildings	14,759
46	Amortisation - Leased Buildings	46
4,275	Depreciation - Plant and Equipment	4,275
558	Depreciation - Infrastructure Systems	558
19,638		19,638
7. Grants and Subsidies		
809	Non-Government Organisations	809
1,298	Community Aged Care Packages	1,298
2	Promotion of Research	2
1,831	Other Grants	1,831
3,940		3,940
8. Finance Costs		
2	Other Interest Charges	2
2	Total Finance Costs	2
9. Payments to Affiliated Health Organisations		
	<u>(a) Recurrent Sourced</u>	
8,974	Greenwich & Neringah Hospitals (Hope Healthcare)	8,974
11,364	Royal Rehabilitation Centre Sydney	11,364
20,338		20,338

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	10. Other Expenses	
-	Other	-
-		-
	11. Sale of Goods and Services	
	<u>(a) Sale of Goods comprise the following:-</u>	
3,748	Sale of Prosthesis	3,748
3,251	Other	3,251
344	Pharmacy Sales	344
	<u>(b) Rendering of Services comprise the following:-</u>	
42,606	Patient Fees [see note 2(d)]	42,606
127	Staff-Meals and Accommodation	127
3,530	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	3,530
3,438	- Annual Charge	3,438
(18)	Car Parking	(18)
1,019	Child Care Fees	1,019
204	Clinical Services (excluding Clinical Drug Trials)	204
82	Commercial Activities	82
(8)	Enteral Nutrition Income	(8)
57	Fees for Medical Records	57
6,157	Highly Specialised Drugs	6,157
161	Meals on Wheels	161
3,220	Motor Accident Authority Third Party	3,220
1,101	Services Provided to Non NSW Health Organisations	1,101
839	Other	839
69,858		69,858
	12. Investment Revenue	
1,819	Interest	1,819
981	- Other	981
83	Lease and Rental Income	83
83	Royalties	83
2,883		2,883

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

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	13. Grants and Contributions	
856	Clinical Drug Trials	856
602	Commonwealth Government Grants	602
3,197	Industry Contributions/Donations	3,197
22	Cancer Institute Grants	22
579	NSW Government Grants	579
6,006	Personnel Services - Superannuation Defined Benefit Plans	-
9,682	Personnel Services - Long Service Leave	-
1,244	Research Grants	1,244
1,247	Other Grants	1,247
<u>23,435</u>		<u>7,747</u>
	14. Other Revenue	
	Other Revenue comprises the following:-	
7	Bad Debts Recovered	7
7	Commissions	7
38	Conference and Training Fees	38
83	Sale of Merchandise, Old Wares and Books	83
40	Sponsorship Income	40
2,435	Treasury Managed Fund Hindsight Adjustment	2,435
54	Other	54
<u>2,664</u>		<u>2,664</u>
	15. Gain/(Loss) on Disposal	
2,795	Property, Plant and Equipment	2,795
2,627	Less Accumulated Depreciation	2,627
<u>168</u>	Written Down Value	<u>168</u>
14	Less Proceeds from Disposal	14
<u>(154)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(154)</u>
-	Financial Assets at Fair Value	-
168	Less Proceeds from Disposal	168
<u>168</u>	Gain/(Loss) on Disposal of Financial Assets at Fair Value	<u>168</u>
-	Assets Held for Sale	-
1,319	Less Proceeds from Disposal	1,319
<u>1,319</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>1,319</u>
<u>1,333</u>	Total Gain/(Loss) on Disposal	<u>1,333</u>
	16. Other Gains/(Losses)	
(704)	Impairment of Receivables	(704)
<u>(704)</u>		<u>(704)</u>

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

PARENT & CONSOLIDATION

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenue during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	141	9,366	-	9,507
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	634	55,160	817	56,611
Total amount of unexpended contributions as at balance date	775	64,526	817	66,118

Comment on restricted assets appears in Note 24

18 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.

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

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

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	19. Cash and Cash Equivalents	
20,422	Cash at Bank and On Hand	20,422
52,647	Short Term Deposits	52,647
<u>73,069</u>		<u>73,069</u>
	Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial period to the Statement of Cash Flows as follows:	
<u>73,069</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>73,069</u>
<u>73,069</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>73,069</u>

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	20. Receivables	
	Current	
	(a) Sale of Goods and Services	
10,383	-Patient Fees	10,383
8,768	- Other	8,768
25,794	Intra Health Receivables NSW Health	25,794
10,666	Goods and Services Tax	10,666
6,869	Other Debtors	6,869
62,480	Sub Total	62,480
(68)	Less Allowance for Impairment	(68)
62,412	Sub Total	62,412
3,329	Prepayments	3,329
65,741	Total Current Receivables	65,741
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
-	Balance at 1 January 2011	-
704	Amounts written off during the reporting period	704
(704)	Increase/(decrease) in Allowance Recognised in	(704)
-	Result for the Six Months Ended 30 June 2011	-
-	Balance at 30 June	-
	(c) Movement in the Allowance for Impairment	
	Other Debtors	
-	Balance at 1 January 2011	-
(68)	Amounts transferred in from Admin Restructure	(68)
(68)	Balance at 30 June	(68)
(68)	Total Impairments	(68)
	Non-Current	
1,332	Prepayments	1,332
1,332	Total Non-Current Receivables	1,332
	(d) Sale of Goods and Services Receivables	
	(Current and Non-Current) include:	
756	Patient Fees - Compensable	756
704	Patient Fees - Ineligible	704
8,923	Patient Fees - Other	8,923
10,383	Total Patient Fee Receivables	10,383

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

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

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	21. Inventories 'Current - Held for Distribution	
2,200	Drugs	2,200
4,753	Medical and Surgical Supplies	4,753
70	Engineering Supplies	70
10	Other Including Goods in Transit	10
7,033		7,033
7,033		7,033

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
22. Property, Plant and Equipment		
	Land and Buildings - Fair Value	
1,641,594	Gross Carrying Amount	1,641,594
768,365	Less Accumulated Depreciation and Impairment	768,365
<u>873,229</u>	Net Carrying Amount	<u>873,229</u>
	Plant and Equipment - Fair Value	
101,809	Gross Carrying Amount	101,809
51,815	Less Accumulated Depreciation and Impairment	51,815
<u>49,994</u>	Net Carrying Amount	<u>49,994</u>
	Infrastructure Systems - Fair Value	
44,697	Gross Carrying Amount	44,697
11,165	Less Accumulated Depreciation and Impairment	11,165
<u>33,532</u>	Net Carrying Amount	<u>33,532</u>
<u>956,755</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>956,755</u>

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

PARENT & CONSOLIDATION

22. 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
Net Carrying Amount at 1 January 2011	-	-	-	-	-	-	-
Additions	-	55,254	10,657	-	4,911	41	70,863
Reclassifications to Intangibles	-	-	-	-	-	-	-
Recognition of Assets Held for Sale	(2,650)	(141)	-	-	-	-	(2,791)
Disposals	-	-	-	-	(168)	-	(168)
Administrative Restructures - Transfers In/(Out)	310,716	443,310	70,235	669	49,510	34,049	908,489
Gains/Losses)							
Depreciation Expense	-	(14,756)	-	(46)	(4,278)	(558)	(19,638)
Reclassifications	-	421	(440)	-	19	-	-
Net Carrying Amount at 30 June 2011	308,066	484,088	80,452	623	49,994	33,532	956,755

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

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

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

PARENT		CONSOLIDATION
	2011	
	\$000	2011
		\$000
	23. Non-Current Assets (or Disposal Groups) Held for Sale	
	Assets Held for Sale	
8,101	Land and Buildings	8,101
<u>8,101</u>		<u>8,101</u>

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

PARENT

CONSOLIDATION

**2011
\$000**

**2011
\$000**

24. 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	Brief Details of Externally Imposed Conditions including Asset Category affected	
28,801	Specific Purposes		28,801
20,632	Research Grants		20,632
16,685	Private Practice Funds		16,685
<u>66,118</u>			<u>66,118</u>

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

PARENT		CONSOLIDATION
	25. Payables	
2011		2011
\$000		\$000
	Current	
-	Accrued Salaries, Wages and On-Costs	8,308
-	Taxation and Payroll Deductions	5,631
13,939	Accrued Liability - Purchase of Personnel Services	-
25,289	Creditors	25,289
	Other Creditors	
48,186	- Intra Health Liability	48,186
16,482	- Other	16,482
<u>103,896</u>		<u>103,896</u>
	26. Borrowings	
	Non-Current	
49,565	Other Loans and Deposits	49,565
<u>49,565</u>		<u>49,565</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	27. Provisions	
	Current Employee Benefits and Related On-Costs	
-	Annual Leave - Short Term Benefit	56,420
-	Annual Leave - Long Term Benefit	29,808
-	Long Service Leave On-Costs	5,932
-	Other	(19)
92,141	Provision for Personnel Services Liability	-
92,141	Total Current Provisions	92,141
	Non-Current Employee Benefits and Related On-Costs	
-	Long Service Leave On-Costs	312
312	Provision for Personnel Services Liability	-
312	Total Non-Current Provisions	312
	Aggregate Employee Benefits and Related On-Costs	
-	Provisions - Current	92,141
-	Provisions - Non-Current	312
-	Accrued Salaries, Wages and On-Costs (Note 25)	13,939
106,392	Accrued Liability - Purchase of Personnel Services (Note 25)	-
106,392		106,392

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	28. Other Liabilities	
	Current	
8,057	Income in Advance	8,057
<u>8,057</u>		<u>8,057</u>
	Non-Current	
31,313	Income in Advance	31,313
<u>31,313</u>		<u>31,313</u>

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

PARENT		CONSOLIDATION
2011 \$000	29. 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:	
6,065	Not later than one year	6,065
162,811	Later than one year and not later than five years	162,811
2,102,698	Later than five years	2,102,698
2,271,574	Total Capital Expenditure Commitments (Including GST)	2,271,574
	(b) Other Expenditure Commitments	
	Aggregate other expenditure contracted for the acquisition of Other Purchase Orders contracted for at balance date and not provided for:	
59,446	Not later than one year	59,446
213,848	Later than one year and not later than five years	213,848
1,742,155	Later than five years	1,742,155
2,015,449	Total Other Expenditure Commitments (Including GST)	2,015,449
	(c) Operating Lease Commitments	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
1,500	Not later than one year	1,500
584	Later than one year and not later than five years	584
71	Later than five years	71
2,155	Total Operating Lease Commitments (Including GST)	2,155
	(d) Contingent Asset Related to Commitments for Expenditure	
	The total of 'Commitments for Expenditure' above, i.e. \$4,289 million as at 30 June 2011 includes input tax credits of \$390 million that are expected to be recoverable from the Australian Taxation Office.	

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

PARENT & CONSOLIDATION

30 Trust Funds

The Network holds trust fund moneys of \$2.3 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	-	-	-	-
Receipts	1,075	278	13,487	14,840
Expenditure	690	187	11,645	12,522
Cash Balance at the end of the financial reporting period	385	91	1,842	2,318

PARENT AND CONSOLIDATED

31 Contingent Liabilities and Assets

a) Claims on Managed Fund

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

b) Workers Compensation Hindsight Adjustment

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

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

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.

d) Royal North Shore Hospital Redevelopment Public Private Partnership (PPP)

The liability to pay InfraShore Pty Ltd for the development of the Royal North Shore Hospital and health facilities is based on a CPI linked financing arrangement. An adjustment to the PPP capital financing payment will be made in accordance with CPI index over the project term. The estimated value of the contingent liability is unable to be fully determined because of uncertain future events.

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

PARENT

CONSOLIDATION

2011
\$000

2011
\$000

32. Reconciliation of Net Cash Flows from Operating Activities to Net Cost of Services

8,804	Net Cash Flows from Operating Activities	8,804
(19,636)	Depreciation	(19,636)
(704)	Allowance for Impairment	(704)
	Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	(15,688)
(5,597)	Decrease/(Increase) in Provisions	(5,597)
48,866	Increase / (Decrease) in Prepayments and Other Assets	48,866
(68,067)	(Increase)/ Decrease in Creditors	(68,068)
1,333	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	1,333
(441,073)	NSW Health Department Recurrent Allocations	(441,073)
(14,952)	NSW Health Department Capital Allocations	(14,952)
13,229	Asset Sale Proceeds Transferred to the NSW Department of Health	13,229
<u>(477,797)</u>	Net Cost of Services	<u>(493,485)</u>

33. Non-Cash Financing and Investing Activities

861,748	Administrative Restructure	861,748
<u>861,748</u>		<u>861,748</u>

34. 2011 Voluntary Services

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

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

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

PARENT AND CONSOLIDATED

35 Unclaimed Moneys

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

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

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

36 Budget Review - Parent and Consolidated

Net Cost of Services

The actual net cost of services was unfavourable to budget by \$18.2 million (3.84%). This was primarily due to Revenue being less than planned. Also Drug costs and Medical and Surgical Supplies were in excess of budget due to increased pressure on clinical services.

Result for the Period

The result of \$29.4 million unfavourable to budget is due to the factors above as well as the phasing of the subsidy cashflow for the former Northern Sydney Central Coast Area Health Service which reduced subsidy for the second six months of the year.

Assets and Liabilities

Current Assets were favourable and Fixed Assets were unfavourable due to budget adjustments resulting from the administrative restructure. Fixed Assets was also effected by \$19.6 million relating to the provision for depreciation remaining in the Health Reform Transitional Organisation rather than being transferred to the Local Health Network. The variance in overall Liabilities of \$68.9million unfavourable is primarily from the recognition of a \$49.6 million liability to Infrashore for the construction of a new Community Health Centre at Royal North Shore under the PPP arrangements.

Cash Flows

Operating cash flows reflect a variance of \$27.6 million unfavourable over budget related to the Network starting with zero trade creditors and trade debtors with an offsetting shortfall in Government Subsidy Contributions. Cash flows from Investing activities show a favourable variance of \$102 million which is resulting from budget transfers in from the Administrative Restructure.

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

	\$'000
Initial Allocation, 1 January 2011	414,706
Award Increases	11,528
Special Projects	2,585
Carry Forward Balances	2,870
Distribution from NTO to LHNs	38,511
RMR >\$10,000 transfers between NTO & LHNs	3,210
Redundancies	1,334
LSL Liability	(4,025)
COAG Funding	1,200
Hammond Care Braeside Super	1,046
Other	(2,941)
Capital Adjustments	18,881
Liquidity Assistance	4,580
Balance as per Statement of Comprehensive Income	<u>493,485</u>

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

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

Net assets of \$861.7M transferred from the former Northern Sydney and Central Coast Area Health Service with effect from 1st January 2011 commensurate with the responsibilities for health services assumed by the Network on that date in accordance with the provisions of the Health Services Act 1989.

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

Other equity transfers effected in year were:

Equity transfers effected in 2011 comprised:

Assets and Liabilities transferred are as follows:

	2011 \$000
Assets	
<u>Current Assets</u>	
Cash and Cash Equivalents	67,427
Receivables	16,922
Inventories	7,729
Non-Current Assets Held for Sale	17,219
Total Current Assets	<u>109,297</u>
<u>Non-Current Assets</u>	
Receivables	1,351
Property, Plant and Equipment	
- Land and Buildings	824,930
- Plant and Equipment	49,510
- Infrastructure Systems	34,049
Total Property, Plant and Equipment	<u>908,489</u>
Other	5,427
Total Non-Current Assets	<u>915,267</u>
Total Assets	<u>1,024,564</u>
Liabilities	
<u>Current Liabilities</u>	
Payables	(37,556)
Borrowings	-
Provisions	(86,856)
Other	(6,515)
Total Current Liabilities	<u>(130,927)</u>
<u>Non-Current Liabilities</u>	
Borrowings	-
Provisions	-
Other	(31,889)
Total Non-Current Liabilities	<u>(31,889)</u>
Total Liabilities	<u>(162,816)</u>
Increase/(Decrease) in Net Assets From Equity Transfers	<u>861,748</u>

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

Note 38 Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION

Financial Assets		Carrying
Class:	Category	Amount
		2011
		\$000
Cash and Cash Equivalents (note 19)	N/A	73,069
Receivables (note 20) ¹	Loans and receivables (at amortised cost)	26,020
Total Financial Assets		<u>99,089</u>
 Financial Liabilities		
Borrowings (note 30)		49,565
Payables (note 25)	Financial liabilities measured at amortised cost	104,979
Total Financial Liabilities		<u>154,544</u>

Notes

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

(b) Credit Risk

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

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

Credit risk arises from financial assets of the Network, including cash, receivables and authority deposits. No collateral is held by the Network. The Network has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.62% in 2011. The TCorp Hour-Glass cash facility is discussed in para (d) below.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the NSW Department of Health Accounting Manual and Fee Procedures Manual are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the Network will not be able to collect all amounts due. 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. Based on past experience, debtors that are not past due (2011:\$6.9M) and not more than [3] months past due (2011: \$2.9M) are not considered impaired and together these represent 96% of the total trade debtors. In addition Patient Fees Compensables 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.

The only financial assets that are past due or impaired are 'sales of goods and services' 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	2,912	2,912	
3 months - 6 months overdue	403	403	
> 6 months overdue	-	-	

Notes

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

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

Authority Deposits

The Network has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 5.44% , while over the year the weighted average interest rate was 5.42% on a weighted average balance during the period of \$50,841,000. None of these assets are past due or impaired.

Northern Sydney 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 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 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.

Northern Sydney 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

	\$'000					Maturity Dates		
	Interest Rate Exposure							
	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	\$000	\$000	\$000	\$000	
2011								
Payables:								
Accrued Salaries		8,308	-	-	8,308	8,308	-	
Wages, On-Costs and Payroll Deductions		5,631	-	-	5,631	5,631	-	
Creditors		41,771	-	-	41,771	41,771	-	
		<u>55,710</u>			<u>55,710</u>	<u>55,710</u>		

Notes:

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

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

d) **Market Risk**

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

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

Interest rate risk

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

However, Networks are not permitted to borrow external to the NSW Department of Health. 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	73,069	(730)	730	730	(730)

Other price risk - TCorp Hour-Glass facilities

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

Facility	Investment Sectors	Investment Horizon	2011 \$'000
Cash facility	Cash, money market instruments	Up to 2 years	50,667

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

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

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

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

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

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass Statement).

	Change in unit price	Impact on profit/loss
		2011 \$'000
Hour-Glass Investment - Cash facility	+/- W%	507

(e) Fair Value compared to Carrying Amount

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

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

	2011 \$'000	2011 \$'000
	Carrying amount	Fair value
Financial assets	48,422	50,667
Financial liabilities	154,544	

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

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

The Network uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2011 Total \$'000
TCorp Hour-Glass Invt.Facility		50,667	-	50,667

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

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

Note 39 Post Balance Date Events

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

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

END OF AUDITED FINANCIAL STATEMENTS