



INDEPENDENT AUDITOR'S REPORT

Western Sydney Local Health Network

To Members of the New South Wales Parliament

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

Opinion

In my opinion, the financial statements:

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

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

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

The Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

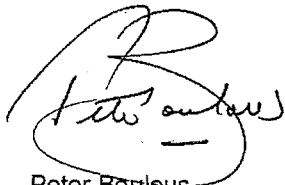
My opinion does *not* provide assurance:

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

Independence

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

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



Peter Boulous
Director, Financial Audit Services

11 November 2011
SYDNEY



Certification of the Parent/Consolidated Financial Statements, Western Sydney Local Health Network, for the Period Ended 30 June 2011

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

- 1) The financial statements have been prepared in accordance with:
 - Australian Accounting Standards (which include Australian Accounting Interpretations)
 - *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Western Sydney Local Health Network.
- 3) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Danny O'Connor
Chief Executive

Date 10/11/11

START OF AUDITED FINANCIAL STATEMENTS

Western Sydney 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	
Expenses excluding losses					
Operating Expenses					
-	-	Employee Related	3	404,661	405,176
404,661	405,176	Personnel Services	4	-	-
14,520	16,368	Visiting Medical Officers		14,520	16,368
218,491	228,453	Other Operating Expenses	5	218,491	228,453
28,003	28,188	Depreciation and Amortisation	2(h), 6	28,003	28,188
4,362	3,995	Grants and Subsidies	7	4,362	3,995
638	427	Finance Costs	8	638	427
2,980	2,090	Payments to Affiliated Health Organisations	9	2,980	2,090
673,655	684,697	Total Expenses excluding losses		673,655	684,697
Revenue					
60,483	66,159	Sale of Goods and Services	10	60,483	66,159
3,677	4,531	Investment Revenue	11	3,677	4,531
31,004	36,821	Grants and Contributions	12	8,937	19,101
3,303	2,603	Other Revenue	13	3,303	2,603
98,467	110,114	Total Revenue		76,400	92,394
(3,264)	(3,265)	Gain/(Loss) on Disposal	14	(3,264)	(3,265)
(832)	-	Other Gains/(Losses)	15	(832)	-
579,284	577,848	Net Cost of Services	30	601,351	595,568
Government Contributions					
NSW Department of Health					
507,585	516,683	Recurrent Allocations	2(d)	507,585	516,683
13,060	24,808	Capital Allocations	2(d)	13,060	24,808
-	-	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii)	22,067	17,720
520,645	541,491	Total Government Contributions		542,712	559,211
(58,639)	(36,357)	RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011		(58,639)	(36,357)
Other Comprehensive Income					
Other Comprehensive Income					
-	-	for the six months ended 30 June 2011		-	-
(58,639)	(36,357)	TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011		(58,639)	(36,357)

The accompanying notes form part of these financial statements.

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

PARENT				CONSOLIDATION	
Actual 2011 \$000	Budget (Unaudited) 2011 \$000		Notes	Actual 2011 \$000	Budget (Unaudited) 2011 \$000
ASSETS					
Current Assets					
56,365	58,701	Cash and Cash Equivalents	18	56,365	58,701
38,964	26,857	Receivables	19	38,964	26,857
8,927	9,620	Inventories	20	8,927	9,620
104,256	95,178	Total Current Assets		104,256	95,178
Non-Current Assets					
3,414	-	Receivables	19	3,414	-
Property, Plant and Equipment					
878,104	896,582	- Land and Buildings	21	878,104	896,582
58,687	55,780	- Plant and Equipment	21	58,687	55,780
22,628	24,127	- Infrastructure Systems	21	22,628	24,127
959,419	976,489	Total Property, Plant and Equipment		959,419	976,489
962,833	976,489	Total Non-Current Assets		962,833	976,489
1,067,089	1,071,667	Total Assets		1,067,089	1,071,667
LIABILITIES					
Current Liabilities					
93,438	74,472	Payables	23	93,438	74,472
2,954	3,069	Borrowings	24	2,954	3,069
113,501	98,482	Provisions	25	113,501	98,482
667	578	Other	26	667	578
210,560	176,601	Total Current Liabilities		210,560	176,601
Non-Current Liabilities					
3,489	6,993	Borrowings	24	3,489	6,993
420	-	Provisions	25	420	-
3,909	6,993	Total Non-Current Liabilities		3,909	6,993
214,469	183,594	Total Liabilities		214,469	183,594
852,620	888,073	Net Assets		852,620	888,073
EQUITY					
852,620	888,073	Accumulated Funds		852,620	888,073
852,620	888,073	Total Equity		852,620	888,073

The accompanying notes form part of these financial statements.

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

	Notes	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
Balance at 1 January 2011		-	-	-	-
Result For The Six Months Ended 30 June 2011		(58,639)	-	-	(58,639)
Total Comprehensive Income For The Six Months Ended 30 June 2011		(58,639)	-	-	(58,639)
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	34	911,259	-	-	911,259
Balance at 30 June 2011		852,620	-	-	852,620

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION	
Actual 2011 \$000	Budget (Unaudited) 2011 \$000		Actual 2011 \$000	Budget (Unaudited) 2011 \$000
		Notes		
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
(387,145)	(322,920)	Employee Related	(387,145)	(322,920)
(4,798)	(3,995)	Grants and Subsidies	(4,798)	(3,995)
(701)	(427)	Finance Costs	(701)	(427)
<u>(182,113)</u>	<u>(234,126)</u>	Other	<u>(182,113)</u>	<u>(234,126)</u>
(574,757)	(561,468)	Total Payments	(574,757)	(561,468)
Receipts				
42,598	54,527	Sale of Goods and Services	42,598	54,527
4,045	4,531	Interest Received	4,045	4,531
<u>14,770</u>	<u>13,229</u>	Other	<u>14,770</u>	<u>13,229</u>
61,413	72,287	Total Receipts	61,413	72,287
Cash Flows From Government				
507,585	516,683	NSW Department of Health Recurrent Allocations	507,585	516,683
13,060	24,808	NSW Department of Health Capital Allocations	13,060	24,808
-	-	Asset Sale Proceeds Transferred to the NSW Department of Health	-	-
<u>5,946</u>	<u>17,720</u>	Cash Reimbursements from the Crown Entity	<u>5,946</u>	<u>17,720</u>
526,591	559,211	Net Cash Flows From Government	526,591	559,211
13,247	70,030	NET CASH FLOWS FROM OPERATING ACTIVITIES	13,247	70,030
		30		
CASH FLOWS FROM INVESTING ACTIVITIES				
81	-	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	81	-
<u>(17,335)</u>	<u>(28,048)</u>	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	<u>(17,335)</u>	<u>(28,048)</u>
(17,254)	(28,048)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(17,254)	(28,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
34,875	4,222	Proceeds from Borrowings and Advances	34,875	4,222
<u>(2,898)</u>	<u>(11,573)</u>	Repayment of Borrowings and Advances	<u>(2,898)</u>	<u>(11,573)</u>
31,977	(7,351)	NET CASH FLOWS FROM FINANCING ACTIVITIES	31,977	(7,351)
27,970	34,631	NET INCREASE / (DECREASE) IN CASH	27,970	34,631
-	-	- Opening Cash and Cash Equivalents	-	-
<u>28,395</u>	<u>24,070</u>	Cash Transferred In as a Result of Equity Transfers	<u>28,395</u>	<u>24,070</u>
56,365	58,701	CLOSING CASH AND CASH EQUIVALENTS	56,365	58,701
		18		

The accompanying notes form part of these financial statements.

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

NETWORK'S EXPENSES AND INCOME	Service Group 1.1 *		Service Group 1.2 *		Service Group 1.3 *		Service Group 2.1 *		Service Group 2.2 *		Service Group 3.1 *		Service Group 4.1 *		Service Group 5.1 *		Service Group 6.1 *		Not Attributable		Total	
	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000	2011	\$000
Expenses excluding losses																						
Operating Expenses																						
Employee Related	29,824		162		31,887		37,188		203,544		51,230		29,338		5,180		16,303					404,661
Visiting Medical Officers	292		-		303		222		12,891		287		277		81		167					14,520
Other Operating Expenses	13,525		22		29,824		15,710		109,311		8,193		9,698		4,763		27,245					218,491
Depreciation and Amortisation	630		-		6,589		949		16,284		291		2,075		288		897					28,003
Grants and Subsidies	518		-		24		77		3		2,075		-		-		1,742					4,362
Finance Costs	-		-		-		-		523		38		-		-		-					638
Payments to Affiliated Health Organisations	-		-		-		-		-		-		2,980		-		-					2,980
Total Expenses excluding losses	44,789		184		68,627		54,146		342,556		62,114		44,568		10,312		46,359					673,655
Revenue																						
Sale of Goods and Services	1,996		133		10,367		1,645		37,427		580		7,748		587		-					60,483
Investment Revenue	783		-		-		-		1,747		26		18		-		1,103					3,677
Grants and Contributions	342		-		237		1		487		48		776		862		6,184					8,937
Other Revenue	609		-		101		84		128		-		221		147		2,013					3,303
Total Revenue	3,730		133		10,705		1,730		39,789		654		8,763		1,596		9,300					76,400
Gain / (Loss) on Disposal	(18)		-		(329)		(72)		(2,555)		(44)		(183)		-		(63)					(3,264)
Other Gains / (Losses)	(27)		(2)		(143)		(23)		(511)		(8)		(107)		(11)		-					(832)
Net Cost of Services	41,104		53		58,394		52,511		305,833		61,512		36,095		8,727		37,122					601,351
Government Contributions																						542,712
RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011	(41,104)		(53)		(58,394)		(52,511)		(305,833)		(61,512)		(36,095)		(8,727)		(37,122)					(58,639)
TOTAL COMPREHENSIVE INCOME	(41,104)		(53)		(58,394)		(52,511)		(305,833)		(61,512)		(36,095)		(8,727)		(37,122)					(58,639)

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 to 31 May 2011 to allocate the current period's financial information on expenses and revenue to each service group. No changes have occurred during the period between 1 January 2011 and 30 June 2011 which would materially impact this allocation.

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

1 The Health Service Reporting Entity

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

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

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

As a consequence the values in the six month financial statements presented herein consist of the Network (as the parent entity) and the consolidated financial statements of the economic entity. Separate financial statements of the special purpose entity are not presented in the consolidated statements. Notes capture both the parent and consolidated values with notes 3, 4, 12, 23 and 25 being especially relevant.

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

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

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

2 Summary of Significant Accounting Policies

Statement of Compliance

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

Basis of Preparation

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

Apart from the basis for the Network's budget figures, the financial statements comply with the Financial Reporting Code for Budget Dependent General Government Sector Agencies. Further information on the budget figures can be found at Note 2 (ac) and Note 33.

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

Notwithstanding the consolidated entity has a working capital deficiency of \$106.304 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 Western Sydney Local Health Network have been prepared on a going concern basis.

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

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

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

* The Network has the capacity to review timing of subsidy cashflows to ensure it can pay debts as and when they become due and payable.

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

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.

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

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

Accounting Standard/Interpretation

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

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

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

AASB 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.

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

ii) Long Service Leave and Superannuation

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former Sydney West Area Health Service with effect from 31 December 2010 and, therefore do not appear in the financial statements of the Network. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are assumed by the Crown Entity.

Long Service Leave is measured at present value in accordance with AASB119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Network accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Benefits". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 23, "Payables".

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

iii) Other Provisions

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

b) Insurance

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

c) Finance Costs

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

d) Income Recognition

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

Sale of Goods

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

Rendering of Services

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

Patient Fees

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

Investment Revenue

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

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

Debt Forgiveness

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

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. It is not practical to estimate the related values.

Grants and Contributions

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

NSW Department of Health Allocations

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

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

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

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

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

f) Acquisition of Assets

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

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

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

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

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

g) Capitalisation Thresholds

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

h) Depreciation of Property, Plant and Equipment

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

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.

i) Revaluation of Non-Current Assets

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

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

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

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

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

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

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

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

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

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

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

j) Impairment of Property, Plant and Equipment

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

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

k) Assets Not Able to be Reliably Measured

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

l) Restoration Costs

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

m) Investment Properties

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

n) Intangible Assets

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

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

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

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

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

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

o) Maintenance

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

p) Leased Assets

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

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

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

q) Inventories

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

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

r) Loans and Receivables

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

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

s) Investments

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

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

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

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

t) Impairment of financial assets

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

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

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

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

u) De-recognition of financial assets and financial liabilities

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

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

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

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

v) Payables

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

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

w) Borrowings

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

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

x) Equity Transfers

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

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the asset and liabilities were recognised by the transferor immediately prior to the restructure - refer Note 34. 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 Sydney Local Health Network
Notes to and forming part of the Financial Statements
for the Six Months Ended 30 June 2011

aa) **Equity and Reserves**

(i) **Asset Revaluation Reserve**

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

(ii) **Accumulated Funds**

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

(iii) **Separate Reserves**

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

ab) **Trust Funds**

The Network receives monies in a trustee capacity for various trusts as set out in Note 28. As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, they are not brought to account in the financial statements.

ac) **Budgeted Amounts**

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

ad) **Service Group Statements Allocation Methodology**

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

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

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

PARENT 2011 \$000		CONSOLIDATION 2011 \$000
	3. Employee Related	
	Employee related expenses comprise the following:	
-	Salaries and Wages	289,687
-	Awards	16,397
-	Superannuation - Defined Benefit Plans	8,033
-	Superannuation - Defined Contribution Plans	25,655
-	Long Service Leave	12,167
-	Annual Leave	37,655
-	Sick Leave and Other Leave	10,755
-	Redundancies	128
-	Workers' Compensation Insurance	4,184
<u>-</u>		<u>404,661</u>
	4. Personnel Services	
	Personnel Services comprise the purchase of the following:	
289,687	Salaries and Wages	-
16,397	Awards	-
8,033	Superannuation - Defined Benefit Plans	-
25,655	Superannuation - Defined Contribution Plans	-
12,167	Long Service Leave	-
37,655	Annual Leave	-
10,755	Sick Leave and Other Leave	-
128	Redundancies	-
4,184	Workers' Compensation Insurance	-
<u>404,661</u>		<u>-</u>
	5. Other Operating Expenses	
3,679	Blood and Blood Products	3,679
7,060	Domestic Supplies and Services	7,060
28,791	Drug Supplies	28,791
11,070	Food Supplies	11,070
4,647	Fuel, Light and Power	4,647
65,131	General Expenses (See (b) below)	65,131
1,554	Hospital Ambulance Transport Costs	1,554
6,735	Information Management Expenses	6,735
885	Insurance	885
	Maintenance (See (c) below)	
2,330	Maintenance Contracts	2,330
4,320	New/Replacement Equipment under \$10,000	4,320
	Repairs	
5,589	Maintenance/Non Contract	5,589
(608)	Other	(608)
31,499	Medical and Surgical Supplies	31,499
608	Motor Vehicle Expenses	608
3,263	Services provided by Health Support Services	3,263
1,223	Postal and Telephone Costs	1,223
1,464	Printing and Stationery	1,464
1,255	Rates and Charges	1,255
780	Rental	780
32,245	Special Service Departments	32,245
1,943	Staff Related Costs	1,943
325	Chaplaincy	325
67	Patient Support Services	67
131	Sundry Operating Expenses (See (a) below)	131
2,505	Travel Related Costs	2,505
<u>218,491</u>		<u>218,491</u>

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

		CONSOLIDATION
PARENT		
2011	2011	
\$000	\$000	
(a) Sundry Operating Expenses comprise:		
107 Contract for Patient Services	107	
24 Isolated Patient Travel and Accommodation Assistance Scheme	24	
	<u>131</u>	
(b) General Expenses include:-		
46 Advertising	46	
152 Books, Magazines and Journals	152	
Consultancies		
499 - Operating Activities	499	
95 - Capital Works	95	
401 Courier and Freight	401	
48 Auditor's Remuneration - Audit of Financial Statements	48	
412 Data Recording and Storage	412	
152 Legal Services	152	
238 Membership/Professional Fees	238	
1,258 Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,258	
769 Other Operating Lease Expense - Minimum Lease Payments	769	
116 Other Management Services	116	
11 Payroll Services	11	
58,100 Purchase of Services from Health Reform Transition Office (*)	58,100	
5 Quality Assurance/Accreditation	5	
92 Security Services	92	
13 Translator Services	13	
(c) Reconciliation Total Maintenance		
Maintenance Expense - Contracted Labour and Other (Non-Employee		11,631
Related), included in Note 5		<u>2,117</u>
2,117 Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4		
		<u>13,748</u>

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

Western Sydney Local Health Network
Notes to and forming part the Financial Statements
for the Six Months ending 30 June 2011

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
	6. Depreciation and Amortisation	
21,361	Depreciation - Buildings	21,361
5,884	Depreciation - Plant and Equipment	5,884
758	Depreciation - Infrastructure Systems	758
<hr/>		<hr/>
28,003		28,003
	7. Grants and Subsidies	
2,489	Non-Government Organisations	2,489
1	Research Organisations	1
186	Promotion of Research	186
1,686	Other	1,686
<hr/>		<hr/>
4,362		4,362
	8. Finance Costs	
638	Interest on Bank Overdrafts and Loans	638
<hr/>		<hr/>
638	Total Finance Costs	638
	9. Payments to Affiliated Health Organisations	
2,980	(a) Recurrent Sourced Lottie Stewart Hospital	2,980
<hr/>		<hr/>
2,980		2,980

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	10. Sale of Goods and Services	
	(a) Sale of Goods comprise the following:-	
2,097	Sale of Prosthesis	2,097
83	Other	83
379	Pharmacy Sales	379
	(b) Rendering of Services comprise the following:-	
25,867	Patient Fees	25,867
163	Staff-Meals and Accommodation	163
3,697	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	3,697
7,190	- Annual Charge	7,190
144	Cafeteria/Kiosk	144
1,605	Car Parking	1,605
786	Child Care Fees	786
342	Clinical Services (excluding Clinical Drug Trials)	342
574	Commercial Activities	574
124	Fees for Medical Records	124
10,084	Highly Specialised Drugs	10,084
4,541	Motor Accident Authority Third Party	4,541
287	Services Provided to Non NSW Health Organisations	287
1,420	Westmead Fertility Services	1,420
1,100	Other	1,100
<hr/> 60,483 <hr/>		<hr/> 60,483 <hr/>
	11. Investment Revenue	
	Interest	
1,447	- Bank	1,447
2,230	Lease and Rental Income	2,230
<hr/> 3,677 <hr/>		<hr/> 3,677 <hr/>

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

PARENT		CONSOLIDATION
2011		2011
\$000		\$000
12. Grants and Contributions		
2,002	Clinical Drug Trials	2,002
560	Commonwealth Government Grants	560
640	Industry Contributions/Donations	640
3,345	Cancer Institute Grants	3,345
50	NSW Government Grants	50
8,033	Personnel Services - Superannuation Defined Benefit Plans	-
14,034	Personnel Services - Long Service Leave	-
1,535	Research Grants	1,535
805	Other Grants	805
<u>31,004</u>		<u>8,937</u>
13. Other Revenue		
Other Revenue comprises the following:-		
1	Bad Debts Recovered	1
119	Commissions	119
194	Conference and Training Fees	194
18	Cremation Certificates	18
44	Sale of Merchandise, Old Wares and Books	44
306	Treasury Managed Fund Hindsight Adjustment	306
2,621	Other	2,621
<u>3,303</u>		<u>3,303</u>
14. Gain/(Loss) on Disposal		
7,010	Property, Plant and Equipment	7,010
<u>3,665</u>	Less Accumulated Depreciation	<u>3,665</u>
3,345	Written Down Value	3,345
81	Less Proceeds from Disposal	81
<u>(3,264)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>(3,264)</u>
15. Other Gains/(Losses)		
<u>(832)</u>	Impairment of Receivables	<u>(832)</u>
<u>(832)</u>		<u>(832)</u>

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

PARENT & CONSOLIDATION

16. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	1,006	4,026		5,032
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	11,275	45,100		56,375
Total amount of unexpended contributions as at balance date	12,281	49,126	0	61,407

Comment on restricted assets appears in Note 22

Western Sydney 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.

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

Service Group 3.1 - Mental Health Services

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

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

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

Service Group 4.1 - Rehabilitation and Extended Care Services

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

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

Service Group 5.1 - Population Health Services

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

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

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

Service Group 6.1 - Teaching and Research

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

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

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

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

PARENT				CONSOLIDATION
	2011		2011	
	\$000		\$000	
18. Cash and Cash Equivalents				
	56,365	Cash at Bank and On Hand	56,365	
	56,365		56,365	
		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:		
	56,365	Cash and Cash Equivalents (per Statement of Financial Position)	56,365	
	56,365	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	56,365	

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

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	19. Receivables	
	Current	
	(a) Sale of Goods and Services	
2,408	-Patient Fees	2,408
14,749	- Other	14,749
8,129	Intra Health Receivables	8,129
7,756	Goods and Services Tax	7,756
984	Interest Receivable	984
5,375	Other Debtors	5,375
<hr/>		<hr/>
39,401	Sub Total	39,401
<hr/>		<hr/>
(813)	Less Allowance for Impairment	(813)
<hr/>		<hr/>
38,588	Sub Total	38,588
376	Prepayments	376
<hr/>		<hr/>
38,964		38,964
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
	Balance at 1 January 2011	
-		-
17	Amounts written off during the reporting period	17
	Increase/(decrease) in Allowance Recognised in	
598	Result for the Six Months Ended 30 June 2011	598
(581)	Balance at 30 June	(581)
	(c) Movement in the Allowance for Impairment	
	Other Debtors	
	Balance at 1 January 2011	
-		-
2	Amounts written off during the reporting period	2
	Increase/(decrease) in Allowance Recognised in	
234	Result for the Six Months Ended 30 June 2011	234
(232)	Balance at 30 June	(232)
<hr/>		<hr/>
(813)		(813)
<hr/>		<hr/>
3,414	Non-Current	3,414
<hr/>	Prepayments	<hr/>
3,414		3,414
	(d) Sale of Goods and Services Receivables	
	(Current and Non-Current) include:	
1,667	Patient Fees - Compensable	1,667
3,507	Patient Fees - Ineligible	3,507
(1,890)	Patient Fees - Other	(1,890)
<hr/>		<hr/>
3,284		3,284
<hr/>		<hr/>

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

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

PARENT		CONSOLIDATION
	2011	2011
	\$000	\$000
	20. Inventories 'Current - Held for Distribution	
	Drugs	7,352
7,352	Medical and Surgical Supplies	1,575
<u>1,575</u>		<u>1,575</u>
<u>8,927</u>		<u>8,927</u>

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

PARENT		CONSOLIDATION
2011 \$000		2011 \$000
	21. Property, Plant and Equipment	
	Land and Buildings - Fair Value	
1,904,819	Gross Carrying Amount	1,904,819
1,026,715	Less Accumulated Depreciation and Impairment	1,026,715
<u>878,104</u>	Net Carrying Amount	<u>878,104</u>
	Plant and Equipment - Fair Value	
137,701	Gross Carrying Amount	137,701
79,014	Less Accumulated Depreciation and Impairment	79,014
<u>58,687</u>	Net Carrying Amount	<u>58,687</u>
	Infrastructure Systems - Fair Value	
60,596	Gross Carrying Amount	60,596
37,968	Less Accumulated Depreciation and Impairment	37,968
<u>22,628</u>	Net Carrying Amount	<u>22,628</u>
<u>959,419</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>959,419</u>

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

PARENT & CONSOLIDATION

21. Property, Plant and Equipment - Reconciliation

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2011						
Net Carrying Amount at 1 January 2011	-	-	-	-	-	-
Additions		527	7,547	9,507	16	17,597
Disposals				(3,345)		(3,345)
Administrative Restructures - Transfers In/(Out)	244,003	627,778	19,648	58,262	23,369	973,060
Depreciation Expense		(21,361)		(5,885)	(757)	(28,003)
Reclassifications			(38)	148		110
Net Carrying Amount at 30 June 2011	244,003	606,944	27,157	58,687	22,628	959,419

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

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

	PARENT		CONSOLIDATION
	2011		2011
	\$000		\$000
22. Restricted Assets			
<p>The Network's financial statements include the following assets which are restricted by externally imposed conditions, eg. donor requirements. The assets, which are retained as cash, are only available for application in accordance with the terms of the donor restrictions.</p>			
	Category		
	38,494	Specific Purposes	38,494
	22,913	Private Practice Funds	22,913
	<u>61,407</u>		<u>61,407</u>

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

PARENT	2011 \$000	CONSOLIDATION 2011 \$000
25. Provisions		
Current Employee Benefits and Related On-Costs		
-	59,904	
-	45,610	
-	7,987	
113,501	-	
113,501	113,501	
Non-Current Employee Benefits and Related On-Costs		
420	420	
420	420	
Aggregate Employee Benefits and Related On-Costs		
113,501	113,501	
420	420	
-	17,809	
17,809	-	
131,730	131,730	

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

PARENT			CONSOLIDATION
	2011	2011	
	\$000	\$000	
26. Other Liabilities			
Current			
Income in Advance	667	667	
	<u>667</u>	<u>667</u>	
	<u><u>667</u></u>	<u><u>667</u></u>	

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

PARENT					CONSOLIDATION
27. Commitments for Expenditure	2011				2011
	\$000				\$000
(a) Capital Commitments					
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:					
Not later than one year	18,225				18,225
Later than one year and not later than five years	2,785				2,785
Later than five years	-				-
	<u>21,010</u>				<u>21,010</u>
Total Capital Expenditure Commitments (Including GST)					
Of the commitments reported at 30 June 2011 it is expected that \$1.360 million will be met from locally generated moneys.					
(b) Other Expenditure Commitments					
Aggregate other expenditure contracted for the acquisition of general operating goods and services contracted for at balance date and not provided for:					
Not later than one year	13,517				13,517
Later than one year and not later than five years	-				-
Later than five years	-				-
	<u>13,517</u>				<u>13,517</u>
Total Other Expenditure Commitments (Including GST)					
(c) Operating Lease Commitments					
Commitments in relation to non-cancellable operating leases are payable as follows:					
Not later than one year	3,202				3,202
Later than one year and not later than five years	11,656				11,656
Later than five years	14,106				14,106
	<u>28,964</u>				<u>28,964</u>
Total Operating Lease Commitments (Including GST)					
(d) Contingent Asset Related to Commitments for Expenditure					
The total of "Commitments for Expenditure" above, i.e. \$63.491 million as at 30 June 2011 includes input tax credits of \$5.772 million that are expected to be recoverable from the Australian Taxation Office.					

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

PARENT & CONSOLIDATED

28 Trust Funds

The Network holds trust fund monies of \$8.381 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust 2011 \$000	Refundable Deposits 2011 \$000	Private Practice Trust Funds 2011 \$000	Total 2011 \$000
Cash Balance at the beginning of the financial reporting period	-	-	-	-
Administrative restructures transferred in	-	129	7,880	8,009
Receipts	-	9	14,951	14,960
Expenditure	-	(8)	(14,588)	(14,588)
Cash Balance at the end of the financial reporting period	-	130	8,251	8,381

Western Sydney Local Health Network
Notes to and forming part of the Financial Statements
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PARENT AND CONSOLIDATED

29 Contingent Liabilities and Assets

a) Claims on Managed Fund

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

b) Workers Compensation Hindsight Adjustment

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

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

c) Affiliated Health Organisations

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

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

Western Sydney Local Health Network
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PARENT

2011
\$000

(13,247)
28,003
832
5,946
7,743
(28,475)
54,573
3,264
507,585
13,060

CONSOLIDATION

2011
\$000

(13,247)
28,003
832
28,013
7,743
(28,475)
54,573
3,264
507,585
13,060

Net Cost of Services

579,284

601,351

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

Net Cash Flows from Operating Activities
Depreciation
Allowance for Impairment
Acceptance by the Crown Entity of Employee Superannuation and LSL Benefits
Decrease/(Increase) in Provisions
Increase / (Decrease) in Prepayments and Other Assets
(Increase)/ Decrease in Creditors
Net Gain/ (Loss) on Sale of Property, Plant and Equipment
NSW Health Department Recurrent Allocations
NSW Health Department Capital Allocations
Asset Sale Proceeds Transferred to the NSW Department of Health

31. 2010/11 Voluntary Services

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

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

Western Sydney Local Health Network
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PARENT AND CONSOLIDATED

32 Unclaimed Moneys

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

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

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

33 Budget Review - Consolidated

Net Cost of Services

The actual Net Cost of Services was higher than budget by \$5.783 million primarily due to the reduced level grants received for the reporting period. Revenue initiatives will continue to be an area of focus in the new financial year.

Result for the Year

The actual deficit for the period was higher than budget by \$22.282 million mainly as a result of the actual cash received from NSW Health allocations due to the projected cash budgets distribution between the newly established Local Health Networks at the beginning of the reporting period.

Assets and Liabilities

The actual Total Assets are lower than budget by \$4.578 million mainly as a result of the budget allocation processes that occurred with the initial establishment of the Network from the former Area Health Service. This may be an ongoing position until the transition of services between Networks and the Health Reform Transition Organisation is finalised in the new financial year - refer Note 36.

The actual Total Liabilities are higher than budget by \$30.875 million due to the impact of the actuarial adjustment to the provision for annual leave at the financial period end and ongoing payables transactions reflective of the activities for the period.

Cash Flows

The actual Net Cashflows from Operating Activities are lower than the budget by \$56.783 million due to the impact of the NSW Health cash transactions reflective of the ongoing transition of services between entities.

The actual Net Cash Flows from Investing Activities are lower than budget by \$10.794 million due to the timing of the capital works in progress recognised when compared to budget allocations.

The actual Net Cash Flows from Financing Activities reflect the loan movements for the reporting period.

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

	'\$000
Initial Allocation, 1 January 2011	469,022
Award Increases	10,976
Special Projects	
Caring Together Initiatives	844
Keep Them Safe Funding	189
Fast Track Surgery for Upper Gastrointestinal Cancer	180
Aboriginal Men's Program	125
Nurse/Midwife Strategy	102
Completion of Mt Druitt Procedure Room	100
Aboriginal Specialist Trauma Counselling	248
COAG Additional Bed Capacity	3,100
Implementation Plan for Aged Care Assessment Program	347
Implementation of the Nursing Hours Provisions	202
Additional Surgery Activity	200
Renal Services Enhancement	185
Other	
VMO's Remuneration Supplementation	723
Transfer of Long Service Leave Liability to Crown	(6,321)
Superannuation Guarantee Charge Adjustment	829
Inter State Patient Outflows Budget Adjustment	1,082
Other Enhancements & LHN Budget Re-alignment from Other Entity	34,550
Balance as per Statement of Comprehensive Income	516,683

Western Sydney Local Health Network
Notes to and forming part of the Financial Statements
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34. Increase/(Decrease) in Net Assets from Equity Transfers

Net assets of \$907.604 million transferred to the Network from the former Sydney West Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the Network on that date in accordance with the provisions of the *Health Services Act 1989*.

Consistent with Treasury approval, Long Service Leave liability of \$134.100 million transferred from the former Health Service with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Other equity transfers effected in year were:

- \$3.655 million reduction in Loan from Health Support Services in relation to staff leave transfers

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

	2011 \$000
Assets	
Cash and Cash Equivalents	60,150
Receivables	11,858
Inventory	9,351
Land and Buildings	871,781
Plant and Equipment	59,467
Infrastructure Assets	23,369
Work in Progress	19,648
Totals Assets	1,055,624
Liabilities	
Creditors and Accruals	31,895
Borrowings	6,291
Employee Provisions	106,179
Total Liabilities	144,365
Increase/(Decrease) in Net Assets From Equity Transfers	911,259

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

Note 35 Financial Instruments

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

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

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

(a) Financial Instrument Categories

PARENT & CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount
		2011 \$000
Cash and Cash Equivalents (note 18)	N/A	56,365
Receivables (note 19) ¹	Loans and receivables (at amortised cost)	30,832
Total Financial Assets		<u>87,197</u>
Financial Liabilities		
Borrowings (note 24)	Financial liabilities measured	6,443
Payables (note 23) ²	at amortised cost	87,663
Total Financial Liabilities		<u>94,106</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 Sydney Local Health Network
Notes to and forming part of the Financial Statements
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Credit risk associated with the Network's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 4.84% in 2010/11.

Receivables - trade debtors

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

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtors balance at year end, \$7.978M related to debtors that were not past due and not considered impaired and debtors of \$8.035M were past due but not considered impaired. Together these represent 95.22% of total trade debtors.

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

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

\$000			
2011	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
<3 months overdue	5600	5600	
3 months - 6 months overdue	3248	2435	813

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 period, there were no defaults or breaches on any loans payable. No

Western Sydney Local Health Network
Notes to and forming part of the Financial Statements
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assets have been pledged as collateral. The Network's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Department of Health has indicated its ongoing financial support for the Network (refer Note 2).

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

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

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

Western Sydney Local Health Network
Notes to and forming part of the Financial Statements
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Maturity Analysis and interest rate exposure of financial liabilities

	\$'000									
	Interest Rate Exposure					Maturity Dates				
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr	\$000	\$000
2011	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:										
Accrued Salaries	NA	10,210	-	-	10,210	-	-	-	-	-
Wages, On-Costs and Payroll Deductions	NA	1,824	-	-	1,824	-	-	-	-	-
Creditors	NA	75,629	-	-	75,629	-	-	-	-	-
Borrowings:										
Other Loans and Deposits		6,443	6,340		103	2,955	3,286	202	202	202
		<u>94,106</u>	<u>6,340</u>		<u>87,766</u>	<u>2,955</u>	<u>3,286</u>	<u>202</u>	<u>202</u>	<u>202</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 \$3.286M 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.

Western Sydney Local Health Network
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d) Market and Interest Rate Risk

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Network's exposures to market risk are primarily through interest rate risk on the Network's borrowings. The network has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest rate risk

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

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

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

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

		\$'000			
		-1%		+1%	
Carrying Amount		Profit	Equity	Profit	Equity
2011					
Financial Assets					
Cash and Cash Equivalents	56,365	-	-	-	-
Receivables	30,832	-	-	-	-
Financial Liabilities					
Payables	87,663	-	-	-	-
Borrowings	6,443	64	64	-64	-64

(e) Fair Value compared to Carrying Amount

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

Note 36 Post Balance Date Events

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

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

A revised governance framework, endorsed by the Minister for Health, requires the dissolution of the three Health Reform Transitional Organisations which operated in 2010/11 to oversight the establishment of Local Health Networks and provide specialty services. Under the revised framework the majority of staff and services will be assigned to Local Health Districts, in 2011/12.

END OF AUDITED FINANCIAL STATEMENTS