



## Independent Auditor's Report

### Western New South Wales Local Health Network

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Western New South Wales 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.

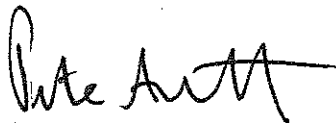
My opinion does *not* provide assurance:

- 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

9 November 2011  
SYDNEY



**Health**  
Western NSW  
Local Health Network

**Western NSW Local Health Network  
Certification of Parent/Consolidated Financial Statements  
for the Six Months Ended 30 June 2011**

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

- 1) The financial statements have been prepared in accordance with:
  - 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 Western NSW Local Health Network
- 3) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Ron Dunham  
Chief Executive

31 October 2011

**Western NSW Local Health Network**  
**Statement of Comprehensive Income for the Six Months Ended 30 June 2011**

PARENT		CONSOLIDATION		
Actual 2011 \$000	Budget (unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (unaudited) 2011 \$000
<b>Expenses excluding losses</b>				
Operating Expenses				
0	0	3	174,087	174,770
174,087	174,770	4	0	0
21,417	20,842		21,417	20,842
126,105	114,020	5	126,105	114,020
13,058	13,104	2(h), 6	13,058	13,104
2,488	1,265	7	2,488	1,265
7	18	8	7	18
62	86	9	62	86
<b>337,224</b>	<b>324,105</b>	<b>Total Expenses excluding losses</b>	<b>337,224</b>	<b>324,105</b>
<b>Revenue</b>				
33,786	34,527	10	33,786	34,527
483	0	11	483	0
11,052	9,308	12	2,509	1,934
3,262	220	13	3,262	220
<b>48,583</b>	<b>44,055</b>	<b>Total Revenue</b>	<b>40,040</b>	<b>36,681</b>
(447)	0	14	(447)	0
(720)	(123)	15	(720)	(123)
<b>289,808</b>	<b>280,173</b>	<b>Net Cost of Services</b>	<b>298,351</b>	<b>287,547</b>
<b>Government Contributions</b>				
273,589	272,366	2(d)	273,589	272,366
25,940	38,608	2(d)	25,940	38,608
0	0	2(a)(ii)	8,543	7,374
<b>299,529</b>	<b>310,974</b>	<b>Total Government Contributions</b>	<b>308,072</b>	<b>318,348</b>
<b>9,721</b>	<b>30,801</b>	<b>RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>9,721</b>	<b>30,801</b>
<b>9,721</b>	<b>30,801</b>	<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>9,721</b>	<b>30,801</b>

The accompanying notes form part of these financial statements.

**Western NSW 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	
<b>ASSETS</b>					
<b>Current Assets</b>					
8,568	15,655	18	8,568	15,655	
40,047	14,981	19	40,047	14,981	
2,093	2,298	20	2,093	2,298	
19,036	7,178	22	19,036	7,178	
<b>69,744</b>	<b>40,112</b>		<b>69,744</b>	<b>40,112</b>	
<b>Non-Current Assets</b>					
0	45	19	0	45	
601,844	447,491	21	601,844	447,491	
50,969	29,393	21	50,969	29,393	
8,599	8,649	21	8,599	8,649	
661,412	485,533		661,412	485,533	
<b>661,412</b>	<b>485,578</b>		<b>661,412</b>	<b>485,578</b>	
<b>731,156</b>	<b>525,690</b>		<b>731,156</b>	<b>525,690</b>	
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
48,622	20,217	24	48,622	20,217	
153	776	25	153	776	
42,267	40,485	26	42,267	40,485	
547	530	27	547	530	
91,589	62,008		91,589	62,008	
<b>91,589</b>	<b>62,008</b>		<b>91,589</b>	<b>62,008</b>	
<b>Non-Current Liabilities</b>					
162,195	727	25	162,195	727	
167	1,016	26	167	1,016	
<b>162,362</b>	<b>1,743</b>		<b>162,362</b>	<b>1,743</b>	
<b>253,951</b>	<b>63,751</b>		<b>253,951</b>	<b>63,751</b>	
<b>477,205</b>	<b>461,939</b>		<b>477,205</b>	<b>461,939</b>	
<b>EQUITY</b>					
477,205	461,939		477,205	461,939	
<b>477,205</b>	<b>461,939</b>		<b>477,205</b>	<b>461,939</b>	

The accompanying notes form part of these financial statements.

**Western NSW Local Health Network**  
**Statement of Changes in Equity for the Six Months ended 30 June 2011**

	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
<b>Balance at 1 January 2011</b>		0	0	0	0
<b>Result For The Six Months Ended 30 June 2011</b>		9,721	0	0	9,721
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment		0	0	0	0
Available for Sale Financial Assets:					
-Valuation Gains/(Losses)		0	0	0	0
-Transfers on Disposal		0	0	0	0
Changes in Restoration Liability		0	0	0	0
<b>Total Other Comprehensive Income</b>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Comprehensive Income For The Six Months Ended 30 June 2011</b>		<u>9,721</u>	<u>0</u>	<u>0</u>	<u>9,721</u>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	35	467,484	0	0	467,484
<b>Balance at 30 June 2011</b>		<u><b>477,205</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>477,205</b></u>

The accompanying notes form part of these financial statements.

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

<b>PARENT</b>			<b>CONSOLIDATION</b>	
Actual Budget (unaudited)			Actual Budget (unaudited)	
2011	2011	Notes	2011	2011
\$000	\$000		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
0	0	Employee Related	(158,201)	(162,673)
(2,737)	(1,392)	Grants and Subsidies	(2,737)	(1,392)
(7)	(18)	Finance Costs	(7)	(18)
(291,079)	(313,902)	Other	(132,878)	(151,229)
<b>(293,823)</b>	<b>(315,312)</b>	<b>Total Payments</b>	<b>(293,823)</b>	<b>(315,312)</b>
<b>Receipts</b>				
12,571	34,870	Sale of Goods and Services	12,571	34,870
292	0	Interest Received	292	0
10,530	15,353	Other	10,530	15,353
<b>23,393</b>	<b>50,223</b>	<b>Total Receipts</b>	<b>23,393</b>	<b>50,223</b>
<b>Cash Flows From Government</b>				
273,589	272,366	NSW Department of Health Recurrent Allocations	273,589	272,366
25,940	38,608	NSW Department of Health Capital Allocations	25,940	38,608
1,988	0	Cash Reimbursements from the Crown Entity	1,988	0
<b>301,517</b>	<b>310,974</b>	<b>Net Cash Flows From Government</b>	<b>301,517</b>	<b>310,974</b>
<b>31,087</b>	<b>45,885</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>31,087</b>	<b>45,885</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
8	0	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	8	0
(190,252)	(37,110)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(190,252)	(37,110)
<b>(190,244)</b>	<b>(37,110)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(190,244)</b>	<b>(37,110)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
161,392	(76)	Proceeds from Borrowings and Advances	161,392	(76)
(623)	0	Repayment of Borrowings and Advances	(623)	0
<b>160,769</b>	<b>(76)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>160,769</b>	<b>(76)</b>
<b>1,612</b>	<b>8,699</b>	<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>1,612</b>	<b>8,699</b>
0	0	Opening Cash and Cash Equivalents	0	0
6,956	6,956	Cash Transferred In as a Result of Equity Transfers	6,956	6,956
<b>8,568</b>	<b>15,655</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>8,568</b>	<b>15,655</b>

The accompanying notes form part of these financial statements.

**Western NSW Local Health Network  
Service Group Statements  
for the Six Months Ended 30 June 2011**

<b>NETWORK'S EXPENSES AND INCOME</b>	<b>Service Group 1.1 *</b>	<b>Service Group 1.2 *</b>	<b>Service Group 1.3 *</b>	<b>Service Group 2.1 *</b>	<b>Service Group 2.2 *</b>	<b>Service Group 3.1 *</b>	<b>Service Group 4.1 *</b>	<b>Service Group 5.1 *</b>	<b>Service Group 6.1 *</b>	<b>Not Attributable</b>	<b>Total</b>
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Expenses excluding losses</b>											
Operating Expenses											
Employee Related	23,094	2,509	13,778	14,437	66,939	25,828	24,292	973	2,237	0	174,087
Visiting Medical Officers	1,314	41	1,777	1,727	12,196	3,216	1,144	1	1	0	21,417
Other Operating Expenses	11,988	2,691	17,647	9,770	56,043	14,424	12,363	703	476	0	126,105
Depreciation and Amortisation	1,336	96	1,583	903	5,230	2,036	1,824	28	22	0	13,058
Grants and Subsidies	96	73	21	17	89	1,979	210	1	2	0	2,488
Finance Costs	1	0	1	1	2	1	1	0	0	0	7
Payments to Affiliated Health Organisations	0	0	0	0	0	0	62	0	0	0	62
<b>Total Expenses excluding losses</b>	<b>37,829</b>	<b>5,410</b>	<b>34,807</b>	<b>26,855</b>	<b>140,499</b>	<b>47,484</b>	<b>39,896</b>	<b>1,706</b>	<b>2,738</b>	<b>0</b>	<b>337,224</b>
<b>Revenue</b>											
Sale of Goods and Services	244	0	55	133	13,545	1,292	18,517	0	0	0	33,786
Investment Revenue	2	0	328	2	102	1	47	1	0	0	483
Grants and Contributions	61	6	49	29	157	2,038	164	2	3	0	2,509
Other Revenue	801	39	553	91	601	237	713	216	11	0	3,262
<b>Total Revenue</b>	<b>1,108</b>	<b>45</b>	<b>985</b>	<b>255</b>	<b>14,405</b>	<b>3,568</b>	<b>19,441</b>	<b>219</b>	<b>14</b>	<b>0</b>	<b>40,040</b>
Gain / (Loss) on Disposal	(46)	(6)	(42)	(32)	(185)	(61)	(70)	(2)	(3)	0	(447)
Other Gains / (Losses)	(20)	(1)	(18)	(5)	(259)	(64)	(349)	(4)	0	0	(720)
<b>Net Cost of Services</b>	<b>36,787</b>	<b>5,372</b>	<b>33,882</b>	<b>26,637</b>	<b>126,538</b>	<b>44,041</b>	<b>20,874</b>	<b>1,493</b>	<b>2,727</b>	<b>0</b>	<b>298,351</b>
Government Contributions										308,072	308,072
<b>RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>36,787</b>	<b>5,372</b>	<b>33,882</b>	<b>26,637</b>	<b>126,538</b>	<b>44,041</b>	<b>20,874</b>	<b>1,493</b>	<b>2,727</b>	<b>(308,072)</b>	<b>(9,721)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>36,787</b>	<b>5,372</b>	<b>33,882</b>	<b>26,637</b>	<b>126,538</b>	<b>44,041</b>	<b>20,874</b>	<b>1,493</b>	<b>2,727</b>	<b>(308,072)</b>	<b>(9,721)</b>

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

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

The Service Group Statement uses statistical data from the former Greater Western Area Health Service to 31 December 2010 to allocate the current period's financial information on expenses and revenue to each service group.

No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.



**Western NSW Local Health Network  
Service Group Statements (Continued)  
for the Six Months Ended 30 June 2011**

<b>NETWORK'S ASSETS AND LIABILITIES</b>	<b>Service Group 1.1 *</b>	<b>Service Group 1.2 *</b>	<b>Service Group 1.3 *</b>	<b>Service Group 2.1 *</b>	<b>Service Group 2.2 *</b>	<b>Service Group 3.1 *</b>	<b>Service Group 4.1 *</b>	<b>Service Group 5.1 *</b>	<b>Service Group 6.1 *</b>	<b>Not Attributable</b>	<b>Total</b>
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	1,056	154	973	765	3,635	1,265	599	43	78	0	8,568
Receivables	4,938	721	4,548	3,575	16,986	5,911	2,802	200	366	0	40,047
Inventories	258	38	238	187	888	309	146	10	19	0	2,093
Non-Current Assets Held for Sale	2,347	343	2,162	1,700	8,073	2,810	1,332	95	174	0	19,036
<b>Total Current Assets</b>	<b>8,599</b>	<b>1,256</b>	<b>7,921</b>	<b>6,227</b>	<b>29,582</b>	<b>10,295</b>	<b>4,879</b>	<b>348</b>	<b>637</b>	<b>0</b>	<b>69,744</b>
<b>Non-Current Assets</b>											
Property, Plant and Equipment											
- Land and Buildings	74,205	10,839	68,351	53,734	255,256	88,838	42,111	3,011	5,500	0	601,844
- Plant and Equipment	6,284	918	5,789	4,551	21,617	7,524	3,566	255	466	0	50,969
- Infrastructure Systems	1,060	155	977	768	3,646	1,269	602	43	79	0	8,599
<b>Total Non-Current Assets</b>	<b>81,549</b>	<b>11,912</b>	<b>75,117</b>	<b>59,052</b>	<b>280,519</b>	<b>97,631</b>	<b>46,279</b>	<b>3,309</b>	<b>6,045</b>	<b>0</b>	<b>661,412</b>
<b>TOTAL ASSETS</b>	<b>90,148</b>	<b>13,168</b>	<b>83,038</b>	<b>65,279</b>	<b>310,101</b>	<b>107,926</b>	<b>51,158</b>	<b>3,657</b>	<b>6,682</b>	<b>0</b>	<b>731,156</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Payables	5,995	876	5,522	4,341	20,622	7,177	3,402	243	444	0	48,622
Borrowings	19	3	17	14	64	23	11	1	1	0	153
Provisions	5,212	761	4,800	3,773	17,927	6,239	2,957	211	386	0	42,267
Other	67	10	62	49	232	81	38	3	5	0	547
<b>Total Current Liabilities</b>	<b>11,293</b>	<b>1,650</b>	<b>10,401</b>	<b>8,177</b>	<b>38,845</b>	<b>13,520</b>	<b>6,408</b>	<b>458</b>	<b>836</b>	<b>0</b>	<b>91,589</b>
<b>Non-Current Liabilities</b>											
Borrowings	19,998	2,921	18,420	14,481	68,790	23,942	11,349	812	1,482	0	162,195
Provisions	21	3	19	15	71	25	12	1	2	0	167
<b>Total Non-Current Liabilities</b>	<b>20,019</b>	<b>2,924</b>	<b>18,439</b>	<b>14,496</b>	<b>68,861</b>	<b>23,967</b>	<b>11,361</b>	<b>813</b>	<b>1,484</b>	<b>0</b>	<b>162,362</b>
<b>TOTAL LIABILITIES</b>	<b>31,311</b>	<b>4,574</b>	<b>28,840</b>	<b>22,673</b>	<b>107,705</b>	<b>37,487</b>	<b>17,769</b>	<b>1,271</b>	<b>2,320</b>	<b>0</b>	<b>253,951</b>
<b>NET ASSETS</b>	<b>58,837</b>	<b>8,594</b>	<b>54,197</b>	<b>42,606</b>	<b>202,395</b>	<b>70,439</b>	<b>33,389</b>	<b>2,386</b>	<b>4,362</b>	<b>0</b>	<b>477,205</b>

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

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(x), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

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

**1 The Health Service Reporting Entity**

The Western NSW Local Health Network, "the Network", was established under the provisions of the *Health Services Act 1997* with effect from 1 January 2011.

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

The Network controls the Western NSW Local Health Network Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 in accordance with the *Public Sector Employment and Management Act 2002* and the *Health Services Act 1997*. This Division provides personnel services to enable the 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. Notes capture both the parent and consolidated values with notes 3, 4, 11, 25, 27 and 32 being especially relevant. 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 the Chief Executive on 31 October 2011.

**2 Summary of Significant Accounting Policies**

**Basis of Preparation**

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

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

Notwithstanding the consolidated entity has a working capital deficiency of \$21.845 million and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the 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 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 Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the entity and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Department throughout the financial year.

**Statement of Compliance**

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

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

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

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

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 Western NSW Local Health Network.

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

**Accounting Standard/Interpretation**

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

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

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

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

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

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

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

**a) Employee Benefits and Other Provisions**

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

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

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

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

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

**ii) Long Service Leave and Superannuation**

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former Greater Western 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 AASB 119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Network's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Network accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 24, "Payables".

The superannuation expense for the reporting period is determined by using the formulae specified by Treasury and communicated via the NSW Department of Health.

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

**iii) Other Provisions**

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

**b) Insurance**

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

**c) Finance Costs**

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

**d) Income Recognition**

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

*Sale of Goods*

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

*Rendering of Services*

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

*Patient Fees*

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

*Investment Revenue*

Interest revenue is recognised using the effective interest method as set out in AASB139, Financial Instruments: Recognition and Measurement. Rental revenue is recognised in accordance with AASB117 Leases on a straight line basis over the lease term. Dividend revenue is recognised in accordance with AASB118 Revenue when the Network's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB118 on an accrual basis in accordance with the substance of the relevant agreement.

*Debt Forgiveness*

Debts are accounted for as extinguished when and only when settlement occurs through repayment or replacement by another liability.

*Use of Hospital Facilities*

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

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

*Use of Outside Facilities*

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

*Grants and Contributions*

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

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

*NSW Department of Health Allocations*

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

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which 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(t)).

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

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

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

**g) Capitalisation Thresholds**

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

**h) Depreciation of Property, Plant and Equipment**

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

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

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

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

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

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

**i) Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, *Property, Plant and Equipment*.

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.

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

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

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

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

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

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

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

**j) Impairment of Property, Plant and Equipment**

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

**k) 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.

**l) 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.

**m) 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.

**n) Leased Assets**

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

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

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

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

**o) Inventories**

Inventories are stated at cost adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a non current replacement cost that is lower than the carrying amount. Costs are assigned to individual items of stock mainly on the basis of weighted average costs. All inventory at year end is to be consumed in the course of business and is not held for distribution.

Obsolete items are disposed of in accordance with instructions issued by the NSW Department of Health.

**p) 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.

**q) 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 Western NSW Local Health Network determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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

\* *Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Western NSW Local Health Network has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Result for the Period when impaired, derecognised or through the amortisation process.*

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 Health Service 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.

**r) 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.

**s) 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*.

**t) 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.

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

**u) 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.

**v) 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.

**w) 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.

**x) Service Group Statements Allocation Methodology**

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

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



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

PARENT 2011 \$000		CONSOLIDATION 2011 \$000
	<b>3. Employee Related</b>	
	Employee related expenses comprise the following:	
0	Salaries and Wages	123,542
0	Awards	6,934
0	Superannuation - Defined Benefit Plans	3,246
0	Superannuation - Defined Contribution Plans	11,874
0	Long Service Leave	5,297
0	Annual Leave	15,274
0	Sick Leave and Other Leave	5,565
0	Redundancies	123
0	Workers' Compensation Insurance	2,206
0	Fringe Benefits Tax	26
<u>0</u>		<u>174,087</u>
	The following additional information is provided:	
0	Employee Related Expenses Capitalised - Land and Buildings	0
0	Employee Related Expenses Capitalised - Plant and Equipment	0
	<b>4. Personnel Services</b>	
	Personnel Services comprise the purchase of the following:	
123,542	Salaries and Wages	0
6,934	Awards	0
3,246	Superannuation - Defined Benefit Plans	0
11,874	Superannuation - Defined Contribution Plans	0
5,297	Long Service Leave	0
15,274	Annual Leave	0
5,565	Sick Leave and Other Leave	0
123	Redundancies	0
2,206	Workers' Compensation Insurance	0
26	Fringe Benefits Tax	0
<u>174,087</u>		<u>0</u>
	The following additional information is provided:	
0	Personnel Services Expenses Capitalised - Land and Buildings	0
0	Personnel Services Expenses Capitalised - Plant and Equipment	0
	<b>5. Other Operating Expenses</b>	
1,942	Blood and Blood Products	1,942
3,010	Domestic Supplies and Services	3,010
8,654	Drug Supplies	8,654
3,560	Food Supplies	3,560
3,595	Fuel, Light and Power	3,595
65,476	General Expenses (See (b) below)	65,476
8,460	Hospital Ambulance Transport Costs	8,460
1,834	Information Management Expenses	1,834
634	Insurance	634
	Maintenance (See (c) below)	
303	Maintenance Contracts	303
1,309	New/Replacement Equipment under \$10,000	1,309
772	Repairs Maintenance/Non Contract	772
6	Other	6
10,265	Medical and Surgical Supplies	10,265
560	Motor Vehicle Expenses	560
226	Postal and Telephone Costs	226
584	Printing and Stationery	584
413	Rates and Charges	413
974	Rental	974
8,931	Special Service Departments	8,931
2,064	Staff Related Costs	2,064
865	Sundry Operating Expenses (See (a) below)	865
1,668	Travel Related Costs	1,668
<u>126,105</u>		<u>126,105</u>

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
	<b>2011</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
	<b>5. Other Operating Expenses</b> (continued)	
	(a) Sundry Operating Expenses comprise:	
	865 Contract for Patient Services	865
	<b>865</b>	<b>865</b>
	(b) General Expenses include:-	
	46 Advertising	46
	77 Books, Magazines and Journals	77
	151 Courier and Freight	151
	30 Auditor's Remuneration - Audit of Financial Statements	30
	40 Data Recording and Storage	40
	6 Legal Services	6
	25 Membership/Professional Fees	25
	1,142 Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,142
	756 Other Operating Lease Expense - Minimum Lease Payments	756
	63 Quality Assurance/Accreditation	63
	306 Security Services	306
	4 Translator Services	4
	48,669 Purchase of services from Health Reform Transitional Office Western	48,669
	9,964 Public Private Partnership (PPP) Agreement operating expenses	9,964
	(c) Reconciliation Total Maintenance	
	Maintenance Expense - Contracted Labour and Other (Non-Employee	
	2,389 Related), included in Note 5	2,389
	410 Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	410
	<b>2,799</b> Total Maintenance Expenses included in Notes 3, 4 and 5	<b>2,799</b>

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

**PARENT**

**CONSOLIDATION**

**2011**  
**\$000**

**2011**  
**\$000**

**6. Depreciation and Amortisation**

10,300	Depreciation - Buildings
2,441	Depreciation - Plant and Equipment
317	Depreciation - Infrastructure Systems

10,300
2,441
317

**13,058**

**13,058**

**7. Grants and Subsidies**

292	Non-Government Organisations
757	Community Aged Care Packages
1,439	Other

292
757
1,439

**2,488**

**2,488**

**8. Finance Costs**

7	Interest on Bank Overdrafts and Loans
---	---------------------------------------

7

<b>7</b>	<b>Total Finance Costs</b>
----------	----------------------------

**7**

**9. Payments to Affiliated Health Organisations - Recurrent Sourced**

53	Lourdes Hospital and Community Services
9	St Vincent's Outreach Service

53
9

**62**

**62**

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011 \$000</b>		<b>2011 \$000</b>
	<b>10. Sale of Goods and Services</b>	
	(a) Sale of Goods comprise the following:-	
582	Sale of Prosthesis	582
31	Other	31
94	Pharmacy Sales	94
	(b) Rendering of Services comprise the following:-	
26,289	Patient Fees	26,289
204	Staff-Meals and Accommodation	204
950	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	950
9	Cafeteria/Kiosk	9
2	Car Parking	2
463	Clinical Services (excluding Clinical Drug Trials)	463
211	Commercial Activities	211
24	Fees for Medical Records	24
3,383	Highly Specialised Drugs	3,383
15	Information Retrieval	15
164	Meals on Wheels	164
1,123	Motor Accident Authority Third Party	1,123
18	Services Provided to Non NSW Health Organisations	18
224	Other	224
<b>33,786</b>		<b>33,786</b>
	<b>11. Investment Revenue</b>	
	Interest	
292	Interest - Other	292
191	Lease and Rental Income	191
<b>483</b>		<b>483</b>

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011</b>		<b>2011</b>
<b>\$000</b>		<b>\$000</b>
	<b>12. Grants and Contributions</b>	
1,485	Commonwealth Government Grants	1,485
330	Industry Contributions/Donations	330
21	Cancer Institute Grants	21
305	NSW Government Grants	305
3,246	Personnel Services - Superannuation Defined Benefit Plans	0
5,297	Personnel Services - Long Service Leave	0
368	Other Grants	368
<u>11,052</u>		<u>2,509</u>
	<b>13. Other Revenue</b>	
	Other Revenue comprises the following:-	
28	Commissions	28
19	Conference and Training Fees	19
2	Sale of Merchandise, Old Wares and Books	2
5	Sponsorship Income	5
2,596	Treasury Managed Fund Hindsight Adjustment	2,596
612	Other	612
<u>3,262</u>		<u>3,262</u>
	<b>14. Gain/(Loss) on Disposal</b>	
9,981	Property, Plant and Equipment	9,981
9,550	Less Accumulated Depreciation	9,550
<b>431</b>	<b>Written Down Value</b>	<b>431</b>
8	Less Proceeds from Disposal	8
<u>(423)</u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u>(423)</u>
0	Assets Held for Sale	0
(24)	Less Proceeds from Disposal	(24)
<u>(24)</u>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<u>(24)</u>
<u>(447)</u>	<b>Total Gain/(Loss) on Disposal</b>	<u>(447)</u>
	<b>15. Other Gains/(Losses)</b>	
(720)	Impairment of Receivables	(720)
<u>(720)</u>		<u>(720)</u>

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

**PARENT AND CONSOLIDATION**

**16. Conditions on Contributions**

	<b>Purchase of Assets</b>	<b>Health Promotion, Education and Research</b>	<b>Other</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	33	2	1,003	1,038
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	294	42	5,456	5,792
Total amount of unexpended contributions as at balance date	<u>327</u>	<u>44</u>	<u>6,459</u>	<u>6,830</u>

Comment on restricted assets appears in note 23.

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

**17. Service Groups of the Health Service**

**Service Group 1.1 - Primary and Community Based Services**

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

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

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

**Service Group 1.2 - Aboriginal Health Services**

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

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

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

**Service Group 1.3 - Outpatient Services**

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

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

**Service Group 2.1 - Emergency Services**

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

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

**Service Group 2.2 - Inpatient Hospital Services**

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

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

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

**Service Group 3.1 - Mental Health Services**

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

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

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

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

**Service Group 4.1 - Rehabilitation and Extended Care Services**

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

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

**Service Group 5.1 - Population Health Services**

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

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

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

**Service Group 6.1 - Teaching and Research**

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

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

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



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

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011</b>		<b>2011</b>
<b>\$000</b>		<b>\$000</b>
	<b>18. Cash and Cash Equivalents</b>	
2,707	Cash at Bank and On Hand	2,707
<u>5,861</u>	Short Term Deposits	<u>5,861</u>
<b><u>8,568</u></b>		<b><u>8,568</u></b>
	 Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:	
<u>8,568</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>8,568</u>
<b><u>8,568</u></b>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b><u>8,568</u></b>

*Refer to note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*

**Western NSW Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011 \$000		2011 \$000
	<b>19. Receivables</b>	
	<b>Current</b>	
	(a) Sale of Goods and Services	
5,109	- Patient Fees	5,109
1,798	- Other	1,798
23,385	Intra Health Receivables NSW Health	23,385
7,463	Goods and Services Tax	7,463
	Other Debtors:	
2,505	- Accrued Income	2,505
576	- Other	576
40,836	<b>Sub Total</b>	40,836
(999)	Less Allowance for Impairment	(999)
39,837	<b>Sub Total</b>	39,837
210	Prepayments	210
<b>40,047</b>		<b>40,047</b>
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
(592)	Balance at 1 January 2011	(592)
313	Amounts written off during the reporting period	313
(710)	Increase/(decrease) in Allowance Recognised in	(710)
(989)	Result for the Six Months Ended 30 June 2011	(989)
	Balance at 30 June	
	(c) Movement in the Allowance for Impairment	
	Other Debtors	
0	Balance at 1 January 2011	0
(10)	Increase/(decrease) in Allowance Recognised in	(10)
(10)	Result for the Six Months Ended 30 June 2011	(10)
	Balance at 30 June	
<b>(999)</b>		<b>(999)</b>
	(d) Sale of Goods and Services Receivables include:	
390	Patient Fees - Compensable	390
133	Patient Fees - Ineligible	133
4,586	Patient Fees - Other	4,586
<b>5,109</b>		<b>5,109</b>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in note 36.*

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011		2011
\$000		\$000
	<b>20. Inventories Current - Held for Distribution</b>	
1,389	Drugs	1,389
<u>704</u>	Medical and Surgical Supplies	<u>704</u>
<b><u>2,093</u></b>		<b><u>2,093</u></b>

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011 \$000		2011 \$000
	<b>21. Property, Plant and Equipment</b>	
	<b>Land and Buildings - Fair Value</b>	
1,009,796	Gross Carrying Amount	1,009,796
16,689	WIP	16,689
424,641	Less Accumulated Depreciation and Impairment	424,641
<u><b>601,844</b></u>	Net Carrying Amount	<u><b>601,844</b></u>
	<b>Plant and Equipment - Fair Value</b>	
67,348	Gross Carrying Amount	67,348
15,510	WIP	15,510
31,889	Less Accumulated Depreciation and Impairment	31,889
<u><b>50,969</b></u>	Net Carrying Amount	<u><b>50,969</b></u>
	<b>Infrastructure Systems - Fair Value</b>	
22,565	Gross Carrying Amount	22,565
13,966	Less Accumulated Depreciation and Impairment	13,966
<u><b>8,599</b></u>	Net Carrying Amount	<u><b>8,599</b></u>
<u><b>661,412</b></u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u><b>661,412</b></u>

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

**PARENT AND CONSOLIDATION**

**21. Property, Plant and Equipment - Reconciliation**

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>						
Net Carrying Amount at 1 January 2011	11,652	350,385	68,373	22,173	8,949	<b>461,532</b>
Additions	0	162,154	26,954	1,050	0	<b>190,158</b>
Recognition of Assets Held for Sale	(2,653)	(9,195)			(33)	<b>(11,881)</b>
Disposals	(19)	0	0	(412)	0	<b>(431)</b>
Administrative Restructures - Transfers						
In/(Out)	0	34,346	0	659	0	<b>35,005</b>
Depreciation Expense	0	(10,300)	0	(2,441)	(317)	<b>(13,058)</b>
Reclassifications	0	48,785	(63,128)	14,430	0	<b>87</b>
Net Carrying Amount at 30 June 2011	<b>8,980</b>	<b>576,175</b>	<b>32,199</b>	<b>35,459</b>	<b>8,599</b>	<b>661,412</b>

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Network [see note 2(f)].
- (ii) Land and Buildings were valued by Aon Valuation Consultants for Greater Western Area Health Service on 30 June 2009 [see note 2(i)]. Aon Valuation Consultants are not employees of the Network, nor were they employees of the Health Service.
- (iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2(i). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indice applied to Non Current Assets as determined by the Department of Finance and Services:

Year	Land	Buildings	Infrastructure
09/10	1.01	1.04	1.04
10/11	1.00	1.00	1.00

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011 \$000</b>		<b>2011 \$000</b>
	<b>22. Non-Current Assets (or Disposal Groups) Held for Sale</b>	
	<b>Assets Held for Sale</b>	
18,925	Land and Buildings	18,925
111	Infrastructure Systems	111
<b>19,036</b>		<b>19,036</b>
<b>19,036</b>		<b>19,036</b>

Assets classified as held for sale include assets indicated by the Department of Health as being expected to be sold in 2011/12.

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

**PARENT**

**2011**  
**\$000**

**CONSOLIDATION**

**2011**  
**\$000**

**23. Restricted Assets**

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

**Category**

5,531

Specific Purposes

5,531

1,299

Private Practice Funds

1,299

---

**6,830**

---

**6,830**

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
	<b>24. Payables</b>	
<b>2011</b>		<b>2011</b>
<b>\$000</b>		<b>\$000</b>
	<b>Current</b>	
0	Accrued Salaries, Wages and On-Costs	5,712
0	Taxation and Payroll Deductions	2,488
8,200	Accrued Liability - Purchase of Personnel Services	0
11,048	Creditors	11,048
	Other Creditors	
24,237	- Intra Health Liability	24,237
5,137	- Other	5,137
<u>48,622</u>		<u>48,622</u>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 36.*

	<b>25. Borrowings</b>	
	<b>Current</b>	
<u>153</u>	Other Loans and Deposits	<u>153</u>
<u><b>153</b></u>		<u><b>153</b></u>
	<b>Non-Current</b>	
<u>162,195</u>	Other Loans and Deposits	<u>162,195</u>
<u><b>162,195</b></u>		<u><b>162,195</b></u>

No assets have been pledged as security/collateral for liabilities and there are no restrictions on any title to property.

Other loans still to be extinguished represent monies to be repaid to Pinnacle Healthcare, Health Support Services, NSW Department of Health and Treasury.  
 Final Repayment is scheduled for September 2035.

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in note 36.*



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

**PARENT**

	2011 \$000		2011 \$000
<b>26. Provisions</b>			
	<b>Current Employee Benefits and Related On-Costs</b>		
0	Annual Leave - Short Term Benefit		20,754
0	Annual Leave - Long Term Benefit		18,345
0	Long Service Leave On-Costs		3,168
<u>42,267</u>	Provision for Personnel Services Liability		<u>0</u>
<b><u>42,267</u></b>	<b>Total Current Provisions</b>		<b><u>42,267</u></b>
	<b>Non-Current Employee Benefits and Related On-Costs</b>		
0	Long Service Leave On-Costs		167
<u>167</u>	Provision for Personnel Services Liability		<u>0</u>
<b><u>167</u></b>	<b>Total Non-Current Provisions</b>		<b><u>167</u></b>
	<b>Aggregate Employee Benefits and Related On-Costs</b>		
42,267	Provisions - Current		42,267
167	Provisions - Non-Current		167
0	Accrued Salaries, Wages and On-Costs (note 24)		8,200
<u>8,200</u>	Accrued Liability - Purchase of Personnel Services (note 24)		<u>0</u>
<b><u>50,634</u></b>			<b><u>50,634</u></b>

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011 \$000</b>		<b>2011 \$000</b>
	<b>27. Other Liabilities</b>	
	<b>Current</b>	
547	Income in Advance	547
<b>547</b>		<b>547</b>
<b>547</b>		<b>547</b>

In June 2011 a deposit was received for the July 2011 quarterly Rural Primary Health grant. This funding is expected to be recognised in the 2011/12 year.

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

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011</b> <b>\$000</b>	<b>28. Commitments for Expenditure</b>	<b>2011</b> <b>\$000</b>
	<b>(a) Capital Commitments</b>	
	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:	
20,006	Not later than one year	20,006
68,593	Later than one year and not later than five years	68,593
440,580	Later than five years	440,580
<b>529,179</b>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<b>529,179</b>
	Of the commitments reported at 30 June 2011 it is expected that nil will be met from locally generated moneys.	
	<b>(b) Other Expenditure Commitments</b>	
	Aggregate other expenditure contracted for the acquisition of Facility Management Services and other non-clinical services (under the Public Private Partnership [PPP] Agreement) contracted for at balance date and not provided for:	
36,238	Not later than one year	36,238
135,258	Later than one year and not later than five years	135,258
1,011,360	Later than five years	1,011,360
<b>1,182,856</b>	<b>Total Other Expenditure Commitments (Including GST)</b>	<b>1,182,856</b>
	<b>(c) Operating Lease Commitments</b>	
	Commitments in relation to non-cancellable operating leases are payable as follows:	
2,851	Not later than one year	2,851
2,520	Later than one year and not later than five years	2,520
317	Later than five years	317
<b>5,688</b>	<b>Total Operating Lease Commitments (Including GST)</b>	<b>5,688</b>

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

**PARENT**

**CONSOLIDATION**

**2011**  
**\$000**

**28. Commitments for Expenditure** (Continued)

**2011**  
**\$000**

**(d) Contingent Asset Related to Commitments for Expenditure**

The total of "Commitments for Expenditure" above, i.e. \$1,717.723 million as at 30 June 2011 includes input tax credits of \$156.157 million that are expected to be recoverable from the Australian Taxation Office.

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

**PARENT AND CONSOLIDATION**

**29. Trust Funds**

The Network holds trust fund moneys of \$0.446 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:

	<b>Patient Trust</b>	<b>Refundable Deposits</b>	<b>Private Practice Trust Funds</b>	<b>Total</b>
	<b>2011 \$000</b>	<b>2011 \$000</b>	<b>2011 \$000</b>	<b>2011 \$000</b>
Cash Balance at the beginning of the financial reporting period	86	229	215	530
Receipts	6	9	805	820
Expenditure	(24)	(12)	(869)	(905)
Cash Balance at the end of the financial reporting period	68	226	151	446

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

**PARENT AND CONSOLIDATED**

**30. 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 Great Western 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) Invoices in Dispute with Royal Flying Doctor Service (RFDS)**

In May 2011 the legal representative for RFDS issued a letter of demand for unpaid tax invoices in the sum of \$630,016 (GST inclusive). These invoices refer to staff provided to Dubbo Base Hospital & billed to the Greater West Area Health Service for the 3 years July 2006 to June 2009. There was no clear contractual arrangement for this three-year period. The value of the tax invoice for the 2008-09 Financial Year is \$384,029.90 (GST inclusive). Based on legal advice to pay *quantum meruit* (as much as the party doing the service deserves) and 2008-09 roster evidence, the Local Health District estimated its total indebtedness to be \$244,145 (GST inclusive) and paid this to RFDS on 30 June 2011 as full and final satisfaction of all invoices. This dispute is not yet subject to Court action but may result in subsequent litigation.

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

**PARENT**

**CONSOLIDATION**

**2011**  
**\$000**

**2011**  
**\$000**

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

31,087	Net Cash Flows from Operating Activities	31,087
(13,058)	Depreciation	(13,058)
(720)	Allowance for Impairment	(720)
0	Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits	(8,543)
(2,912)	Decrease/(Increase) in Provisions	(2,912)
30,815	Increase / (Decrease) in Prepayments and Other Assets	30,815
(33,056)	(Increase)/ Decrease in Creditors	(33,056)
(447)	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(447)
(273,589)	NSW Health Department Recurrent Allocations	(273,589)
(25,940)	NSW Health Department Capital Allocations	(25,940)
(1,988)	Cash Reimbursements from the Government	(1,988)
<b><u>(289,808)</u></b>	<b>Net Cost of Services</b>	<b><u>(298,351)</u></b>

**32. 2010/11 Voluntary Services**

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

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

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

**PARENT AND CONSOLIDATED**

**33. 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.

**34. Budget Review - Parent and Consolidated**

**Net Cost of Services**

The actual Net Cost of Services was higher than budget by \$10.804 million, primarily due to overruns in Goods and Services. These include PPP expenses; blood and blood products; drugs; and special services including ambulance transport and pathology.

**Result for the Year**

The result for the year was a surplus of \$9.721 million. This is a result of additional supplementation received from the Department of Health for liquidity management purposes. It is also reflective of the requirement (per Australian Accounting Standards) to report capital allocations in the Statement of Comprehensive Income whereas the expenditure of such money is predominantly recognised in the Statement of Financial Position.

**Assets and Liabilities**

Current assets increased as a result of increases in debtors and non-current assets held for sale. Current liabilities increased due to overruns in operating expenses. Increases in both non-current assets and non-current liabilities reflect the take-on of the new Orange Health Service upon commissioning.

**Cash Flows**

Net cash outflows from operating activities were lower than budget, primarily due to the application of additional cash subsidy to a reduction in payables. Net cash outflows from investing activities increased as a result of the take-on of the PPP liability upon commissioning of the new Orange Health Service. Similarly, net cash inflows from financing activities increased as a result of the take-on of the PPP liability.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01/01/2011 are as follows:

	\$000
Initial Allocation, 01/01/2011	206,494
Special Projects:	
Aboriginal Health	308
Caring Together	411
Dental	55
Drug and Alcohol	83
JIRT	137
Mental Health	(1,370)
Severe Chronic Disease	120
Other:	
ACORN OT Standards	476
Additional Surgery Funding	500
Award Increases	6,808
Community Dementia CNC	62
Compacks	786
Food Services Orange	1,475
HACC Cost Escalation	34
Hospitalist Training	150
Linen Charges - Health Support Services	(367)
Liquidity Assistance	9,161
Long Service Leave Adjustment	(1,988)
Longer Stay Patient Initiative	171
Managed Fund TMF	51
Maternity Enhancement	33
Medical Assessment Unit Orange	2,193
Miscellaneous	132
NGO Grant Program	65
Nurse Practitioner Funding	117
Nurse Strategy Funding	109
Nursing Hours Provision	48
Organ & Tissue Funding	245
PPP MentalHealth	1,084
Radiation Oncology	1,014
Specialist Training Program	124
Superannuation Adjustment	400
Telehealth Equipment	523
Transfer of Transition Organisation	41,116
Transitional Aged Care	(394)
VMO Funding Increase	1,470
Vocational Training Places Dubbo and Orange	531

Balance as per Statement of Comprehensive Income	272,366
--	---------



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

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

Net assets of \$431.139 million transferred from the former Greater Western Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the Network on that date in accordance with the provisions of the *Health Services Act 1989*.

Consistent with Treasury approval, Long Service Leave liability of \$76.512 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:

	<b>2011 \$000</b>
Transfer of plant and equipment from Far West LHN	44
Transfer of plant and equipment to Far West LHN	(142)
Transfer of plant and equipment from Health Reform Transition Office - Western	919
Transfer of plant and equipment to Health Reform Transition Office - Western	(181)
Transfer of buildings from Health Reform Transition Office - Western	34,385
Loan adjustment for Long Service Leave component	1,320
	36,345
	36,345

Assets and Liabilities transferred are as follows:

	<b>2011 \$000</b>
<b>Assets</b>	
Cash and Cash Equivalents	6,956
Receivables	10,159
Inventories	2,298
Assets Available for Sale	7,178
Land and Buildings	458,842
Plant and Equipment	28,765
Infrastructure Systems	8,949
	523,147
<b>Liabilities</b>	
Payables	15,881
Provisions	39,522
Loans	260
	55,663
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>467,484</b>

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

**36. 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**

<b>Financial Assets Class:</b>	<b>Category</b>	<b>Carrying Amount</b>
		<b>2011 \$000</b>
Cash and Cash Equivalents (note 18)	N/A	8,568
Receivables (note 19) <sup>1</sup>	Loans and receivables (at amortised cost)	32,374
Total Financial Assets		<u>40,942</u>
<b>Financial Liabilities</b>		
Borrowings (note 25)		162,348
Payables (note 24) <sup>2</sup>	Financial liabilities measured at amortised cost	48,325
Total Financial Liabilities		<u>210,673</u>

**Notes**

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

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

**(b) Credit Risk**

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

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

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

**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 6% in 2010/11.

**Receivables - trade debtors**

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

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtors balance at year end, \$4.443 million related to debtors that were not past due and not considered impaired and debtors of \$3.007 million were past due but not considered impaired. Together these represent 88% of total trade debtors.

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

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

<b>\$000</b>			
<b>2011</b>	<b>Total</b> <sup>1,2</sup>	<b>Past due but not impaired</b> <sup>1,2</sup>	<b>Considered impaired</b> <sup>1,2</sup>
<3 months overdue	2,745	2,745	0
3 months - 6 months overdue	399	262	137
> 6 months overdue	863	0	863

**Notes**

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

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

**(c) Liquidity Risk**

Liquidity risk is the risk that the Network will be unable to meet its payment obligations when 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 and prior years, 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 Western NSW Local Health Network (refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received,

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

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, terms of payment are negotiated with creditors.

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

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

**36. Financial Instruments** (continued)

*Maturity Analysis and interest rate exposure of financial liabilities*

	Interest Rate Exposure					Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>								
Payables:								
Accrued Salaries								
Wages, On-Costs and Payroll Deductions		8,200	0	0	8,200	8,200	0	0
Creditors		40,125	0	0	40,125	40,125	0	0
Borrowings:								
Other Loans and Deposits	10	162,348	0	162,348	0	153	104	162,091
		<u>210,673</u>	<u>0</u>	<u>162,348</u>	<u>48,325</u>	<u>48,478</u>	<u>104</u>	<u>162,091</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.
2. Of the \$0.104 million disclosed in the 2011 'other loans and deposits' time band 1-5 yrs, the Network has no intent to effect payments in advance of maturity dates on or prior to 30 September 2011.

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

**36. Financial Instruments** (continued)

**d) Market Risk**

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

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

*Interest rate risk*

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

However, Networks are not permitted to borrow external to the NSW Department of Health (Energy loans which are negotiated through Treasury excepted).

Both Treasury and NSW Department of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates. The Network does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Network's exposure to interest rate risk is set out below.

	\$'000				
	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	8,568	(86)	(86)	86	86
<b>Financial Liabilities</b>					
Borrowings	162,348	(1,623)	(1,623)	1,623	1,623

**37. 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