

---

---

# Annual Report

## 2013-14

---

# Contents

Report of Operations	2
Board of Directors	4
Organisational Structure	5
Our Services	6
Mandatory Reporting	8
Statement of Priorities	12
Financials	17
Disclosure Index	18
Financial Statements	21

## **VISION**

Austin Health will be renowned for excellence and outstanding leadership in healthcare, research and education.

## **VALUES**

Integrity – We exercise honesty, candour and sincerity.

Accountability – We are transparent, responsible and answerable.

Respect – We treat others with dignity, consideration, equality and value.

Excellence – We continually strive for excellence.

## **OVERVIEW**

Austin Health is the major provider of tertiary health services, health professional education and research in the north-east of Melbourne. Austin Health is world renowned for its research and specialist work in cancer; liver transplantation; spinal cord injuries; neurology; endocrinology; mental health; and rehabilitation.

Austin Health comprises the Austin Hospital, the Heidelberg Repatriation Hospital and the Royal Talbot Rehabilitation Centre.

During 2013-14, Austin Health completed 95,142 inpatient admissions, 177,027 outpatient attendances and 75,366 emergency attendances.

# Report of Operations

## CHAIR AND CEO'S REPORT

**The Hon. Judith Troeth AM,  
Chair of the Board of Directors  
and Dr Brendan Murphy, Chief  
Executive Officer.**

This year has been an exciting one for Austin Health. We were delighted to receive outstanding accreditation results; a testament to the quality of both clinical and operational leadership right across the health service.

The accreditation survey comprised an organisational wide review against the 10 National Safety and Quality Health Service Standards, the 10 National Standards for Mental Health Services and Community Care Common Standards. The nine member team surveyed our three sites and concluded that a culture of continuous improvement exists right across the organisation. The survey team assessed our performance as "met with merit" for a very high number of criteria (78 out of 209). This is one of the best accreditation outcomes seen nationally with the new standards.

It was evident to the survey team that the patient is at the centre of all objectives and change management strategies and that consumer engagement, through formal and informal mechanisms, is well embedded. Congratulations to all staff for this tremendous achievement. We will continue to implement suggestions provided by the survey team to guide the organisation's journey of continuous improvement into the future.

## ACCESS PERFORMANCE AND ACTIVITY

We had another very busy year with a record number of Emergency Department presentations and a record number of surgical operations and attendances in our Specialist Clinics.

The Austin Hospital Emergency Department is one of the busiest in Victoria and attendances continued to rise this year,

reaching 75,355 (a 5.6 per cent increase). Our clinical staff met this challenge with great resolve and determination to provide timely access to care. We managed to modestly improve our National Emergency Access Target (NEAT) performance, with 58.5 per cent of patients admitted or discharged from the Emergency Department within four hours. Our ambulance offload times improved significantly.

Austin Health provided elective surgery to 1,006 more patients than the previous year (a total of 11,362 patients in the year) and we achieved better than target performance with the elective surgery waiting list, by 109 patients. There was a 39 per cent drop in the numbers of patients waiting over time for surgery.

Our 402 Specialist Clinics at Austin Health also had a significant growth of 1.6 per cent, with 185,369 patients attending clinics during the year.

## CAPITAL WORKS

The final stage of the Olivia Newton-John Cancer & Wellness Centre was formally opened in September, 2013. Two levels of acute inpatient wards, the palliative care ward and two further floors of research facilities finally completed the Centre. Patients can access lounges, dining rooms, reflection spaces, balcony gardens, gymnasiums and a multi-sensory room.

The \$5.9 million refurbishment of the Mellor Ward at the Royal Talbot Rehabilitation Centre opened to patients in late 2013. We are delighted to now have modern facilities to match the highest quality rehabilitation services given by staff. The new Mellor Ward is a modern, welcoming and functional space for both patients and staff, who now have improved facilities for their work.

We are excited to have formally opened, at the Heidelberg Repatriation Hospital, the Community Recovery Program. This facility provides long-term accommodation

and support to people with mental health illnesses. It is an innovative transition program, run in collaboration with Mind Australia, which helps people who have mental illnesses learn the independent living skills necessary for them to participate in the community.

Similarly, we are very proud that the new mental health Prevention and Recovery Care Service (PARCS) in West Heidelberg is open and residents have moved in. PARCS is a short-term, home-like residence for local people with mental health illnesses who need additional support, but who do not require admission to hospital. This is the first PARCS service available to people in Banyule and Nillumbik and another excellent community-based mental health facility.

The significant extension to the Martin Street car park opened in early 2014. Hundreds of staff moved from the Austin Tower to Martin Street, freeing parking space in the Austin Tower for patients and their families.

We were grateful to receive \$11.5 million in State Government funding to expand the Austin Hospital Short Stay Unit located in the Emergency Department (ED). This project will assist us to meet increased demand and support patient flow through ED. The project will deliver a new 20-bed facility, with the number of short stay beds increasing from the existing 8 beds. In addition, \$2m was received from the Commonwealth Government to deliver a 4-bed Psychiatric Assessment & Planning Unit, integrated with the Short Stay Unit. Planning and design work is progressing well. The State Government also provided funding of \$6.8m for a new 10-bed Transition Support Unit at the Heidelberg Repatriation Hospital.

## INNOVATION AND RESEARCH

Over the last few years, Austin Health has led the trial of an innovative new model of care in which registered nurses are trained, under the supervision of gastroenterologists and colorectal surgeons, to perform colonoscopies.

This newly created role is an innovative way to respond to the high demand for colonoscopies. Austin Health's, Jomon Joseph, is Victoria's first nurse endoscopist. Since completing his training in December 2012, he has conducted 600 independent endoscopies, reducing patient waiting times remarkably. Due to the success of the program, The State Endoscopy Training Centre has been established at the Austin Hospital. Funded by the Victorian Department of Health, the centre will develop and support the training of nurse endoscopists for other hospitals across Victoria.

It is particularly pleasing that our *Health Assistant in Nursing Program* has been rolled out across sub-acute wards and our model has extended to four other Victorian health services.

Austin Health is renowned for its adoption of e-health initiatives and is a national leader in the adoption of electronic medication management. Austin Health, in conjunction with Peninsula Health, was the 2013 winner of the Australian Council on Healthcare Standards Award for Clinical Excellence and Patient Safety for *Improving Safety and Quality and Efficiency of care through the development of an electronic medical record*. This award was thoroughly deserved by staff, whose willingness to work as a team to overcome the challenges associated with such a huge change project has been impressive. We are very proud of our new clinical information system and the positive results we are seeing with visibility of drug ordering and administration and reduction in medication errors.

Congratulations to our Respecting Patient Choices (RPC) Community Ambassadors, who won the Minister for Health Volunteer Award for Outstanding Achievement by a Volunteer Team in Metropolitan Health. The volunteers provide a much-needed service educating our community about advance care planning. The compassion and commitment they display in their work is exemplary.

Austin Health launched a new program this year designed to help us find more ways to improve our systems and processes. 'Advancing Austin' seeks to engage all staff to think about how we might be 'smarter' in our delivery of healthcare. By improving the efficiency of our systems and processes, we can strategically reinvest savings into new initiatives such as new support systems, new clinical services and a whole range of new initiatives to keep our rightful place as a leading tertiary, high-level teaching hospital. There has been a most encouraging level of engagement in the program from staff with many innovative and exciting new ideas already being explored.

The Surgery Centre continues to treat more complex groups of patients. In a most significant achievement, fifty per cent of hip and knee replacements are now undertaken at the Heidelberg Repatriation Hospital (HRH). All joint replacements were previously performed at the Austin Hospital but an enormous amount of work has been undertaken to allow us to safely perform these operations at the HRH, freeing capacity at the Austin Hospital. In 2014, we completed 56 orthopaedic operating sessions at the HRH, compared with eight in 2008.

Medical research remains strong and well recognised at Austin Health. We were delighted that one of our preeminent researchers, Professor Sam Berkovic received a Companion of the Order of Australia for 'eminent service to biomedical research in the field of epilepsy genetics as a leading academic and clinician, to the study of neurology on a national and international level, and as an ambassador for Australian medical science education'.

Professor Rinaldo Bellomo received a major honour from the Victorian Royal Australasian College of Physicians in recognition of his contribution to clinical, teaching and research roles in the field of intensive care medicine. Additionally, Professor Bellomo was named by Thomson Reuters as one of the world's most influential scientists over the past decade.

## THE BOARD

During the year, we welcomed another new Board member, Ms Deb Cerasa. Mr David Scott retired from the Board and we thank him for his long and dedicated contribution to the governance of Austin Health.

We record our appreciation of all our Board members for their commitment and service to Austin Health.

We also thank the Honourable David Davis MLC, Minister for Health and Ageing and the Department of Health for their ongoing support.

## FINANCIALS

Austin Health finished the year with an operating surplus of \$10,523,000. This strong result was, however, influenced by some one-off factors and the underlying result was close to the break-even budget.

Finally, in accordance with the *Financial Management Act 1994*, we are pleased to present the following Report of Operations for Austin Health for the year ending 30 June 2014.



The Hon. Judith Troeth AM  
Chair



Dr Brendan Murphy  
Chief Executive Officer

13 August, 2014

# Board of Directors

(AS AT 30 JUNE 2014)

Austin Health's Board consists of eight directors, appointed by the Victorian Government. The Board leads the strategic direction for the management, administration and control of Austin Health, its funds and its facilities. Directors are elected for a term of up to three years and may be re-elected to serve for up to nine years.

## BOARD MEMBERS

The Hon. Judith Troeth AM (Chair)

Mr Damian Mitsch

Ms Suzanne Evans

Professor John McNeil AM

Professor David Scott AM

Ms Mary Ann Morgan

Dr Con Mylonas

Ms Debra Cerasa

## AUDIT COMMITTEE MEMBERS

Dr Con Mylonas (Chair)

The Hon. Judith Troeth AM

Ms Suzanne Evans

Ms Mary Ann Morgan

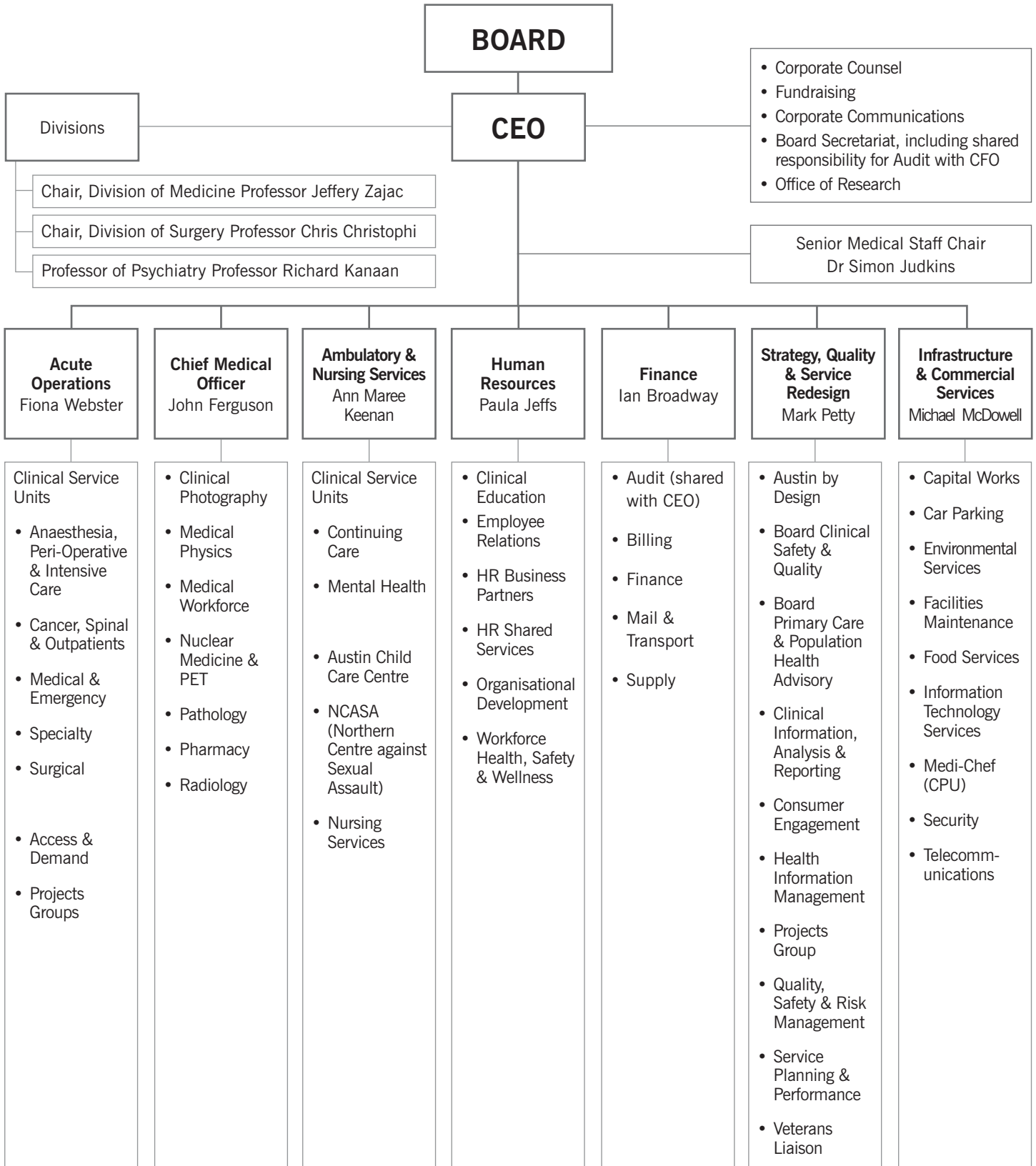
Ms Debra Cerasa

## CHIEF EXECUTIVE OFFICER

Dr Brendan Murphy

# Organisational Structure

(AS AT 30 JUNE 2014)



# Our Services

Aboriginal Health	Ear Nose Throat/Head and Neck Surgery	Neuroimmunology
Acquired Brain Injury Unit	Emergency Medicine	Neurology
Acute Assessment Unit	Endocrinology	Neurosurgery
Acute Stroke Care Unit	Endoscopy	Non-Emergency Patient Transport
After Hours GP Clinic	Extended Aged Care at Home Dementia	Northern Region Dementia Extended Aged Care at Home Program
Aged Care Consultative Service	Falls and Balance Clinic	Neuro Sociology and Clinical Sociology
Ambulatory Care Centre	Gastroenterology	Northern Centre Against Sexual Assault
Anaesthesia	General Medicine	Nuclear Medicine
Anatomical Pathology	Genetics Service	Nutrition and Dietetics
Audiology	Gynaecology	Northern Region Extended Aged Care at Home Program
Blood Bank	Haematology	Orthopaedic Surgery
Bone Densitometry	Health and Community Rehabilitation Centre	Orthotics and Prosthetics
Breast surgery	Health Independence Program	Occupational Therapy
Cardiac Catheterisation Laboratories	Hepato Pancreato Biliary and Transplant	Ophthalmology
Cardiac Rehabilitation	Hospital in the Home	Oral and Maxillofacial Surgery
Cardiac surgery	Hospital Primary Care Liaison Unit	Orthoptics
Cardiology	Heidelberg Aged Care Assessment Service	Paediatrics
Cardiodiagnostics Laboratory	Hypertension	Pain Services
Centre for Positron Emission Tomography	Infection Control	Palliative Care
Chemical Pathology	Infectious Diseases	Pastoral Care
Clinical Haematology	Intensive Care Unit	Perioperative Services Pharmacy
Clinical Neuropsychology	Laboratory Medicine	Physiotherapy
Clinical Pathology	Language Services	Planned Activity Group
Clinical Pharmacology, Therapeutics and Hypertension	Lymphoedema Service	Plastic and Reconstructive Surgery
Colorectal	Maxillo Facial	Podiatry
Community Aged Care Packages	Medi-Hotel	Post Acute Care
Community Integration and Leisure Services	Medical Oncology	Radiation Oncology
Comprehensive Epilepsy Program	Memory and Cognitive Research Unit	Radiology including CT, MRI and Interventional Radiology
Darley House Residential Aged Care Service	Microbiology	Rehabilitation in the Home
Day Oncology Unit/Chemotherapy	Molecular Biology	Rehabilitation Services
Dental Services	Nephrology	Renal Dialysis
Dermatology	Neurodiagnostics Laboratory	



Residential Care Outreach Service

Respiratory and Sleep Medicine

Respiratory Laboratory

Restorative Care Program

Rheumatology

Short Stay Observation Unit

Sleep Laboratory

Social Work

Specialist Clinics

Speech Pathology

Spinal Surgery

Surgery and Endoscopy Centre  
(Austin Hospital)

The Surgery Centre  
(Heidelberg Repatriation Hospital)

Thoracic Surgery

Toxicology

Tracheostomy Assessment and  
Management Service

Transition Care Program Treatment  
Service Upper Gastrointestinal and Endocrine

Urology

Vascular Laboratory

Vascular Surgery

Wellness and Supportive Care Program

Wound Clinic

## **MENTAL HEALTH**

Adolescent Inpatient Unit

Adult Acute Psychiatry Unit

Body Image Eating Disorder Treatment  
and Recovery Service

Brain Disorders Program

Child and Adolescent Mental Health Service

Clinical and Health Psychology

Community Mental Health Services

Drug Dependence Clinic

General Hospital Mental Health

North East Area Mental Health Service

Parent-Infant Program

Post Trauma Victoria

Secure Extended Care Unit

Psychological Trauma Recovery Service  
(including Post Trauma Victoria and  
Veterans' Psychiatry Unit)

State-wide Child Inpatient

Veterans' Psychiatry Unit

## **STATEWIDE SERVICES**

Acquired Brain Injury Unit

Brain Disorders Unit

Psychological Trauma and Recovery Service

State-wide Child Mental Health Unit

Spinal Community Integration Service

Ventilation Weaning Unit

Victorian Liver Transplant Unit

Victorian Respiratory Support Service

Victorian Spinal Cord Service

Victorian Toxicology Service and Poisons  
Centre

# Mandatory Reporting

By Government Gazette Notice dated 1 July 2000, the Governor in Council, on the recommendation of the Minister for Health, established Austin and Repatriation Medical Centre as a body corporate, being a metropolitan health service, pursuant to the provisions of the *Health Services Act 1988*. The organisation changed its name to Austin Health in 2003. Pursuant to amendments in 2004 to the *Health Services Act*, Austin Health was designated a public health service and appears as such in Schedule 5 of that Act.

## ATTESTATION FOR COMPLIANCE WITH THE AUSTRALIAN/NEW ZEALAND RISK MANAGEMENT STANDARD

I, Brendan Murphy certify that Austin Health has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board Audit Committee verifies this assurance and that the risk profile of Austin Health has been critically reviewed within the last 12 months.

Austin Health is committed to the ongoing evaluation and development of our new Risk Management Framework.



Dr Brendan Murphy  
Chief Executive Officer  
Heidelberg  
13 August, 2014

## ATTESTATION ON INSURANCE

I, Brendan Murphy, certify that Austin Health has complied with Ministerial Direction 4.5.5.1 – Insurance, except that contractual indemnities given by Austin Health are recorded in Austin Health's contract database not within a separate register of indemnities.



Dr Brendan Murphy  
Chief Executive Officer  
Heidelberg  
13 August, 2014

## ATTESTATION ON DATA INTEGRITY

I, Brendan Murphy certify that Austin Health has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. Austin Health has critically reviewed these controls and processes during the year.



Dr Brendan Murphy  
Chief Executive Officer  
Heidelberg  
13 August, 2014

## EX-GRATIA PAYMENTS

Austin Health made no ex-gratia payments for the year ending 30 June, 2014.

## FREEDOM OF INFORMATION APPLICATIONS 2013-14

Requests received	1131
Full granted	965
Partially	53
Denied	3
Other:	
Withdrawn	16
Not proceeded	6
Not processed	0
No documents	35
In progress	53

All applications were processed in accordance with the provisions of the *Freedom of Information Act 1982*, which provides a legally enforceable right of access to information held by government agencies. Austin Health reports on these requests to the FOI Commissioner annually.

## NATIONAL COMPETITION POLICY

Austin Health continues to comply with the National Competition Policy. In addition, the Victorian Government's competitive neutrality pricing principles for all relevant business activities have been applied by Austin Health.

**BUILDING ACT 1993 AND BUILDING REGULATION 2006**

During the financial year, it has been Austin Health's practice to obtain building permits for building projects and certificates of occupancy or certificates of final inspection for all completed projects. Registered building practitioners have been engaged for all building projects, new or major refurbishments.

In order to ensure Austin Health's buildings are maintained in a safe and functional condition, ongoing maintenance programs are in place. Routine inspections were also undertaken throughout the year. From those inspections, Austin Health identified areas that required rectification and recommendations were made for this work to be carried out.

**CARERS RECOGNITION ACT 2012**

Austin Health:

- (a) takes all practicable measures to ensure that its employees and agents have an awareness and understanding of the care relationship principles; and
- (b) takes all practicable measures to ensure that persons who are in care relationships and who are receiving services in relation to the care relationship from the care support organisation have an awareness and understanding of the care relationship principles; and
- (c) takes all practicable measures to ensure that the care support organisation and its employees and agents reflect the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

**MERIT AND EQUITY**

Recruitment, selection and employment within Austin Health complies with employment conditions as specified in relevant Health Awards and Enterprise Bargaining Agreements. The employment of staff satisfies equal employment opportunity requirements, legislative and moral obligations, and terms and conditions of the *Fair Work Act*, Australia including National Employment Standards.

**PROTECTED DISCLOSURES ACT 2012**

Austin Health is committed to the aims and objectives of the *Protected Disclosures Act 2012* and has procedures in place to facilitate the making of disclosures, to investigate disclosures and to protect persons making disclosures. Procedures can be obtained from the Protected Disclosures Officer on 03 9496 5370 or by writing to Austin Health, PO Box 5555, Heidelberg, Victoria 3084

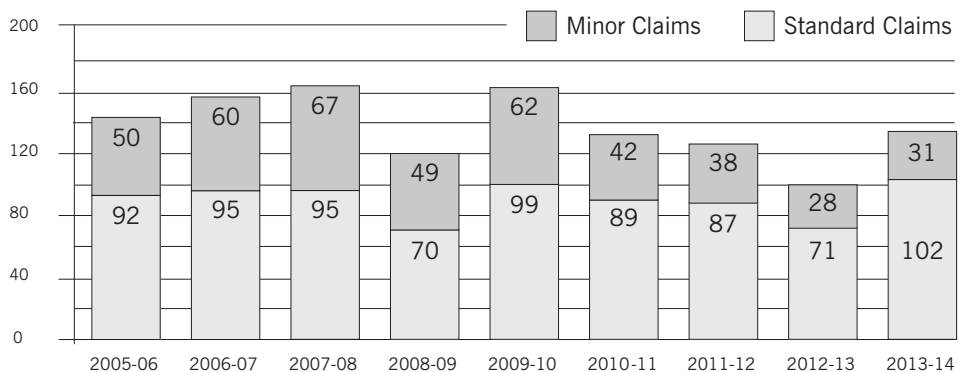
**VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003**

During 2013-14, Austin Health had one project that was completed during the reporting period to which the *Victorian Industry Participation Policy* applied.

Contract	Value	Status	Local content	Employment	Skill / technology transfer outcomes
Austin Hospital Martin Street car park	\$13,000,000	Completed	80%	25	On the job training with apprentices gaining experiences. Training plan is monitored and updated regularly. Application of new technology and innovative delivery methodologies resulting in awards being won.
<b>Total</b>	<b>\$13,000,000</b>				

**WORKER'S COMPENSATION & INJURY MANAGEMENT**

Standard workers compensation claims have increased in 2013-14 from 71 to 102. Whilst this is an increase on the previous year claim numbers, our early intervention return to work initiatives have positioned Austin Health to achieve exceptional, better than industry, return to work outcomes.



# Mandatory Reporting

(CONTINUED)

## CONSULTANCIES ENGAGED DURING 2013-14

### In excess of \$10,000 per consultancy

Consultant	Project	Amount	Total Consultancy
KPMG	Nursing Hours Per Patient Day Project		\$101,600
Paxton Partners	Review of Pathology Cluster Feasibility	\$47,114	
Paxton Partners	Review of Pathology Cluster Feasibility	<u>\$47,114</u>	\$94,228
Paxton Partners	Review of Radiology and Nuclear Medicine	\$35,979	
Paxton Partners	Review of Radiology and Nuclear Medicine	<u>\$35,979</u>	\$71,958
A R Dunn & Associates	Future Options for ONJ & Ludwig Restructuring	\$5,000	
A R Dunn & Associates	Future Options for ONJ & Ludwig Restructuring	\$10,000	
Frederick AO Mendelsohn	Future Options for ONJ & Ludwig Restructuring	\$15,000	
KPMG	Future Options for ONJ & Ludwig Restructuring	<u>\$30,000</u>	\$60,000
Bevington Group	Project Management and Governance at Austin Health		\$39,994
Aspex Consulting	Orthotics and Prosthetics Business Plan Review		\$32,670
Kadar & Bradley Pty Ltd	Redevelopment of Radiology Department		\$31,000
Laidlaw Group Pty Ltd	Review of Clerical and Administrative support resources Cancer Services at Austin Health		\$28,000
Paxton Partners	Review of performance information management capability at Austin Health		\$27,178
Apros Pty Ltd	TSC Operations Optimisation Project	\$12,500	
Apros Pty Ltd	TSC Operations Optimisation Project	<u>\$12,500</u>	\$25,000
Paxton Partners	Health check and Action Plan to progress Austin Health's clinical costing systems		\$23,254
Xponential Group Pty Ltd	Fundraising Strategy Study		\$23,000
Mercer Consulting (Australia) Pty Ltd	Review of Clinical Service Director and General Manager Positions		\$22,050
Votar Partners	IT Strategy	\$12,000	
Votar Partners	IT Strategy	<u>\$7,500</u>	\$19,500
Biruu Pty Ltd	MenatI Health Catchments Submission		\$18,800
SP-BIC Pty Ltd	Food service review at HRH and Royal Talbot		\$15,000
<b>Totals</b>			<b>\$633,232</b>

Number of Consultancies – 16

### Less than \$10,000 per consultancy

There were 6 consultancies engaged at a total cost of \$24,123 with future commitments of \$7,000.

## ENVIRONMENTAL PERFORMANCE

We continue our commitment toward sustainability and have developed a 4-year environmental management strategy. New and ongoing energy saving initiatives include replacing existing light fittings with LED light fittings, installing variable speed drives and minimising building services such as air conditioning in vacated areas.

Additional projects include:

- In conjunction with Yarra Valley Water, Austin Health participated in the Choose Tap campaign to promote health and hydration and reduce waste to landfill;
- Austin Health partnered with Greenfleet to give staff the opportunity to offset personal vehicle use;
- Sustainability and waste management have been included as part of mandatory training for staff;
- Four garden projects have been implemented at the Austin Hospital, the Olivia Newton-John Cancer & Wellness Centre and the Heidelberg Repatriation Hospital.

## WORK FORCE DATA

Labour Category	June Month FTE		June YTD FTE	
	2013	2014	2013	2014
Nursing Services	2121.45	2156.19	2095.42	2128.05
Admin & Clerical	777.33	791.9	778.53	773.77
Medical Support Services	637.86	627.76	628.92	632.55
Hotel & Allied Services	505.12	529.12	510.38	520.07
Medical Officers	143.7	148.83	143.91	146.14
Hospital Medical Officers	430.88	455.72	414.64	434.16
Senior Medical Officers	109.79	112.09	103.02	107.65
Ancillary Support Services	476.37	481.99	470.5	480.53

## AVAILABILITY OF OTHER INFORMATION

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by Austin Health and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- A statement of pecuniary interest has been completed.
  - Details of shares held by senior officers as nominee or held beneficially.
  - Details of publications produced by the Department about the activities of the Health Service and where they can be obtained.
  - Details of changes in prices, fees, charges, rates and levies charged by the Health Service.
  - Details of any major external reviews carried out on the entity.
- Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the Report of Operations or in a document that contains the financial report and Report of Operations.
  - Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.
  - Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services.
  - Details of assessments and measures undertaken to improve the occupational health and safety of employees.
  - General statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations.
  - A list of major committees sponsored by the Health Service, the purposes of each committee and the extent to which the purposes have been achieved.
  - Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

# Statement of Priorities

## PART A: STRATEGIC PRIORITIES

Priority	Action	Deliverable	Progress to 30 Jun 2014
Developing a system that is responsive to people's needs	Implement formal advance care planning structures and processes that provide patients with opportunities to develop, review and have their expressed preferences for future treatment and care enacted (mandated)	Improved processes for receiving, recognising and enacting advance care directives (ACDs)/wishes for end of life and increased compliance with Advance Care Planning policy	The Clinical System is now used to support the Advanced Care Planning structure in 2 ways:  1. Since September 2013 Doctors are prompted to enter the Resuscitation Plan at each admission. Data is extracted from the system to monitor compliance  2. Referrals to the Respecting Patient Choices team to review a patient's Advanced Care Plan commenced in June 2014.
Developing a system that is responsive to people's needs	Configure and distribute services to address the health needs of the local population (standard)	Completion of a subacute service plan in consultation with key stakeholders (including consumers and partner health services), which proposes service configuration and distribution that responds to the health needs of the local population	The plan has been completed and endorsed by the Austin Health Executive Committee. Consultation with partner health services, consumers and General Practitioners has informed the development of this plan.
		Successful transition of palliative care capacity to the Olivia Newton John Cancer & Wellness Centre	The Palliative Care Unit successfully transitioned from the Heidelberg Repatriation Hospital to the Olivia Newton-John Cancer and Wellness Centre based at the Austin Hospital site on the 14/8/2013. The revised model of care is now in place.
Improving every Victorian's health status and experiences	Improve thirty-day unplanned readmission rates (mandated)	Reduce readmission rates for gastrointestinal surgery service and stroke service through use of Dr Foster global comparator benchmarking program and associated Global Outcomes Accelerated Learning (GOAL) programs	Analysis of the readmission rates has been completed. Austin performs well when benchmarked against other health services. There has been an overall downward trend in both stroke service and gastrointestinal surgery readmissions for the first 3 quarters of 2013-14. Quarter 4 data is not yet available.
Expanding service, workforce and system capacity	Implement the Credentialing and Scope of Practice policy and 'Partnering for Performance' framework for senior clinicians (standard)	A single electronic 'credentialing and scope of practice' system is fully implemented, with all senior medical staff entered into the system AND a consistent process of engagement that defines the scope of clinical practice (SOCP) upon appointment and reviews SOCP monthly	The electronic credentialing system is now in place and directly linked to all Senior Medical Staff (SMS) appointments and engagements. This system houses credentialing and scope of practice documents for all SMS. All new SMS appointed are required to complete these before their appointment commences.

Priority	Action	Deliverable	Progress to 30 Jun 2014
Increasing the system's financial sustainability and productivity	Reduce variation in health service administrative costs (mandated)	Efficiency improvement and cost savings opportunities identified and achieved for two administrative overhead KPIs from State benchmarking.	Administrative overheads (administrative and clerical expenses) as a percentage of total labour expenses, has reduced by 0.5% in the past twelve months, and are well below the statewide average.
Implementing continuous improvements and innovation	Develop and implement improvement strategies that optimise access, patient flow, system coordination and the quality and safety of hospital services	Morning flex bed capacity implemented to increase patient flow to the wards at the start of the day	Flex beds have been opened in the morning to decant ED to give a clear start to the day. This and other strategies have resulted in a 7% reduction in average ED length of stay for admitted patients.
		Processes implemented to enable Emergency Department (ED) and wider hospital, to improve timely care for patients arriving by ambulance.	The percentage of ambulance arrivals offloaded within 40 mins has increased by 10% since 2012-13. The ED has introduced a new process for the escalation of ambulance delays.
		Plans for undertaking expansion of short-stay unit, including 12 additional beds are developed.	Plans for the short-stay unit expansion are underway. The early feasibility is complete, schematic design is underway, and project delivery is currently on track for late 2016.
Increasing accountability & transparency	Prepare for commencement of proposed new mental health legislation in 2014 (mandated)	Impact of key legislative changes evaluated, and appropriate changes to policies and procedures implemented.	Policies and procedures are updated with extensive education provided to all clinical and relevant non-clinical staff. Impact of the legislative changes has been determined and all is in place for commencement of new Mental Health Act 2014.
Increasing accountability & transparency	Prepare for the National Safety and Quality Health Service Standards, as applicable. (standard)	National Safety and Quality Health Service Standards accreditation achieved	Accreditation fully achieved with 78 of the criteria awarded Met with Merit.
Improving utilisation of e-health and communications technology.	Trial, implement and evaluate strategies that use e-health as an enabler of better patient care (standard)	Report sent to the Department of Health documenting benefits of CERNER inpatient e-Medication release.	Benefits report sent to DH on 30th May 2014 highlighted a reduction in: <ul style="list-style-type: none"> <li>• Illegible orders (to zero) and error prone abbreviations (37% to 2%)</li> <li>• Reported medication adverse events by 50% in past year in subacute ward.</li> <li>• ISR 1 or 2 medication-related 'Riskmans' to zero</li> <li>• 'Allergies not documented' (8% to 2.6%) in first 6 months of implementation.</li> </ul>

# Statement of Priorities

(CONTINUED)

## PART B: PERFORMANCE PRIORITIES

### FINANCIAL PERFORMANCE

Key performance indicator	Target	Actual 30 June 2014
<b>Operating result</b>		
Annual Operating Result (\$m)	0	10.5
<b>WIES<sup>(1)</sup> activity performance</b>		
Percentage of WIES (public & private) performance to target	100	98.3
<b>Cash management</b>		
Creditors	< 60 days	44 days
Debtors	< 60 days	51 days

### ACCESS PERFORMANCE

Key performance indicator	Target	Actual 30 June 2014
<b>Emergency care</b>		
Percentage of operating time on hospital bypass	3	2.5
Percentage of ambulance transfers within 40 minutes <sup>(2)</sup>	90	70.6
NEAT - Percentage of emergency presentations to physically leave the emergency department for admission to hospital, be referred to another hospital for treatment, or be discharged within four hours (July – December 2013)	75	57.8
NEAT - Percentage of emergency presentations to physically leave the emergency department for admission to hospital, be referred to another hospital for treatment, or be discharged within four hours (January – June 2014)	81	59.1

Key performance indicator	Target	Actual 30 June 2014
Number of patients with a length of stay in the emergency department greater than 24 hours	0	0
Percentage of Triage Category 1 emergency patients seen immediately	100	100
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended times	80	76
<b>Elective surgery</b>		
Percentage of Urgency Category 1 elective patients treated within 30 days	100	100
NEST - Percentage of Urgency Category 2 elective surgery patients treated within 90 days (July – December 2013)	80	59.2
NEST - Percentage of Urgency Category 2 elective surgery patients treated within 90 days (January – June 2014)	88	65.9
NEST - Percentage of Urgency Category 3 elective surgery patients treated within 365 days (July – December 2013)	94.5	80.5
NEST - Percentage of Urgency Category 3 elective surgery patients treated within 365 days (January – June 2014)	97	79.9
Number of patients on the elective surgery waiting list <sup>(3)</sup>	2,944	2,847
Number of Hospital Initiated Postponements (HiPs) per 100 scheduled admissions	8	7.5

(1) WIES is a Weighted Inlier Equivalent Separation.

(2) Actual data provided by Ambulance Victoria on 11 July 2014

(3) The target shown is the number of patients on the elective surgery waiting list as at 30 June 2014



## SERVICE PERFORMANCE

Key performance indicator	Target	Actual 30 June 2014
<b>Elective surgery <sup>(1)</sup></b>		
Number of patients admitted from the elective surgery waiting list – quarter 1	2,870	2,927
Number of patients admitted from the elective surgery waiting list – quarter 2	2,946	2,856
Number of patients admitted from the elective surgery waiting list – quarter 3	2,865	2,617
Number of patients admitted from the elective surgery waiting list – quarter 4	3,171	2,962
<b>Critical care</b>		
ICU Number of days below the agreed minimum operating capacity <sup>(2)</sup>	0	10
<b>Quality and safety</b>		
Health service accreditation	Full compliance	Full compliance
Residential aged care accreditation	Full compliance	Full compliance
Cleaning standards	Full compliance	AQL A: Full compliance AQL B: Full compliance AQL C: Full compliance
Health care worker immunisation - influenza	60%	55.1%
Hospital acquired infection surveillance	No outliers	No outliers

Key performance indicator	Target	Actual 30 June 2014
Hand Hygiene (rate)	70	78% <sup>(7)</sup>
SAB rate per occupied bed days <sup>(3)</sup>	< 2/10,000	1.1/10,000 <sup>(8)</sup>
Victorian Patient Satisfaction Monitor: (OCI) <sup>(4)</sup> (July to December 2013)	73	Austin 74.5 HRH 78.9 Royal Talbot 75.6
Consumer Participation Indicator <sup>(5)</sup> (July to December 2013)	75	Austin 76.7 HRH 80.8 Royal Talbot 77.4
Victorian Hospital Experience Measurement Instrument <sup>(6)</sup> (January to June 2014)	Full compliance	Target not achieved <sup>(4)</sup>
People Matter Survey	Full compliance	Partial compliance <sup>(10)</sup>
<b>Mental Health</b>		
28 day readmission rate	14	14.6
Post-discharge follow up rate	75	90.0
Seclusion rate per occupied bed days < 15/1,000		5.5

(1) Includes only competitive elective surgery initiatives that have been allocated at the time of signing of this agreement.

(2) The agreed minimum operating capacity is 20 ICU equivalents

(3) SAB is staphylococcus aureus bacteraemia

(4) The target for the Victorian Patient Satisfaction Monitor is the Overall Care Index (OCI) which comprises six categories.

(5) The Consumer Participation Indicator is a category of the Victorian Patient Satisfaction Monitor.

(6) The Victorian Health Experience Measurement Instrument (VHEMI) will succeed the VPSM as the instrument for measuring patient experience.

(7) 12 months data to end Quarter 3, 2013-14

(8) 12 months data to end Quarter 3, 2013-14

(9) Use of the instrument is yet to commence as correct data uploading requires alterations to the program. This work is currently underway.

(10) The People Matter Survey was undertaken in March/April 2014 over a three week census period, and achieved an 18% response rate (falling short of the 30% response rate target).

# Statement of Priorities

(CONTINUED)

## PART C: ACTIVITY AND FUNDING

Funding type	Activity Target	Actual at 30 June 2014
<b>Acute Admitted</b>		
WIES Public	56,866	55,853
WIES Private	14,262	14,100
WIES (Public and Private)	71,128	69,953
WIES DVA	1,518	1,278
WIES TAC	804	748
<b>WIES TOTAL</b>	<b>73,450</b>	<b>71,979</b>
<b>Acute non-admitted</b>		
Radiotherapy WAUs Public	65,467	50,321
Radiotherapy WAUs DVA	1,723	1,262
<b>Subacute &amp; Nonacute Admitted</b>		
Rehab Public	36,125	37,118
Rehab Private	9,137	9,781
Rehab DVA	478	1,545
GEM Public	25,138	23,366
GEM Private	5,414	5,345
GEM DVA	2,863	2,420
Palliative Care Public	6,065	5,507
Palliative Care Private	673	1,631
Palliative Care DVA	429	184
Transition Care - Beddays	7,665	7,464
Transition Care - Homeday	10,585	10,004
<b>Aged Care</b>		
Residential Aged Care	21,696	21,319
HACC	8,663	7,439
<b>Mental Health and Drug Services</b>		
Mental Health Inpatient	47,926	47,815
Mental Health Ambulatory	47,400	41,706
Mental Health Sub Acute	8,786	6666
Drug Services	140	144

# Financials

Austin Health's long-term financial objectives are to continue to improve financial performance, provide funds to reinvest into the organisation and allocate our limited resources to maximise overall performance and address strategic priorities.

The operating surplus for the 2013-14 financial year (before capital and specific items) was \$10,523,000, a result that has been greatly assisted by the inclusion of \$4.6M of revenue for which related expenditure will be incurred in 2014-15, and further gains of \$6M that relate to 2012-13. Adjusting for these revenue gains, the 2013-14 result approximates the budgeted breakeven target.

## FINANCIAL SUMMARY

	2014 \$000	2013 \$000	2011 \$000	2011 \$000	2010 \$000
Total Revenue	754,526	714,108	707,777	687,721	640,123
Total Expenses	744,003	707,980	702,591	686,462	635,998
<b>Operating Surplus/(Deficit) before capital and specific items</b>	<b>10,523</b>	<b>6,128</b>	<b>5,186</b>	<b>1,259</b>	<b>4,125</b>
Capital and Specific Items	(58,431)	(6,687)	4,872	(14,696)	(26,459)
<b>Net Result for the Year</b>	<b>(47,908)</b>	<b>(559)</b>	<b>10,058</b>	<b>(13,437)</b>	<b>(22,334)</b>
Accumulated Deficit	(149,691)	(101,617)	(100,956)	(110,891)	(97,269)
Total Assets	1,317,336	1,224,908	1,205,859	1,175,318	1,183,305
Total Liabilities	253,037	244,338	224,730	204,247	198,797
<b>Net Assets</b>	<b>1,064,299</b>	<b>980,570</b>	<b>981,129</b>	<b>971,071</b>	<b>984,508</b>
<b>Total Equity</b>	<b>1,064,299</b>	<b>980,570</b>	<b>981,129</b>	<b>971,071</b>	<b>984,508</b>

# Disclosure Index

The annual report of Austin Health is prepared in accordance with all relevant Victorian legislation.

This index has been prepared to facilitate identification of Austin Health's compliance with statutory disclosure requirements.

## MINISTERIAL DIRECTIONS

Report of Operations

### Charter and Purpose

FRD 22E	Manner of establishment and the relevant Ministers	3,8
FRD 22E	Objectives, functions, powers and duties	1
FRD 22E	Nature and range of services provided	6,7

### Management and Structure

FRD 22E	Organisational structure	5
---------	--------------------------	---

### Financial and Other Information

FRD 10	Disclosure index	18,19
FRD 11A	Disclosure of ex-gratia expenses	8
FRD 12A	Disclosure of major contracts	11
FRD 21B	Responsible person and executive officer disclosures	104,105
FRD 22E	Application and operation of Protected Disclosure 2012	9
FRD 22E	Application and operation of Carers Recognition Act 2012	9
FRD 22E	Application and operation of Freedom of Information Act 1982	8
FRD 22E	Compliance with building and maintenance provisions of Building Act 1993	9
FRD 22E	Details of consultancies over \$10,000	10
FRD 22E	Details of consultancies under \$10,000	10
FRD 22E	Employment and conduct principles	9
FRD 22E	Major changes or factors affecting performance	2,3
FRD 22E	Occupational health and safety	9
FRD 22E	Operational and budgetary objectives and performance against objectives	2,12-17
FRD 24C	Reporting of office-based environmental impacts	11
FRD 22E	Significant changes in financial position during the year	17
FRD 22E	Statement of availability of other information	11
FRD 22E	Statement on National Competition Policy	8
FRD 22E	Subsequent events	106
FRD 22E	Summary of the financial results for the year	17
FRD 22E	Workforce Data Disclosures including a statement on the application of employment conduct principles	9,11

### Financial and Other Information (cont)

FRD 25B	Victorian Industry Participation Policy disclosures	9
FRD 29	Workforce Data disclosures	11
SD 4.2(g)	Specific information requirements	2,3
SD 4.2(j)	Sign-off requirements	3
SD 3.4.13	Attestation on data integrity	8
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	8
SD 4.5.5	Risk management compliance attestation	8

## FINANCIAL STATEMENTS

### Financial statements required under Part 7 of the FMA

SD 4.2(a)	Statement of changes in equity	27
SD 4.2(b)	Comprehensive operating statement	25
SD 4.2(b)	Balance sheet	26
SD 4.2(b)	Cash flow statement	28

### Other requirements under Standing Directions 4.2

SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	30-58
SD 4.2(c)	Accountable officer's declaration	22
SD 4.2(c)	Compliance with Ministerial Directions	30
SD 4.2(d)	Rounding of amounts	33

### Relevant legislation

<i>Freedom of Information Act 1982</i>	8
<i>Protected Disclosure Act 2001</i>	9
<i>Carers Recognition Act 2012</i>	9
<i>Victorian Industry Participation Policy Act 2003</i>	9
<i>Building Act 1993</i>	9
<i>Financial Management Act 1994</i>	30



---

---

# Financial Statements

## Austin Health

### Chairperson's, Chief Executive Officer's and Executive Director, Finance's Declaration

The attached financial statements for Austin Health have been prepared in accordance with Standing Directions 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes presents fairly the financial transactions during the year ended 30 June 2014 and the financial position of Austin Health at 30 June 2014.

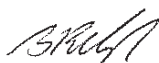
At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this day.



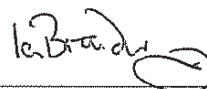
\_\_\_\_\_  
The Hon JUDITH TROETH AM

Chairperson



\_\_\_\_\_  
DR BRENDAN MURPHY

Chief Executive Officer



\_\_\_\_\_  
MR IAN BROADWAY

Executive Director, Finance

Heidelberg, Victoria

14 / 8 / 2014

Heidelberg, Victoria

14 / 8 / 2014

Heidelberg, Victoria

14 / 8 / 2014



## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Austin Health

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2014 of Austin Health which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Chairperson's, Chief Executive Officer's and Executive Director, Finance's Declaration has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of Austin Health are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Austin Health as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of Austin Health for the year ended 30 June 2014 included both in Austin Health's annual report and on the website. The Board Members of Austin Health are responsible for the integrity of Austin Health's website. I have not been engaged to report on the integrity of Austin Health's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
15 August 2014



John Doyle  
Auditor-General

**Comprehensive operating statement  
For the year ended 30 June 2014**

	Note	Total 2014 \$000	Total 2013 \$000
Revenue from Operating Activities	2	752,256	712,052
Revenue from Non-Operating Activities	2	2,270	2,056
Employee Expenses	3	(536,633)	(515,831)
Non Salary Labour Costs	3	(5,877)	(6,499)
Supplies and Consumables	3	(112,699)	(102,647)
Other Expenses	3	(88,794)	(83,003)
<b>Net Result Before Capital &amp; Specific Items</b>		<b>10,523</b>	<b>6,128</b>
Capital Purpose Income	2	23,772	68,747
Depreciation and Amortisation	4	(79,425)	(73,864)
Expenditure Using Capital Purpose Income	3	(2,778)	(1,570)
<b>Net Result for the Year</b>		<b>(47,908)</b>	<b>(559)</b>
<b>Other Comprehensive Income</b>			
Net fair value revaluation on Non Financial Assets	19	131,637	-
<b>Comprehensive Result for the Year</b>		<b>83,729</b>	<b>(559)</b>

This Statement should be read in conjunction with the accompanying notes.

**Balance sheet**  
**As at 30 June 2014**

	Note	Total 2014 \$000	Total 2013 \$000
<b>Current Assets</b>			
Cash and Cash Equivalents	6	67,475	56,819
Receivables	7	26,921	33,414
Investments and Other Financial Assets	8	-	43
Inventories	9	7,362	6,582
Other Assets	11	2,470	1,962
<b>Total Current Assets</b>		<b>104,228</b>	<b>98,820</b>
<b>Non-Current Assets</b>			
Receivables	7	25,498	27,549
Investments and Other Financial Assets	8	-	-
Other Assets	11	74	152
Property, Plant and Equipment	12	1,181,736	1,090,134
Intangible Assets	13	5,800	8,253
<b>Total Non-Current Assets</b>		<b>1,213,108</b>	<b>1,126,088</b>
<b>TOTAL ASSETS</b>		<b>1,317,336</b>	<b>1,224,908</b>
<b>Current Liabilities</b>			
Payables	14	46,556	47,098
Interest bearing liabilities	15	961	557
Provisions	16	145,950	143,631
Other Liabilities	17	277	3,008
<b>Total Current Liabilities</b>		<b>193,744</b>	<b>194,294</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	15	37,220	31,495
Provisions	16	20,122	18,468
Other Liabilities	17	1,951	81
<b>Total Non-Current Liabilities</b>		<b>59,293</b>	<b>50,044</b>
<b>TOTAL LIABILITIES</b>		<b>253,037</b>	<b>244,338</b>
<b>NET ASSETS</b>		<b>1,064,299</b>	<b>980,570</b>
<b>EQUITY</b>			
Property, Plant & Equipment Revaluation Surplus	19(a)	677,934	546,297
Restricted Specific Purpose Surplus	19(a)	6,129	5,963
Contributed Capital	19(b)	529,927	529,927
Accumulated Surpluses/(Deficits)	19(c)	(149,691)	(101,617)
<b>TOTAL EQUITY</b>		<b>1,064,299</b>	<b>980,570</b>
Commitments	23	31,808	42,643
Contingent Liabilities	24	6,150	4,700

This Statement should be read in conjunction with the accompanying notes.

**Statement of changes in equity  
For the year ended 30 June 2014**

	Property, Plant & Equipment Revaluation Surplus	Restricted Specific Purpose Surplus	Accumulated Surpluses/(Deficits)	Contributions by Owners	Total
Note	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2012</b>	546,297	5,861	(100,956)	529,927	981,129
Net result for the year	-	-	(559)	-	(559)
Other comprehensive income for the year	-	-	-	-	-
Transfer to accumulated surplus	-	102	(102)	-	-
<b>Balance at 30 June 2013</b>	<b>546,297</b>	<b>5,963</b>	<b>(101,617)</b>	<b>529,927</b>	<b>980,570</b>
Net result for the year	-	-	(47,908)	-	(47,908)
Other comprehensive income for the year	131,637	-	-	-	131,637
Transfer to accumulated surplus	-	166	(166)	-	-
Transfer to/ returned from contributed capital	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>677,934</b>	<b>6,129</b>	<b>(149,691)</b>	<b>529,927</b>	<b>1,064,299</b>

This Statement should be read in conjunction with the accompanying notes.

## Cash flow statement

### For the year ended June 2014

	Note	Total 2014 \$000	Total 2013 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		605,374	566,981
Patient and Resident Fees Received		33,335	36,129
Private Practice Fees Received		6,284	5,646
Donations and Bequests Received		6,046	5,834
GST Received from/(paid to) ATO		1,456	(1,156)
Recoupment from Private Practice for use of Hospital Facilities		35,760	34,209
Interest Received		2,194	2,156
Other Receipts		65,240	69,417
<b>Total receipts</b>		<b>755,689</b>	<b>719,216</b>
Employee Expenses Paid		(531,084)	(512,657)
Non Salary Labour Costs		(5,877)	(6,499)
Finance Costs		(1,907)	(1,593)
Other Payments		(199,630)	(186,828)
<b>Total payments</b>		<b>(738,498)</b>	<b>(707,577)</b>
<b>Cash generated from operations</b>		<b>17,191</b>	<b>11,637</b>
Capital Grants from Government		20,349	61,216
Capital Donations and Bequests Received		-	12
Other Capital Receipts		2,346	1,229
Other Capital Payments		(2,778)	(1,569)
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	20	<b>37,108</b>	<b>72,526</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Investments		-	(43)
Proceeds from Sale of Investments		43	-
Payments for Non-Financial Assets		(34,803)	(82,242)
Proceeds from sale of Non-Financial Assets		53	11
<b>NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(34,707)</b>	<b>(82,274)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings		9,125	9,550
Repayment of Borrowings		(870)	(618)
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>8,255</b>	<b>8,932</b>
<b>NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS HELD</b>		<b>10,656</b>	<b>(816)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	56,782	57,598
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	6	<b>67,438</b>	<b>56,782</b>

This Statement should be read in conjunction with the accompanying notes.

## Table of Contents

Note		Page
1	Summary of Significant Accounting Policies .....	30
2	Revenue .....	59
2a	Analysis of Revenue by Source .....	62
2b	Patient and Resident Fees .....	64
2c	Net Gain/(Loss) on Disposal of Non-Financial Assets .....	64
2d	Assets Received Free of Charge or for Nominal Consideration .....	65
2e	Specific Income .....	65
3	Expenses .....	66
3a	Analysis of Expense by Source .....	69
3b	Analysis of Expenses by Business Unit for Services Supported by Hospital and Community Initiatives .....	73
3c	Specific Expenses .....	73
4	Depreciation and Amortisation .....	73
5	Finance Costs .....	74
6	Cash and Cash Equivalents .....	74
7	Receivables .....	75
8	Investments and other Financial Assets .....	76
9	Inventory .....	77
10	Non- Financial Physical Assets Classified as Held for Sale .....	77
11	Other Assets .....	77
12	Property, Plant and Equipment .....	77
13	Intangible Assets .....	82
14	Payables .....	82
15	Borrowings .....	83
16	Provisions .....	84
17	Other Liabilities .....	85
18	Superannuation .....	85
19	Equity .....	86
20	Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities .....	87
21	Non-Cash Financing and Investing Activities .....	87
22	Financial Instruments .....	88
23	Commitments for Expenditure .....	100
24	Contingent Assets and Liabilities .....	101
25	Operating Segments .....	102
26a	Responsible Persons Disclosures .....	104
26b	Executive Officer Disclosures .....	105
27	Remuneration of auditors .....	105
28	Ex gratia payments .....	105
29	Events Occurring after Report Date .....	106
30	Economic Dependency .....	106
31	Glossary of terms and style conventions .....	106

## Note 1: Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Austin Health for the period ending 30 June 2014. The purpose of this report is to provide users with information about the Health service's stewardship of resources entrusted to it.

### (a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) authorised by the Minister for Finance.

The Health Service is a not-for-profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" Health Services under the AASs.

The annual financial statements were authorised for issue by the Board of Austin Health on 14 August 2014.

### (b) Basis of accounting preparation and measurement

Accounting policies are adopted and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014, and the comparative information presented in these financial statements for the year ended 30 June 2013.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Health Service.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- Non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss);
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequent to net result); and
- The fair value of assets other than land is generally based on their depreciated replacement value.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.



## Note 1: Summary of Significant Accounting Policies (continued)

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 1(i));
- superannuation expense (refer to Note 1(f)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(j)).

Consistent with AASB 13 Fair Value Measurement, Austin Health determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Austin Health has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Austin Health determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is Austin Health's independent valuation agency.

Austin Health, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 1(i));
- superannuation expense (refer to note 1(f)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to note 1(j)).

### (c) Reporting Entity

The financial statements include all the controlled activities of Austin Health.

Its principal address is:

Austin Hospital  
Studley Road  
Heidelberg  
Victoria 3084.

## Note 1: Summary of Significant Accounting Policies (continued)

A description of the nature of Austin Health's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

### Objectives and funding

Austin Health's overall objective is to continue to be the major provider of tertiary health services, and health professional education and research in the northeast of Melbourne, as well as improve the quality of life to Victorians.

Austin Health is predominantly funded by accrual based grant funding for the provision of outputs.

### (d) Scope and presentation of financial statements

#### Fund Accounting

Austin Health operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Austin Health's Capital and Specific Purpose Funds include unspent capital donations and receipts from fundraising activities conducted solely in respect of these funds.

#### Services Supported By Health Services Agreement and Services Supported By Hospital and Community Initiatives

Activities classified as *Services Supported by Health Services Agreement (HSA)* are substantially funded by the Department of Health and includes Residential Aged Care Services (RACS) and are also funded from other sources such as the Commonwealth, patients and residents, while *Services Supported by Hospital and Community Initiatives (H&CI)* are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

#### Residential Aged Care Service

The Residential Aged Care Service operations are an integral part of Austin Health and shares its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation in Note 2b to the financial statements.

The Residential Aged Care Service is substantially funded from Commonwealth bed-day subsidies.

#### Comprehensive operating statement

The comprehensive operating statement includes the subtotal entitled 'net result before capital & specific items' to enhance the understanding of the financial performance of Austin Health. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, expenditure using capital purpose income and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The 'net result before capital & specific items' is used by the management of Austin Health, the Department of Health and the Victorian Government to measure the ongoing performance of Health Services.

Capital and specific items, which are excluded from this sub-total, comprise:

- capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer note 1(e)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.

## Note 1: Summary of Significant Accounting Policies (continued)

- specific income/expense, comprises the following items, where material:
  - Voluntary departure packages
  - Write-down of inventories
  - Non-current asset revaluation increments/decrements
  - Diminution/impairment of investments
  - Restructuring of operations (disaggregation/aggregation of Health Services)
  - Litigation settlements
  - Non-current assets lost or found
  - Forgiveness of loans
  - Reversals of provisions
  - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board)
- impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Note 1 (i)
- depreciation and amortisation, as described in Note 1 (f)
- assets provided or received free of charge (refer to Note 1 (e) and (i))
- expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

### Balance sheet

Assets and liabilities are categorised either as current or non-current (non-current being those assets and liabilities expected to be recovered/settled more than 12 months after reporting period), are disclosed in the notes where relevant.

### Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income.

### Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings in the balance sheet.

### Rounding

All amounts shown in the financial statements are expressed to the nearest \$1,000 unless otherwise stated.

Minor discrepancies in tables between totals and sum of components are due to rounding.

## Note 1: Summary of Significant Accounting Policies (continued)

### AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when a health service is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. Austin Health service has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revised and adjusted where applicable. In light of AASB 13, the Austin Health has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

AASB 13 has predominantly impacted the disclosures of the health service. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not to be provided for comparative periods, before initial application. Consequently, comparatives of these disclosures have not been provided for 2012-13, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments Disclosures.

### Employee Benefits

In 2013-14, the Austin Health has applied AASB 119 Employee Benefits (Sep 2011, as amended), and related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on the health service.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis and this is reflected in the 2013-14 results.

Austin Health has assessed the change on the annual leave balance for the comparative year of 2012-13 and considers the change in classification does not materially alter the total current liabilities. Therefore, no change has been made to the prior year results, liabilities or equity.

### (e) Income from transactions

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to Austin Health and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

### Government Grants and other transfers of income (other than contributions by owners)

In accordance with AASB 1004 *Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when the Health Service gains control of the underlying assets irrespective of whether conditions are imposed on the Health Service's use of the contributions.

Contributions are deferred as income in advance when the Health Service has a present obligation to repay them and the present obligation can be reliably measured.

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **Indirect Contributions from the Department of Health**

- Insurance is recognised as revenue following advice from the Department of Health.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013 (update for 2012-13).

### **Patient and Resident Fees**

Patient fees are recognised as revenue at the time invoices are raised or accrued when a service is performed.

### **Private Practice Fees**

Private practice fees are recognised as revenue at the time invoices are raised or accrued when a service is performed.

### **Revenue from commercial activities**

Revenue from commercial activities such as commercial laboratory medicine is recognised at the time invoices are raised or accrued when a service is performed.

### **Donations and Other Bequests**

Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus/fund.

### **Dividend Revenue**

Dividend revenue is recognised when the right to receive payment is established.

### **Interest Revenue**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset, which allocates interest over the relevant period.

### **Sale of investments**

The gain/loss on the sale of investments is recognised when the investment is realised.

### **Fair value of assets and services received free of charge or for nominal consideration**

Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

### **Other income**

Other income includes non-property rental, dividends, forgiveness of liabilities and bad debt reversals.

## **(f) Expense Recognition**

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

## Note 1: Summary of Significant Accounting Policies (continued)

### Cost of Goods Sold

Costs of goods sold are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

### Employee expenses

Employee expenses include:

- wages and salaries;
- annual leave;
- sick leave;
- long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

### Defined contribution superannuation plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

### Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based on actuarial advice.

Employees of Austin Health are entitled to receive superannuation benefits and Austin Health contributes to both the defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary (refer to Note 18 for superannuation contributions paid or payable).

### Depreciation

All infrastructure assets, buildings, plants and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset's useful life. Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health. Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

## Note 1: Summary of Significant Accounting Policies (continued)

The following table indicates the expected useful lives of non current assets on which the depreciation charges are based.

	2014	2013
Building Components:		
- Shell/Structure	Up to 60 years	Up to 60 years
- Siteworks/Site Services	Up to 30 years	Up to 30 years
- Services	Up to 28 years	Up to 28 years
- Fitout	Up to 20 years	Up to 20 years
Plant & Equipment	Up to 15 years	Up to 15 years
Medical Equipment	Up to 15 years	Up to 15 years
Computers and Communication	Up to 5 years	Up to 5 years
Furniture and Fitting	Up to 5 years	Up to 5 years
Motor Vehicles	Up to 3 years	Up to 3 years
Other Equipment	Up to 5 years	Up to 5 years
Intangible Assets	Up to 5 years	Up to 5 years

As part of the Buildings valuation, building values were componentised and each component assessed for its useful life which is represented above.

Intangible produced assets with finite lives are depreciated as an expense on a systematic basis over the asset's useful life.

### Amortisation

Amortisation is allocated to intangible non produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The consumption of intangible non-produced assets with finite useful lives is classified as amortisation.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the Health Service tests all intangible assets with indefinite useful lives for impairment by comparing the recoverable amount for each asset with its carrying amount:

- annually; and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over a 3 – 5 year period (2013: 3 - 5 years).

### Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in relation to finance leases recognised in accordance with AASB 117 *Leases*.

## Note 1: Summary of Significant Accounting Policies (continued)

### Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies and personal benefit payments made in cash to individuals.

### Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations and include:

#### Supplies and consumables

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

#### Bad and Doubtful Debts

Refer to note 1(i) *Impairment of financial assets*.

#### Fair value of assets, services and resources provided free of charge or for nominal consideration or for Nominal Consideration

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

#### Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not for profit public sector entities, the Health Service continue to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

### (g) Other comprehensive income

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

#### Net gain/(loss) on non financial assets

Net gain/(loss) on non financial assets and liabilities includes realised and unrealised gains and losses as follows:

##### Revaluation gains/(losses) of non-financial physical assets

Refer to note 1 (i) *Revaluations of non-physical assets*.

##### Net gain/(loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at that time.

##### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1(i)); and
- disposals of financial assets and derecognition of financial liabilities



## Note 1: Summary of Significant Accounting Policies (continued)

### Revaluations of financial instrument at fair value

Refer to Note 1(i) *Financial instruments*.

### Other gains/(losses) from other comprehensive income

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

## (h) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Austin Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

### Financial assets and liabilities at fair value through profit or loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the health service concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other comprehensive income. Any dividend or interest on a financial asset is recognised in the net result for the year.

### Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

### Held-to-maturity investments

If the Health Service has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

## Note 1: Summary of Significant Accounting Policies (continued)

The Health Service makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Health Service would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

### Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period. Fair value is determined in the manner described in Note 22.

### Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Health Service's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

## (i) Assets

### Cash and Cash Equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, held for the purpose of meeting short term cash commitments rather than investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet.

### Receivables

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables; and
- Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

## Note 1: Summary of Significant Accounting Policies (continued)

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

### Investments and other financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- held to maturity;
- loans and receivables; and
- available-for-sale financial assets.

Austin Health classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

Austin Health assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

### Inventories

Inventories include goods and other property held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. It includes land held for sale and excludes depreciable assets.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Inventories acquired for no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

The bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of weighted average cost.

### Non-financial physical assets classified as held for sale

Non-financial physical assets and disposal groups and related liabilities are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group) is expected to be completed within 12 months from the date of classification, and the asset is available for immediate use in the current condition.

## Note 1: Summary of Significant Accounting Policies (continued)

Non-financial physical assets (including disposal groups) classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs of disposal, and are not subject to depreciation or amortisation.

### Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 12 *Property, plant and equipment*.

**Crown land** is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

**Land and buildings** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment.

**Plant, equipment and vehicles** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

### Revaluations of Non-current Physical Assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103E *Non-current physical assets*. This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are recognised in "other comprehensive income" and are credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised in "other comprehensive income" to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103E, Austin Health's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required (refer to Note 12).

### Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, and computer software and development costs (where applicable).

## Note 1: Summary of Significant Accounting Policies (continued)

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Health Service.

Expenditure on research activities is recognised as an expense in the period on which it is incurred.

When recognition criteria in AASB138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) an intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement. Refer to note 1 (g) – “other comprehensive income”.

### Impairment of Non-Financial Assets

Intangible assets with indefinite lives, (and intangible assets not yet available for use) are tested annually for impairment,(as described below) and whenever there is an indication that the asset may be impaired

All other financial assets are assessed annually for indications of impairment, except for:

- inventories;
- non-current physical assets held for sale; and
- assets arising from construction contracts.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

## Note 1: Summary of Significant Accounting Policies (continued)

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Health Service retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Health Service has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

### Impairment of financial assets

At the end of each reporting period Austin Health assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and the allowance for doubtful debts are classified as 'other comprehensive income' in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 percent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2014 for its portfolio of financial assets, Austin Health obtained a valuation based on the best available advice through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2014. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets and derecognition of financial liabilities

## Note 1: Summary of Significant Accounting Policies (continued)

### Revaluations of financial instruments at fair value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

### (j) Liabilities

#### Payables

Payables consist of:

- Contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the health service prior to the end of the financial year that are unpaid, and arise when the health service becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms are usually Nett 30 days.
- Statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

#### Borrowings

All borrowings are initially recognised at fair value of the consideration received, excluding directly attributable transaction costs (refer also to note 1(k) Leases). The measurement basis subsequent to initial recognition depends on, whether the Health Service has categorised its borrowings as either, financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of borrowing. Austin Health determines the classification of its borrowing at initial recognition.

#### Provisions

Provisions are recognised when the Health Service has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### Employee benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### *Wages and salaries, annual leave and accrued days off*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accrued days off are all recognised in the provision for employee benefits as "current liabilities", because the health service does not have an unconditional right to defer settlements of the liabilities.

## Note 1: Summary of Significant Accounting Policies (continued)

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and accrued days off are measured at:

- Undiscounted value – if Austin Health expects to wholly settle within 12 months; or
- Present value – if Austin Health does not expect to wholly settle within 12 months.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as non-current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

### **Long service leave (LSL)**

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL (representing 10 or more years of continuous service) is disclosed in the notes to the financial statements as a current liability, even where Austin Health does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Undiscounted value – if Austin Health expects to wholly settle within 12 months; and
- Present value – if Austin Health does not expect to wholly settle within 12 months.

Conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

### **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for termination of employment.

Austin Health recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### **On-Costs**

Employee benefit on-costs, such as payroll tax, workers compensation, superannuation are recognised together with provisions for employee benefits.

### **Superannuation liabilities**

Austin Health does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.



## Note 1: Summary of Significant Accounting Policies (continued)

### **Onerous contracts**

An onerous contract is considered to exist when the Health Service has a contract under which the unavoidable cost of meeting the contractual obligation exceeds the estimated economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received.

### **Make good provisions**

Make good provisions are recognised when the Health Service has contractual obligations to remove leasehold improvements from leased properties and restore the leased premises to their original condition at the end of the lease term. The related expenses of making good such properties are recognised when leasehold improvements are made.

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an expense in the estimated consolidated comprehensive operating statement.

### **(k) Leases**

A Lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

All other leases are classified as operating leases.

#### **Finance Leases**

##### ***Entity as lessor***

Austin Health has one finance lease arrangement as a lessor. The amounts payable to Austin Health under this arrangement are not considered material, therefore are not recorded in the balance sheet as a lease receivable.

##### ***Entity as lessee***

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. If there is certainty that the health services will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

## Note 1: Summary of Significant Accounting Policies (continued)

### Operating Leases

#### *Entity as lessee*

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

#### Lease Incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received by the lessee to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset is diminished.

#### Leasehold Improvements

The cost of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

### (l) Equity

#### Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119 *Contributions by Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions that have been designated as contributed capital are also treated as contributed capital.

#### Property, Plant & Equipment Revaluation Surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

#### Financial asset available-for-sale revaluation surplus

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the surplus which relates to that financial asset is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

#### Specific restricted purpose reserve

A specific restricted purpose reserve is established where the Health Service has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

### (m) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 23) at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the

## **Note 1: Summary of Significant Accounting Policies (continued)**

### **(n) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

### **(o) Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as an operating cash flow.

Commitments for expenditure and contingent assets and liabilities are presented on a gross basis.

### **(p) Events after the reporting period**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Health Service and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

### **(q) Foreign currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in 'comprehensive income' and accumulated in a separate component of equity, in the period in which they arise.

### **(r) AASs issued that are not yet effective**

Certain new Australian accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. DTF assesses the impact of all of these new standards and advises the Health Service of their applicability and early adoption where applicable.

## Note 1: Summary of Significant Accounting Policies (continued)

As at 30 June 2014, the following standards and interpretations had been issued but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Austin Health has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
AASB 2012-3	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 July 2014	This amendment is unlikely to have any significant impact on Financial Statements.
Interpretation 21 <i>Levies*</i>	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 July 2014	This amendment is unlikely to have any significant impact on Financial Statements.
AASB 1055** <i>Budgetary Reporting</i>	This standard specifies budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. <b>AASB 2013-1 removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment).</b> All budgetary reporting requirements applicable to public sector entities are now located in AASB 1055.	1 July 2014	This amendment is unlikely to have any significant impact on Financial Statements.

## Note 1: Summary of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
AASB 9 Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) <b>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</b></p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul>	1 July 2018	Detail of impact is still being assessed.

## Note 1: Summary of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
AASB 9 Financial Instruments (continued)	<p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 July 2018	Detail of impact is still being assessed.
AASB 2013-3	<p>AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.</p>	1 July 2014	This amendment is unlikely to have any significant impact on Financial Statements.
AASB 2013-4	<p>AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.</p>	1 July 2014	No impact on Financial Statements.
AASB 2013-5	<p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.</p>	1 July 2014	No impact on Financial Statements.
AASB 2013-7	<p>AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.</p>	1 July 2014	No impact on Financial Statements.

## Note 1: Summary of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
Annual Improvements 2010–2012 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</p> <p>IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.</p> <p>IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</p> <p>IAS 16 &amp; IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</p> <p>IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</p>	1 July 2014	This amendment is unlikely to have any significant impact on Financial Statements.

## Note 1: Summary of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
Annual Improvements 2011–2013 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.</p> <p>IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.</p>	1 July 2014	This amendment is unlikely to have any significant impact on Financial Statements.
AASB 1031	<p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>	1 July 2014	This amendment is unlikely to have any impact on Financial Statements.
AASB 2013-9	<p>The Standard contains three main parts and makes amendments to a number Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>	<p>Part A 30 June 2014</p> <p>Part B 1 July 2014</p> <p>Part C 1 July 2015</p>	This amendment is unlikely to have any significant impact on Financial Statements.



## Note 1: Summary of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
IFRS 14	<p>This interim standard provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. It is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with entities that already apply IFRS, but do not recognise regulatory deferral accounts.</p>	1 July 2016	Detail of impact is still being assessed.
Amendments to IAS 16 and IAS 38	<p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 July 2016	Detail of impact is still being assessed.

## Note 1: Summary of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for Annual Reporting period beginning	Impact on Financial Statements
IFRS 15	<p>IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>IFRS 15 supersedes:</p> <ul style="list-style-type: none"> <li>(a) IAS 11 Construction Contracts</li> <li>(b) IAS 18 Revenue</li> <li>(c) IFRIC 13 Customer Loyalty Programmes</li> <li>(d) IFRIC 15 Agreements for the Construction of Real Estate</li> <li>(e) IFRIC 18 Transfers of Assets from Customers</li> <li>(f) SIC-31 Revenue—Barter Transactions Involving Advertising Services</li> </ul> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>(a) Step 1: Identify the contract(s) with a customer</li> <li>(b) Step 2: Identify the performance obligations in the contract</li> <li>(c) Step 3: Determine the transaction price</li> <li>(d) Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul>	1 July 2017	Detail of impact is still being assessed.

## Note 1: Summary of Significant Accounting Policies (continued)

### (r) Category Groups

Austin Health has used the following category groups for reporting purposes for the current and previous financial years.

**Admitted Patient Services (Admitted Patients)** comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals, or free standing day hospital facilities, or alcohol and drug treatment units or hospitals specialising in dental services, hearing and ophthalmic aids.

**Mental Health Services (Mental Health)** comprises all recurrent health revenue/expenditure on specialised mental Health Services (child and adolescent, general and adult, community and forensic) managed or funded by the state or territory health administrations, and includes: Admitted patient services (including forensic mental health), outpatient services, emergency department services (where it is possible to separate emergency department mental Health Services), community-based services, residential and ambulatory services.

**Outpatient Services (Outpatients)** comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered in public hospital outpatient clinics, or free standing day hospital facilities, or rehabilitation facilities, or alcohol and drug treatment units, or outpatient clinics specialising in ophthalmic aids or palliative care.

**Emergency Department Services (EDS)** comprises all recurrent health revenue/expenditure on emergency department services that are available free of charge to public patients.

**Aged Care** comprises revenue/expenditure from Home and Community Care (HACC) programs, Allied Health, Aged Care Assessment and support services.

**Primary Health** comprises revenue/expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

**Off Campus, Ambulatory Services (Ambulatory)** comprises all recurrent health revenue/expenditure on public hospital type services including palliative care facilities and rehabilitation facilities, as well as services provided under the following agreements: Services that are provided or received by hospitals (or area Health Services) but are delivered/received outside a hospital campus, services which have moved from a hospital to a community setting since June 1998, services which fall within the agreed scope of inclusions under the new system, which have been delivered within hospital's i.e. in rural/remote areas.

**Residential Aged Care including Mental Health (RAC incl. Mental Health)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DH under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).

**Other Services excluded from Australian Health Care Agreement (AHCA) (Other)** comprises revenue/expenditure for services not separately classified above, including: Public Health Services including Laboratory testing, Blood Borne Viruses / Sexually Transmitted Infections clinical services, Kooris liaison officers, immunisation and screening services, Drugs services including drug withdrawal, counselling and the needle and syringe program, Dental Health services including general and specialist dental care, school dental services and clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

## Note 1: Summary of Significant Accounting Policies (continued)

### (s) Going Concern

The financial statements have been prepared on a going concern basis. Austin Health has:

- A net deficit result of \$47.9 million for the year ended 30 June 2014 (\$0.6 million deficit for the year ended 30 June 2013);
- Depreciation/Amortisation Expense of \$79.4 million for the year ended 30 June 2014 (\$73.9 million for the year ended 30 June 2013) which is not matched with recurrent funding;
- A working capital deficiency of \$89.5 million as at 30 June 2014 (\$95.5 million deficiency as at 30 June 2013);
- Net cash inflows of \$10.7 million for the year ended 30 June 2014 (\$0.8 million outflows for the year ended 30 June 2013); and
- Management will commit to achieve agreed budget targets and all other requirements of its 2014/15 statement of priorities.

With respect to Austin Health's current financial position, the Board and Management of Austin Health have initiated various strategies which will be monitored throughout the 2014/15 financial year. On the basis of the advice and assurances received in writing from the Department of Health (refer to Note 30), the Directors of Austin Health are of the opinion that Austin Health will be able to pay its debts as and when they fall due.

## Note 2: Revenue

	HSA 2014 \$000	HSA 2013 \$000	H&CI 2014 \$000	H&CI 2013 \$000	Total 2014 \$000	Total 2013 \$000
<b>Revenue from Operating Activities</b>						
Government Grants						
- Department of Health	88,840	251,415	-	-	88,840	251,415
- Victorian Health Funding Pool (*)	460,177	262,980	-	-	460,177	262,980
- Department of Human Services	1,869	1,791	-	-	1,869	1,791
- State Government - Other	-	-	123	137	123	137
- Commonwealth Government						
- Residential Aged Care Subsidy	3,947	3,797	-	-	3,947	3,797
- Commonwealth Grant - Health Network Funding Adj.	-	6,727	-	-	-	6,727
- Other	46,494	34,695	-	-	46,494	34,695
<b>Total Government Grants (**)</b>	<b>601,327</b>	<b>561,405</b>	<b>123</b>	<b>137</b>	<b>601,450</b>	<b>561,542</b>
Indirect Contributions by Department of Health						
- Insurance	798	801	-	-	798	801
- Long Service Leave	2,950	2,891	-	-	2,950	2,891
<b>Total Indirect Contributions by Department of Health</b>	<b>3,748</b>	<b>3,692</b>	<b>-</b>	<b>-</b>	<b>3,748</b>	<b>3,692</b>
Patient and Resident Fees						
- Patient and Resident Fees (Refer note 2b)	30,409	31,322	-	-	30,409	31,322
- Residential Aged Care (Refer note 2b)	1,646	1,256	-	-	1,646	1,256
<b>Total Patient and Resident Fees</b>	<b>32,055</b>	<b>32,578</b>	<b>-</b>	<b>-</b>	<b>32,055</b>	<b>32,578</b>

(\*) The Victorian Health Funding Pool line is for reporting activity based funding payments received via the National Health Funding Administrator.

(\*\*) Total Government Grants include \$10.8M received in 2014 from Government bodies to provide funding for specific projects with a total value of \$18.8M. Austin Health incurred \$6.2M of expenses relating to these projects in 2014. The balance of the funding which has been received and the funding that is yet to be received will be expended in future years in the normal course of business.

**Note 2: Revenue (continued)**

	HSA 2014 \$000	HSA 2013 \$000	H&C 2014 \$000	H&C 2013 \$000	Total 2014 \$000	Total 2013 \$000
<b>Business Units</b>						
- Laboratory Medicine	-	-	2,136	2,109	2,136	2,109
- Diagnostic Imaging	-	-	3,039	3,201	3,039	3,201
<b>Commercial Activities &amp; Specific Purpose Funds</b>						
- Private Practice and Other Patient Activities Fees	-	-	6,284	5,700	6,284	5,700
- Commercial Laboratory Medicine	-	-	4,612	4,923	4,612	4,923
- Mental Health Services	-	-	832	1,510	832	1,510
- Pharmacy Services	-	-	1,124	631	1,124	631
- Affiliated Entities	-	-	3,395	3,593	3,395	3,593
- Retail Services	-	-	970	753	970	753
- Food Production Kitchen	-	-	2,878	3,050	2,878	3,050
- Car Park	-	-	8,577	7,910	8,577	7,910
- Research	-	-	10,781	10,851	10,781	10,851
- Cardiology	-	-	790	751	790	751
- Child Care	-	-	1,533	1,539	1,533	1,539
- Nuclear Medicine	-	-	983	977	983	977
- Fundraising	-	-	4,519	4,517	4,519	4,517
- Hospital Department Funds	-	-	2,255	2,221	2,255	2,221
- Salary Packaging	-	-	2,776	2,590	2,776	2,590
- Other	-	-	1,016	1,121	1,016	1,121
<b>Total Commercial Activities and Specific Purpose Funds</b>	-	-	<b>58,500</b>	<b>57,947</b>	<b>58,500</b>	<b>57,947</b>
<b>Donations and Bequests</b>	-	-	-	-	-	-
Recoupment from Private Practice for use of Hospital Facilities	35,760	34,335	-	-	35,760	34,335
Other Revenue from Operating Activities	20,743	21,958	-	-	20,743	21,958
<b>Total Revenue from Operating Activities</b>	<b>693,633</b>	<b>653,968</b>	<b>58,623</b>	<b>58,084</b>	<b>752,256</b>	<b>712,052</b>

**Note 2: Revenue (continued)**

	HSA 2014 \$000	HSA 2013 \$000	H&CI 2014 \$000	H&CI 2013 \$000	Total 2014 \$000	Total 2013 \$000
<b>Revenue from Non-Operating Activities</b>						
Interest & Dividends	2,194	2,134	-	-	2,194	2,134
Other Revenue from Non-Operating Activities	76	(78)	-	-	76	(78)
<b>Total Revenue from Non-Operating Activities</b>	<b>2,270</b>	<b>2,056</b>	<b>-</b>	<b>-</b>	<b>2,270</b>	<b>2,056</b>
<b>Revenue from Capital Purpose Income</b>						
State Government Capital Grants	-	-	3,110	3,730	3,110	3,730
- Securing Our Health System - Equipment and Infrastructure	-	-	16,459	56,236	16,459	56,236
- Other	-	-	1,081	6,268	1,081	6,268
- DoH Indirect Contribution	-	-	780	1,249	780	1,249
Commonwealth Government Capital Grants	-	-	298	312	298	312
Residential Accommodation Payments (refer note 2b)	-	-	-	33	-	33
Assets Received Free of Charge (refer note 2d)	-	-	-	(11)	-	(11)
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	-	-	8	-	8	-
Capital Interest	-	-	262	231	262	231
Donations and Bequests	-	-	-	12	-	12
Other Capital Purpose Income	-	-	1,774	687	1,774	687
<b>Total Revenue from Capital Purpose Income</b>	<b>-</b>	<b>-</b>	<b>23,772</b>	<b>68,747</b>	<b>23,772</b>	<b>68,747</b>
<b>Total Revenue (Refer Note 2a)</b>	<b>695,903</b>	<b>656,024</b>	<b>82,395</b>	<b>126,831</b>	<b>778,298</b>	<b>782,855</b>

Indirect Contributions by Department of Health – Department of Health makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

**Note 2a: Analysis of Revenue by Source**

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Other	Total
	2014	2014	2014	2014	2014	2014	2014	2014	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue from Services Supported by Health Services Agreement</b>									
Government Grants	365,506	65,701	32,029	73,040	49,277	8,675	3,902	3,198	601,328
Indirect Contributions by Department of Health *	2,847	195	122	271	247	29	18	17	3,746
Patient and Resident Fees (refer note 2b)	23,096	840	12	3,951	2,422	1,646	89	-	32,056
Recoupment from Private Practice for Use of Hospital Facilities	15,128	16,183	2,099	563	246	-	-	1,541	35,760
Business Units - Pathology & Radiology	13,368	1,749	831	1,742	2,741	34	61	293	20,819
Other Revenue	2,194								2,194
Interest & Dividends									-
Capital Purpose Income (refer note 2)									-
<b>Sub-Total Revenue from Services Supported by Health Services Agreement</b>	<b>422,139</b>	<b>84,668</b>	<b>35,093</b>	<b>79,567</b>	<b>54,933</b>	<b>10,384</b>	<b>4,070</b>	<b>5,049</b>	<b>695,903</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>									
Donations & Bequests (non capital)	-	-	-	-	-	-	-	6,046	6,046
Commercial Activities & Specific Purpose Funds	-	-	-	-	-	-	-	52,577	52,577
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	23,772	23,772
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,395</b>	<b>82,395</b>
<b>Total Revenue</b>	<b>422,139</b>	<b>84,668</b>	<b>35,093</b>	<b>79,567</b>	<b>54,933</b>	<b>10,384</b>	<b>4,070</b>	<b>87,444</b>	<b>778,298</b>

\* Indirect Contributions by Department of Health – Department of Health makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.



**Note 2a: Analysis of Revenue by Source (continued)**

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Other	Total
	2013	2013	2013	2013	2013	2013	2013	2013	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue from Services Supported by Health Services Agreement</b>									
Government Grants	344,570	61,459	31,104	63,401	45,547	8,456	3,883	2,985	561,405
Indirect Contributions by Department of Health *	2,818	183	119	268	240	29	18	17	3,692
Patient and Resident Fees (refer note 2b)	23,232	872	-	4,929	2,209	1,256	80	-	32,578
Recoupment from Private Practice for Use of Hospital Facilities	14,693	15,511	2,029	525	126	1	2	1,449	34,336
Business Units - Pathology & Radiology	14,510	2,029	953	1,596	2,406	32	67	286	21,879
Other Revenue	2,134								2,134
Interest & Dividends									-
Capital Purpose Income (refer note 2)									-
<b>Sub-Total Revenue from Services Supported by Health Services Agreement</b>	<b>401,957</b>	<b>80,054</b>	<b>34,205</b>	<b>70,719</b>	<b>50,528</b>	<b>9,774</b>	<b>4,050</b>	<b>4,737</b>	<b>656,024</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>									
Donations & Bequests (non capital)	-	-	-	-	-	-	-	5,834	5,834
Commercial Activities & Specific Purpose Funds	-	-	-	-	-	-	-	52,250	52,250
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	68,747	68,747
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,831</b>	<b>126,831</b>
<b>Total Revenue</b>	<b>401,957</b>	<b>80,054</b>	<b>34,205</b>	<b>70,719</b>	<b>50,528</b>	<b>9,774</b>	<b>4,050</b>	<b>131,568</b>	<b>782,855</b>

\* Indirect Contributions by Department of Health – Department of Health makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

## Note 2b: Patient and Resident Fees Raised

	2014	2013
	\$000	\$000
<b>Patient and Resident Fees Raised (*)</b>		
<b>Recurrent:</b>		
Acute (Inc rehabilitation, GEM and other acute types)		
- Inpatients (*)	25,689	26,440
- Outpatients	1,765	1,709
Residential Aged Care		
- Generic	1,073	997
- Mental Health	573	259
Mental Health	2,420	2,209
Prosthetics & Orthotics	535	964
<b>Total Patient and Resident Fees</b>	<b>32,055</b>	<b>32,578</b>
<b>Capital Purpose Income:</b>		
Residential Accommodation Payments (**)	298	312
<b>Total Capital Purpose Income</b>	<b>298</b>	<b>312</b>

\* Compensable payments paid to hospitals as grants from the Department of Health (such as TAC, WIES and DVA throughput) are excluded.

\*\* This includes accommodation charges, interest earned on accommodation bonds and retention amount.

## Note 2c: Net Gain/(Loss) on Disposal of Non-Financial Assets

	2014	2013
	\$000	\$000
<b>Proceeds from Disposal of Assets held for Re-Sale</b>		
Plant & Equipment	-	-
Linen	-	-
<b>Total Proceeds from Disposal of Current Assets</b>	<b>-</b>	<b>-</b>
<b>Proceeds from Disposal of Non-Current Assets</b>		
Plant & Equipment	53	5
Motor Vehicles		6
Buildings		-
<b>Total Proceeds from Disposal of Non-Current Assets</b>	<b>53</b>	<b>11</b>
<b>Less: Written Down Value of Assets Held for Re-Sale</b>		
Linen	-	-
Plant	-	-
	-	-
<b>Less: Written Down Value of Non-Current Assets</b>		
Plant & Equipment	-	-
Medical Equipment	1	21
Other Equipment	2	1
Computers and Communication	1	
Buildings	41	
<b>Total Written Down Value of Non-Current Assets</b>	<b>45</b>	<b>22</b>
<b>Net gains/(losses) on Disposal of Non-Current Assets</b>	<b>8</b>	<b>(11)</b>

## Note 2d: Assets Received Free of Charge or For Nominal Consideration

	<b>Total</b>	<b>Total</b>
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
During the reporting period, the fair value of assets received free of charge, was as follows:		
Motor Vehicle from RSL Women's League		33
<b>Total</b>	<b>-</b>	<b>33</b>

There were no assets received free of charge or for nominal consideration recognised for the year ended 30 June 2014.

## Note 2e: Specific Income

There was no specific income recognised during the years ended 30 June 2014 and 30 June 2013.

**Note 3: Expenses**

	HSA 2014 \$000	HSA 2013 \$000	H&CI 2014 \$000	H&CI 2013 \$000	Total 2014 \$000	Total 2013 \$000
<b>Employee Expenses</b>						
Salaries & Wages	451,610	434,044	21,549	20,387	473,159	454,431
WorkCover Premium	4,729	4,294	186	181	4,915	4,475
Departure Packages	581	1,453	59	0	640	1,453
Long Service Leave	14,221	13,647	304	289	14,525	13,936
Superannuation	41,795	40,003	1,599	1,533	43,394	41,536
<b>Total Employee Expenses</b>	<b>512,936</b>	<b>493,441</b>	<b>23,697</b>	<b>22,390</b>	<b>536,633</b>	<b>515,831</b>
<b>Non Salary Labour Costs</b>						
Agency Costs - Nursing	2,338	2,879		0	2,338	2,879
Agency Costs - Other	2,508	2,543	1,031	1,077	3,539	3,620
<b>Total Non Salary Labour Costs</b>	<b>4,846</b>	<b>5,422</b>	<b>1,031</b>	<b>1,077</b>	<b>5,877</b>	<b>6,499</b>
<b>Supplies &amp; Consumables</b>						
Drug Supplies	14,769	18,685	813	43	15,582	18,728
S100 and PBS Drugs	26,437	21,250	-	-	26,437	21,250
Medical, Surgical Supplies and Prosthesis	60,518	53,068	559	488	61,077	53,556
Pathology Supplies	5,541	4,938	1,287	1,400	6,828	6,338
Food Supplies	4,144	4,108	(1,369)	(1,333)	2,775	2,775
<b>Total Supplies &amp; Consumables</b>	<b>111,409</b>	<b>102,049</b>	<b>1,290</b>	<b>598</b>	<b>112,699</b>	<b>102,647</b>

**Note 3: Expenses (continued)**

	HSA 2014 \$000	HSA 2013 \$000	H&CI 2014 \$000	H&CI 2013 \$000	Total 2014 \$000	Total 2013 \$000
<b>Other Expenses</b>						
Domestic Services & Supplies	6,427	5,672	2,569	2,230	8,996	7,902
Fuel, Light, Power and Water	10,280	9,513	301	273	10,581	9,786
Insurance costs funded by DoH	798	801	-	-	798	801
Motor Vehicle Expenses	636	612	27	30	663	642
Repairs and Maintenance	8,794	7,634	695	727	9,489	8,361
Maintenance Contracts	19,366	16,310	377	356	19,743	16,666
Patient Transport	1,727	1,558	34	29	1,761	1,587
Bad & Doubtful Debts	(98)	612	19	(18)	(79)	594
Lease Expenses	3,348	2,233	1,227	1,458	4,575	3,691
Finance Costs (refer note 5)	150	133	1,728	1,534	1,878	1,667
Other Administrative Expenses	22,620	21,947	6,060	6,595	28,680	28,543
Other	1,150	1,990	183	246	1,333	2,236
Audit Fees						
- VAGO - Audit of Financial Statements	226	240	-	-	226	240
- Other	150	287	-	-	150	287
<b>Total Other Expenses</b>	<b>75,574</b>	<b>69,543</b>	<b>13,220</b>	<b>13,460</b>	<b>88,794</b>	<b>83,003</b>

**Note 3: Expenses (continued)**

	HSA 2014 \$000	HSA 2013 \$000	H&CI 2014 \$000	H&CI 2013 \$000	Total 2014 \$000	Total 2013 \$000
<b>Expenditure using Capital Purpose Income</b>						
Employee Benefits						
- Salaries and Wages	-	-	76	389	76	389
- Workcover Premium	-	-	1	21	1	21
- Superannuation	-	-	8	175	8	175
- Long Service Leave	-	-	1	15	1	15
<b>Total Employee Benefits</b>	-	-	86	600	86	600
Non Salary Labour Costs						
- Agency Costs - Other	-	-	176	259	176	259
<b>Total Non Salary Labour Costs</b>	-	-	176	259	176	259
Other Expenses						
- Domestic Services & Supplies	-	-	0	6	0	6
- Motor Vehicle Expenses	-	-	-	-	-	-
- Administrative Expenses	-	-	37	140	37	140
- Other	-	-	2,479	565	2,479	565
Finance Costs (refer note 5)	-	-	-	0	-	-
<b>Total Other Expenses</b>	-	-	2,516	711	2,516	711
<b>Total Expenditure using Capital Purpose Income</b>	-	-	2,778	1,570	2,778	1,570
Impairment of Non-Financial Assets	-	-	-	-	-	-
Depreciation and Amortisation (refer note 4)	-	-	79,425	73,864	79,425	73,864
<b>Total</b>	-	-	79,425	73,864	79,425	73,864
<b>Total Expenses</b>	<b>704,765</b>	<b>670,455</b>	<b>121,441</b>	<b>112,959</b>	<b>826,206</b>	<b>783,414</b>

**Note 3a: Analysis of Expenses by Source**

	Admitted Patients 2014	Outpatients 2014	EDS 2014	Ambulatory 2014	Mental Health 2014	RAC incl. Mental Health 2014	Aged Care 2014	Other 2014	Total 2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Services Supported by Health Services Agreement</b>									
Employee Expenses	293,968	56,517	32,935	64,807	49,428	7,944	2,045	5,290	512,934
Non Salary Labour Costs	2,215	618	323	759	769	118	15	30	4,847
Supplies & Consumables	73,880	21,673	2,112	9,901	1,019	321	1,541	962	111,409
Other Expenses from Continuing Operations	45,168	10,088	2,219	10,787	5,667	541	514	440	75,424
Finance Costs	81	11	9	26	19	1	3	1	151
<b>Total Expenses from Services Supported by Health Services Agreement</b>	<b>415,312</b>	<b>88,907</b>	<b>37,598</b>	<b>86,280</b>	<b>56,902</b>	<b>8,925</b>	<b>4,118</b>	<b>6,723</b>	<b>704,765</b>
<b>Services Supported by Hospital &amp; Community Initiatives</b>									
Employee Expenses	-	-	-	-	-	-	-	23,696	23,696
Non Salary Labour Costs	-	-	-	-	-	-	-	1,031	1,031
Supplies & Consumables	-	-	-	-	-	-	-	1,290	1,290
Other Expenses from Continuing Operations	-	-	-	-	-	-	-	11,493	11,493
Finance Costs	-	-	-	-	-	-	-	1,728	1,728
<b>Total Expenses from Services Supported by Hospital &amp; Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,238</b>	<b>39,238</b>

**Note 3a: Analysis of Expenses by Source (continued)**

	Admitted Patients 2014 \$000	Outpatients 2014 \$000	EDS 2014 \$000	Ambulatory 2014 \$000	Mental Health 2014 \$000	RAC incl. Mental Health 2014 \$000	Aged Care 2014 \$000	Other 2014 \$000	Total 2014 \$000
<b>Expenditure using Capital Purpose Income</b>									
Employee Expenses	-	-	-	-	-	-	-	86	86
Non Salary Labour Costs	-	-	-	-	-	-	-	176	176
Other Expenses	-	-	-	-	-	-	-	2,516	2,516
Finance Costs	-	-	-	-	-	-	-	-	-
<b>Total Expenditure using Capital Purpose Income</b>	-	-	-	-	-	-	-	2,778	2,778
<b>Purpose Income</b>									
Impairment of Non-Financial Assets	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation (refer note 4)	-	-	-	-	-	-	-	79,425	79,425
	-	-	-	-	-	-	-	79,425	79,425
<b>Total Expenses</b>	<b>415,312</b>	<b>88,907</b>	<b>37,598</b>	<b>86,280</b>	<b>56,902</b>	<b>8,925</b>	<b>4,118</b>	<b>128,164</b>	<b>826,206</b>



**Note 3a: Analysis of Expenses by Source (continued)**

	Admitted Patients 2013 \$000	Outpatients 2013 \$000	EDS 2013 \$000	Ambulatory 2013 \$000	Mental Health 2013 \$000	RAC incl. Mental Health 2013 \$000	Aged Care 2013 \$000	Other 2013 \$000	Total 2013 \$000
<b>Services Supported by Health Services Agreement</b>									
Employee Expenses	284,550	52,472	32,280	62,834	45,664	8,506	2,059	5,075	493,440
Non Salary Labour Costs	2,598	732	393	1,042	450	162	12	33	5,422
Supplies & Consumables	69,370	20,258	2,136	6,452	1,168	307	1,475	883	102,049
Other Expenses from Continuing Operations	42,215	8,123	2,042	10,426	5,225	492	492	396	69,411
Finance Costs	72	10	8	23	17	1	2	-	133
<b>Total Expenses from Services Supported by Health Services Agreement</b>	<b>398,805</b>	<b>81,595</b>	<b>36,859</b>	<b>80,777</b>	<b>52,524</b>	<b>9,468</b>	<b>4,040</b>	<b>6,387</b>	<b>670,455</b>
<b>Services Supported by Hospital &amp; Community Initiatives</b>									
Employee Expenses	-	-	-	-	-	-	-	22,391	22,391
Non Salary Labour Costs	-	-	-	-	-	-	-	1,077	1,077
Supplies & Consumables	-	-	-	-	-	-	-	598	598
Other Expenses from Continuing Operations	-	-	-	-	-	-	-	11,925	11,925
Finance Costs	-	-	-	-	-	-	-	1,534	1,534
<b>Total Expenses from Services Supported by Hospital &amp; Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,525</b>	<b>37,525</b>

**Note 3a: Analysis of Expenses by Source (continued)**

	Admitted Patients 2013 \$000	Outpatients 2013 \$000	EDS 2013 \$000	Ambulatory 2013 \$000	Mental Health 2013 \$000	RAC incl. Mental Health 2013 \$000	Aged Care 2013 \$000	Other 2013 \$000	Total 2013 \$000
<b>Expenditure using Capital Purpose Income</b>									
Employee Expenses	-	-	-	-	-	-	-	600	600
Non Salary Labour Costs	-	-	-	-	-	-	-	259	259
Other Expenses	-	-	-	-	-	-	-	711	711
Finance Costs	-	-	-	-	-	-	-	-	-
<b>Total Expenditure using Capital Purpose Income</b>	-	-	-	-	-	-	-	1,570	1,570
<b>Purpose Income</b>									
Impairment of Non-Financial Assets	-	-	-	-	-	-	-	-	-
Depreciation & Amortisation (refer note 4)	-	-	-	-	-	-	-	73,864	73,864
	-	-	-	-	-	-	-	73,864	73,864
<b>Total Expenses</b>	<b>398,805</b>	<b>81,595</b>	<b>36,859</b>	<b>80,777</b>	<b>52,524</b>	<b>9,468</b>	<b>4,040</b>	<b>119,346</b>	<b>783,414</b>

### Note 3b: Analysis of Expenses by Business Unit for Services Supported by Hospital and Community Initiatives

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>Business Units and Commercial Activities:</b>		
- Private Practice and Other Patient Activities	3,742	3,488
- Laboratory Medicine	4,968	5,227
- Diagnostic Imaging	732	921
- Mental Health Services	1,403	1,485
- Pharmacy Services	1,017	482
- Affiliated Entities	3,337	3,349
- Retail Services	12	8
- Food Production Kitchen	2,734	2,756
- Car Park	2,781	2,725
- Research	9,335	8,870
- Cardiology	607	599
- Child Care	1,332	1,270
- Nuclear Medicine	454	327
- Fundraising	3,072	2,673
- Hospital Department Funds	1,861	1,611
- Salary Packaging	984	957
- Other	867	777
<b>Total</b>	<b>39,238</b>	<b>37,525</b>

### Note 3c: Specific Expenses

There were no specific expenses incurred during the years ended 30 June 2014 and 30 June 2013.

### Note 4: Depreciation and Amortisation

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>Depreciation</b>		
Buildings	58,113	55,086
Plant & Equipment	2,166	1,914
Motor Vehicles	55	102
Medical Equipment	9,271	7,292
Computers and Communication	1,964	3,714
Other Equipment	2,637	1,404
Furniture and Fittings	112	110
<b>Total Depreciation</b>	<b>74,318</b>	<b>69,622</b>
<b>Amortisation</b>		
Intangible Assets	5,107	4,242
	<b>5,107</b>	<b>4,242</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>79,425</b>	<b>73,864</b>

## Note 5: Finance Costs

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
Interest on Long Term Borrowings	1,711	1,521
Bank Charges	167	146
<b>Total Finance Costs</b>	<b>1,878</b>	<b>1,667</b>

## Note 6: Cash and Cash Equivalents

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
Cash on Hand	68	68
Cash at Bank	13,128	10,522
Deposits at Call	54,279	46,229
<b>Total Cash and Cash Equivalents</b>	<b>67,475</b>	<b>56,819</b>

### Represented by:

Cash for Health Service Operations (as per Cash Flow Statement)	67,438	56,782
Cash for Monies Held in Trust		
- Cash at Bank	37	37
<b>Total</b>	<b>67,475</b>	<b>56,819</b>

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand and are subject to an insignificant risk of change in value.

The movement in Deposits at Call represents a timing difference in relation to Department of Health grants.

## Note 7: Receivables

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>CURRENT</b>		
<b>Contractual</b>		
Inter Hospital Debtors	2,352	4,274
Trade Debtors	8,215	10,660
Other Debtors - Major Projects Victoria	-	13
Other Debtors - Commonwealth DVA	1,328	-
Patient Fees	10,807	12,328
Accrued Investment Income	23	23
Accrued Revenue - Other	3,440	3,723
<i>Less Allowance for Doubtful Debts</i>		
Trade Debtors	(378)	(420)
Patient Fees	(828)	(1,157)
	<u>24,959</u>	<u>29,444</u>
<b>Statutory</b>		
GST Receivable	1,962	3,970
	<u>1,962</u>	<u>3,970</u>
<b>TOTAL CURRENT RECEIVABLES</b>	<u>26,921</u>	<u>33,414</u>
<b>NON CURRENT</b>		
<b>Statutory</b>		
DHS - Long Service Leave	25,498	27,549
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<u>25,498</u>	<u>27,549</u>
<b>TOTAL RECEIVABLES</b>	<u>52,419</u>	<u>60,963</u>

### (a) Movement in the Allowance for Doubtful Debts

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
Balance at beginning of year	1,577	1,477
Amounts written off during the year	(284)	(451)
Increase/(decrease) in allowance recognised in net result	(87)	551
<b>Balance at end of year</b>	<u>1,206</u>	<u>1,577</u>

### (b) Ageing analysis of receivables

Please refer to note 22(b) for the ageing analysis of receivables

### (c) Nature and extent of risk arising from receivables

Please refer to note 22(b) for the nature and extent of credit risk arising from receivables

**Note 8: Investments and other Financial Assets**

	Operating Fund			Specific Purpose Fund			Capital Fund			Total		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Current</b>												
<i>Term Deposit</i>												
<i>Aust. Dollar Term Deposits &gt; 3 months</i>	-	-	-	43	-	-	-	-	-	-	-	43
<b>Total Current</b>	-	-	-	43	-	-	-	-	-	-	-	43
<b>Non Current</b>												
<i>Other - Shares</i>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non Current</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	43	-	-	-	-	-	-	-	43
<b>Represented By:</b>												
Health Service Investments	-	-	-	43	-	-	-	-	-	-	-	43

**(a) Ageing analysis of other financial assets**

Please refer to note 22(b) for the ageing analysis of other financial assets

**(b) Nature and extent of risk arising from other financial assets**

Please refer to note 22(b) for the nature and extent of credit risk arising from other financial assets

## Note 9: Inventory

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>Current - at cost</b>		
Pharmaceuticals	3,680	3,141
Catering Supplies	87	89
Medical and Surgical Lines	3,574	3,348
Administrative Stores	21	4
<b>TOTAL INVENTORIES</b>	<b>7,362</b>	<b>6,582</b>

## Note 10: Non-Financial Physical Assets Classified as Held for Sale

There were no Non-Financial assets held for resale at 30 June 2014 and 2013.

## Note 11: Other Assets

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
Prepayments - Current	2,470	1,962
Prepayments - Non Current	74	152
<b>Total Other Assets</b>	<b>2,544</b>	<b>2,114</b>

## Note 12: Property, Plant & Equipment

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>Land</b>		
Crown Land at fair value	134,151	147,567
Freehold Land at fair value	27,331	32,684
<b>Total Land</b>	<b>161,482</b>	<b>180,251</b>
<b>Buildings</b>		
Buildings under Construction at cost	<b>44,839</b>	<b>51,410</b>
Buildings at Cost	143,200	204,275
Less Accumulated Depreciation	(4,865)	(6,037)
	<b>138,335</b>	<b>198,238</b>
Buildings at fair value	785,037	831,678
Less Accumulated Depreciation	-	(221,760)
	<b>785,037</b>	<b>609,918</b>
<b>Total Buildings</b>	<b>968,211</b>	<b>859,566</b>
<b>Plant and Equipment</b>		
Plant and Equipment at Fair Value	24,930	30,188
Less Accumulated Depreciation	(15,842)	(20,199)
<b>Total Plant and Equipment</b>	<b>9,088</b>	<b>9,989</b>

## Note 12: Property, Plant & Equipment (continued)

	Total 2014 \$000	Total 2013 \$000
<b>Motor Vehicles</b>		
Motor Vehicles at Fair Value	1,337	1,337
Less Accumulated Depreciation	(1,304)	(1,249)
<b>Total Motor Vehicles</b>	<b>33</b>	<b>88</b>
<b>Medical Equipment</b>		
Medical Equipment at Fair Value	106,648	90,839
Less Accumulated Depreciation	(82,606)	(74,342)
<b>Total Major Medical</b>	<b>24,042</b>	<b>16,497</b>
<b>Computers and Communication</b>		
Computers and Communication at Fair Value	17,359	15,864
Less Accumulated Depreciation	(13,923)	(11,997)
<b>Total Computers and Communication</b>	<b>3,436</b>	<b>3,867</b>
<b>Other Equipment</b>		
Other Equipment at Fair Value	16,109	10,383
Less Accumulated Depreciation	(10,546)	(7,920)
<b>Total Other Equipment</b>	<b>5,563</b>	<b>2,463</b>
<b>Furniture and Fittings</b>		
Furniture and Fittings at Fair Value	1,494	1,437
Less Accumulated Depreciation	(1,344)	(1,232)
<b>Total Furniture and Fittings</b>	<b>150</b>	<b>205</b>
<b>Assets Under Construction</b>		
Equipment under Construction	9,731	17,208
<b>Total Assets under construction</b>	<b>9,731</b>	<b>17,208</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>1,181,736</b>	<b>1,090,134</b>

### Land and buildings carried at valuation - 2014

An independent valuation of the Health Service's property was performed by the *Valuer-General Victoria* to determine the fair value of land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by using a market based direct comparison approach for land. In the absence of a liquid market, a direct replacement cost approach was utilised to assess the fair value of buildings. The valuation was based on independent assessments. The effective date of the valuation was 30 June 2014 and it does not affect the current year's depreciation.

### Plant and Equipment carried at fair value

As noted in note 1(i) plant and equipment are measured at fair value in accordance with FRD 103E. Based on management assessment of fair value of plant and equipment it was found that fair value approximated depreciated replacement cost and therefore a revaluation was not required.

Austin Health owns the Melbourne Brain Centre building that is situated on the Austin Campus and valued at \$26.8 million. The rights to use this building have been assigned to the Florey Neuroscience Institutes under an arrangement that is deemed a finance lease pursuant to Accounting Standard AASB117. The rent payable to Austin Health on this building is not considered material and as such not recorded on the Austin Health balance sheet as a lease receivable.



## Note 12: Property, Plant & Equipment (continued)

Reconciliation of the carrying amount of each class of asset at the beginning and end of the previous and current and previous financial year is set out below.

	Land	Buildings	Plant & Equipment	Motor Vehicles	Medical	Computers & Comm'n's	Other Equipment	Furniture & Fittings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2012</b>	<b>180,251</b>	<b>845,706</b>	<b>11,141</b>	<b>159</b>	<b>36,816</b>	<b>1,826</b>	<b>3,087</b>	<b>300</b>	<b>1,079,286</b>
Additions	-	68,946	762	26	4,201	5,755	775	16	80,481
Disposals	-	-	-	5	(20)	-	4	-	(11)
Revaluation Increment/(Decrements)	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation (Note 4)	-	(55,086)	(1,914)	(102)	(7,292)	(3,714)	(1,404)	(110)	(69,622)
<b>Balance at 30 June 2013</b>	<b>180,251</b>	<b>859,566</b>	<b>9,989</b>	<b>88</b>	<b>33,705</b>	<b>3,867</b>	<b>2,462</b>	<b>206</b>	<b>1,090,134</b>
Additions	-	16,392	1,265	-	9,340	1,534	5,740	56	34,327
Disposals	-	(41)	-	-	(1)	(1)	(2)	-	(45)
Revaluation Increment/(Decrements)	(18,769)	150,407	-	-	-	-	-	-	131,638
Depreciation and Amortisation (Note 4)	-	(58,113)	(2,166)	(55)	(9,271)	(1,964)	(2,637)	(112)	(74,318)
<b>Balance at 30 June 2014</b>	<b>161,482</b>	<b>968,211</b>	<b>9,088</b>	<b>33</b>	<b>33,773</b>	<b>3,436</b>	<b>5,563</b>	<b>150</b>	<b>1,181,736</b>

## Note 12: Property, Plant & Equipment (continued)

### Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
<b>Land at fair value</b>				
Non-specialised land	161,482			161,482
Specialised land				
<b>Total Land at fair value</b>	<b>161,482</b>	-	-	<b>161,482</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	923,372			923,372
Specialised buildings				
<b>Total buildings at fair value</b>	<b>923,372</b>	-	-	<b>923,372</b>
<b>Plant and equipment at Fair Value</b>				
Plant and equipment and vehicles at fair value				
- Vehicles	33			33
- Plant and equipment	18,237			18,237
<b>Total plant, equipment and vehicles at fair value</b>	<b>18,270</b>	-	-	<b>18,270</b>
<b>Medical equipment at fair value</b>				
- Medical Equipment at fair value	24,042			24,042
<b>Total medical equipment at fair value</b>	<b>24,042</b>	-	-	<b>24,042</b>
<b>Assets under construction at fair value</b>				
	54,570			54,570
<b>Total assets under construction at fair value</b>	<b>54,570</b>	-	-	<b>54,570</b>
	<b>1,181,736</b>	-	-	<b>1,181,736</b>

Classified in accordance with the fair value hierarchy, see Note 1

There were no transfers in or out of level 3 during the year ended 30 June 2014.

## Note 12: Property, Plant & Equipment (continued)

Description of significant unobservable inputs to level 3 valuations:

Asset Category	Valuation Technique	Significant unobservable inputs	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land	Market Based Direct Comparison	Community Service Obligation (CSO) adjustment	Any significant changes in CSO would result in a significant change to fair value
Buildings	Cost or Depreciated Replacement Cost (DRC)	Cost approach using best available evidence from recognised building cost indicators and or Quantity Surveyors and examples of current costs	A significant increase or decrease in the Cost per Square Metre would result in a significant change to fair value and or a significant increase or decrease to the useful life of the asset would result in a significant change to fair value
Plant & Equipment	Depreciated Replacement Cost (DRC)	Cost per unit and the useful life of the asset	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value
Motor Vehicles	Depreciated Replacement Cost (DRC)	Cost per unit and the useful life of the asset	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value
Medical Equipment	Depreciated Replacement Cost (DRC)	Cost per unit and the useful life of the asset	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value
Computers	Depreciated Replacement Cost (DRC)	Cost per unit and the useful life of the asset	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value
Other Equipment	Depreciated Replacement Cost (DRC)	Cost per unit and the useful life of the asset	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value
Furniture & Fittings	Depreciated Replacement Cost (DRC)	Cost per unit and the useful life of the asset	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value
Assets Under Construction	Depreciated Replacement Cost (DRC)	Cost per unit	A significant increase or decrease in the Cost per Unit and or a significant increase or decrease of the useful life of the asset would result in a significant change to fair value

## Note 13: Intangible Assets

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
Software	25,121	22,467
Less Accumulated Amortisation	(19,321)	(14,214)
<b>Total Intangible Assets</b>	<b>5,800</b>	<b>8,253</b>

Reconciliation of the carrying amount of intangible assets at the beginning and end of the previous and current financial year is set out below.

	<b>Software \$000</b>	<b>Total \$000</b>
<b>Balance at 1 July 2012</b>	3,143	3,143
Additions	9,352	9,352
Disposals	-	-
Amortisation Expense (note 4)	(4,242)	(4,242)
<b>Balance at 1 July 2013</b>	<b>8,253</b>	<b>8,253</b>
Additions	2,654	2,654
Disposals	-	-
Amortisation Expense (note 4)	(5,107)	(5,107)
<b>Balance at 30 June 2014</b>	<b>5,800</b>	<b>5,800</b>

## Note 14: Payables

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors	11,292	9,562
Accrued Interest	432	460
Accrued Expenses	15,026	14,129
Salary Packaging	5,427	5,112
Other	125	150
	<b>32,302</b>	<b>29,413</b>
<b>Statutory</b>		
GST Payable	416	968
Department of Health	6,869	10,212
Pay As You Go Withholding	2,273	2,110
Superannuation Payable	4,696	4,395
	<b>14,254</b>	<b>17,685</b>
<b>Total Payables</b>	<b>46,556</b>	<b>47,098</b>

### (a) Maturity analysis of payables

Please refer to note 22(c) for the ageing analysis of payables

### (b) Nature and extent of risk arising from payables

Please refer to note 22(c) for the nature and extent of risks arising from payables

## Note 15: Borrowings

	Total 2014 \$000	Total 2013 \$000
<b>Current</b>		
Australian Dollar Borrowings		
- Treasury Corporation Victoria	961	557
<b>Total Current</b>	<b>961</b>	<b>557</b>
<b>Non-Current</b>		
Australian Dollar Borrowings		
- Treasury Corporation Victoria	37,220	31,495
<b>Total Non Current</b>	<b>37,220</b>	<b>31,495</b>
<b>Total Borrowings</b>	<b>38,181</b>	<b>32,052</b>

### Terms and conditions of Interest Bearing Liabilities - *Treasury Corporation Victoria*

- i) Austin Health has two loans with Treasury Corporation Victoria (TCV) secured by a Statutory Guarantee from the Government of Victoria in favour of TCV under section 30 of the Health Services Act.
  - ii) Initial loan was established in April 2008 to finance the construction of the Austin Tower Car Park.
    - a) Repayments are quarterly with the final instalment due 25 years from date of the last draw down in April 2008.
    - b) Average interest rate applied during 2013/14 for the above loan was 6.70% (2012/13 6.70%).
  - iii) Additional loan was established in November 2013 to finance the expansion of the Austin Martin Street Car Park.
    - a) Repayments are quarterly with the final instalment due 25 years from date of the last draw down in November 2013.
    - b) Interest rate applied is fixed during 2013/14 for the above loan was 4.75% (2012/13 4.75%).
- (a) **Maturity analysis of interest bearing liabilities**  
Please refer to note 22(c) for the ageing analysis of interest bearing liabilities
  - (b) **Nature and extent of risk arising from interest bearing liabilities**  
Please refer to note 22(d) for the nature and extent of risks arising from interest bearing liabilities
  - (c) **Defaults and breaches**  
During the current and prior year, there were no defaults and breaches of any of the loans

## Note 16: Provisions

	Total 2014 \$000	Total 2013 \$000
<b>Current Provisions</b>		
Employee Benefits		
Annual Leave		
- Unconditional and expected to be settled within 12 months	37,035	27,202
- Unconditional and expected to be settled after 12 months	6,125	15,040
Long Service Leave		
- Unconditional and expected to be settled within 12 months	40,357	38,421
- Unconditional and expected to be settled after 12 months	33,211	31,642
Accrued Days Off	1,374	1,366
Accrued Wages and Salaries*	13,965	16,248
Employee Termination Benefits	184	527
Provision related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months	9,137	7,771
- Unconditional and expected to be settled after 12 months	4,562	5,414
<b>Total Current Provisions</b>	<b>145,950</b>	<b>143,631</b>
<b>Non-Current Provisions</b>		
Employee Benefits	18,031	16,548
Provision related to Employee Benefit On-Costs	2,091	1,920
<b>Total Non-Current Provisions</b>	<b>20,122</b>	<b>18,468</b>
<b>Total Provisions</b>	<b>166,072</b>	<b>162,099</b>

### (a) Employee Benefits and Related On-Costs

	Total 2014 \$000	Total 2013 \$000
<b>Current Employee Benefits and related on-costs</b>		
Unconditional LSL Entitlement	82,101	78,190
Annual Leave Entitlements	48,167	47,142
Accrued Wages and Salaries*	14,149	16,775
Accrued Days Off	1,533	1,524
<b>Non-Current Employee Benefits and related on-costs</b>		
Conditional Long Service Leave Entitlements (present value)	20,122	18,468
<b>Total Employee Benefits and Related On-Costs</b>	<b>166,072</b>	<b>162,099</b>

\* Accrued Wages and Salaries for 2013 include an accrual in relation to the medical EBA for \$2.4M.

### (b) Movements in provisions

	Total 2014 \$000	Total 2013 \$000
<b>Movement in Long Service Leave:</b>		
<b>Balance at start of year</b>	96,658	91,985
Provision made during the year	14,542	13,951
Settlement made during the year	(8,977)	(9,278)
<b>Balance at end of year</b>	<b>102,223</b>	<b>96,658</b>

## Note 17: Other Liabilities

	Total 2014 \$000	Total 2013 \$000
<b>Current</b>		
Monies Held in Trust		
-Patient Monies Held in Trust	37	37
Borrowings - Department of Health*	-	49
Other	240	2,922
<b>Total Current</b>	<b>277</b>	<b>3,008</b>
<b>Non-Current</b>		
Borrowings - Department of Health*	1,951	-
Other	-	81
<b>Total Non Current</b>	<b>1,951</b>	<b>81</b>
<b>Total Other Liabilities</b>	<b>2,228</b>	<b>3,089</b>

### \* Borrowings - Department of Health

- a) Austin Health has a new loan repayable to the Department of Health relating to Pathology equipment.
- b) Repayments on this loan will be made annually in June commencing June 2016 with the final instalment due on 30 June 2020.
- c) This is an interest free loan, however a present value calculation is required while payments are outstanding for future financial years (30 June 2014: 2.71%).
- d) The previous loan with the Department of Health was repaid in full in December 2013.

## Note 18: Superannuation

Employees of Austin Health are entitled to receive superannuation benefits and the health service contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

Austin Health does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service. The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the health service are as follows:

	Total Paid Contributions for the Year		Total Contributions Outstanding at Year End	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Defined Benefit Plans</b>				
Hospital Superannuation Board - First State Super	2,081	2,285	200	192
Commonwealth Superannuation Scheme	2,188	2,497	131	156
ESS (previously GSO)	371	414	13	21
<b>Defined Contribution Plans</b>				
Hospital Superannuation Board - First State Super	25,228	23,993	2,817	2,680
HESTA	12,465	11,390	1,490	1,314
Other	1,122	944	45	32
<b>Total</b>	<b>43,456</b>	<b>41,523</b>	<b>4,696</b>	<b>4,395</b>

## Note 19: Equity

	Total 2014 \$000	Total 2013 \$000
<b>(a) Surpluses</b>		
<b><i>Property, Plant &amp; Equipment Revaluation Surplus</i></b>		
Balance at the Beginning of the Reporting Period	546,297	546,297
Revaluation Increments/(Decrements):		
- Land	(18,769)	-
- Buildings	150,406	-
<b>Balance at the end of the Reporting Period</b>	<b>677,934</b>	<b>546,297</b>
<b>Represented by:</b>		
- Land	131,930	150,699
- Buildings	546,004	395,598
	<b>677,934</b>	<b>546,297</b>
<b><i>Restricted Specific Purpose Reserve</i></b>		
Balance at the Beginning of the Reporting Period	5,963	5,861
Transfers to/(from) Restricted Specific Purpose Reserve	166	102
<b>Balance at the end of the Reporting Period</b>	<b>6,129</b>	<b>5,963</b>
<b>Total Surpluses</b>	<b>684,063</b>	<b>552,260</b>
<b>(b) Contributed Capital</b>		
Balance at the Beginning of the Reporting Period	529,927	529,927
Capital Contributions received from Victorian Government	-	-
<b>Balance at the end of the Reporting Period</b>	<b>529,927</b>	<b>529,927</b>
<b>(c) Accumulated Deficits</b>		
Balance at the Beginning of the Reporting Period	(101,617)	(100,956)
Net Result for the Year	(47,908)	(559)
Transfers (to)/from Surplus	(166)	(102)
<b>Balance at the end of the Reporting Period</b>	<b>(149,691)</b>	<b>(101,617)</b>
<b>Total Equity at the end of Financial Year</b>	<b>1,064,299</b>	<b>980,570</b>

The Property, Plant & Equipment Asset Revaluation Surplus arises on the revaluation of property, plant and equipment.



## Note 20: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	Total 2014 \$000	Total 2013 \$000
<b>Net Result for the Year</b>	(47,908)	(559)
<b>Non-cash movements</b>		
Assets Received Free of Charge	-	(33)
Disposal of Long term Investment	-	154
Depreciation and Amortisation	79,425	73,864
Provision for Doubtful Debts	(371)	100
DoH Capital Grant - Indirect Contribution	(1,081)	(6,268)
<b>Movements included in investing and financing activities</b>		
Net (Gain)/Loss from Sale of Plant and Equipment	(8)	11
<b>Movements in assets &amp; liabilities:</b>		
Change in operating assets and liabilities		
Increase/(Decrease) in Payables	(1,638)	6,487
Increase/(Decrease) in Employee Benefits	3,973	2,225
Increase/(Decrease) in Other Liabilities	(2,988)	613
(Increase)/Decrease in Receivables	8,914	(3,474)
(Increase)/Decrease in Inventories	(780)	(718)
(Increase)/Decrease in Prepayments	(430)	124
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>37,108</b>	<b>72,526</b>

## Note 21: Non-Cash Financing and Investing Activities

	Total 2014 \$000	Total 2013 \$000
Assets Received Free of Charge	-	33
Acquisition of Assets through DoH Indirect Contributions	1,081	6,268
<b>Total Non-Cash Financing &amp; Investing Activities</b>	<b>1,081</b>	<b>6,301</b>

## Note 22: Financial Instruments

### (a) Financial Risk Management Objectives and Policies

The Austin Health's principal financial instruments comprise of:

- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)
- Loan with TCV

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The Austin Health's main financial risks include credit risk, liquidity risk and market risk. The Health Service manages these financial risks in accordance with its financial risk and investment policy.

The main purpose in holding financial instruments is to prudentially manage Austin Health's financial risks within the government policy parameters.

## Note 22: Financial Instruments (continued)

### Categorisation of financial Instruments

2014	Contractual Financial Assets / Liabilities Designated at Fair Value Through Profit / Loss	Contractual Financial Assets / Liabilities Held-For- Trading at Fair Value Through Profit / Loss	Contractual Financial Assets - Loans and Receivables	Contractual Financial Assets - Available For Sale	Contractual Financial Liabilities at Amortised Cost	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Contractual Financial Assets</b>						
Cash and cash equivalents	-	-	67,475	-	-	67,475
Receivables	-	-	-	-	-	-
- Trade Debtors	-	-	11,517	-	-	11,517
- Other Receivables	-	-	13,442	-	-	13,442
Other Financial Assets	-	-	-	-	-	-
<b>Total Financial Assets (i)</b>	-	-	<b>92,434</b>	-	-	<b>92,434</b>
<b>Financial Liabilities</b>						
Payables	-	-	-	-	32,302	32,302
Borrowings	-	-	-	-	38,181	38,181
Other Liabilities	-	-	-	-	2,228	2,228
<b>Total Financial Liabilities (ii)</b>	-	-	-	-	<b>72,711</b>	<b>72,711</b>

**Note 22: Financial Instruments (continued)**

2013	Contractual Financial Assets / Liabilities Designated at Fair Value Through Profit / Loss \$000	Contractual Financial Assets / Liabilities Held-For- Trading at Fair Value Through Profit / Loss \$000	Contractual Financial Assets - Loans and Receivables \$000	Contractual Financial Assets - Available For Sale \$000	Contractual Financial Liabilities at Amortised Cost \$000	Total \$000
<b>Contractual Financial Assets</b>						
Cash and cash equivalents Receivables	-	-	56,819	-	-	56,819
- Trade Debtors	-	-	14,514	-	-	14,514
- Other Receivables	-	-	14,930	-	-	14,930
Other Financial Assets	-	-	43	-	-	43
<b>Total Financial Assets (i)</b>	-	-	<b>86,306</b>	-	-	<b>86,306</b>
<b>Financial Liabilities</b>						
Payables	-	-	-	-	29,413	29,413
Borrowings	-	-	-	-	32,052	32,052
Other Liabilities	-	-	-	-	3,089	3,089
<b>Total Financial Liabilities (ii)</b>	-	-	-	-	<b>64,554</b>	<b>64,554</b>

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable)

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payables and Superannuation owing)

## Note 22: Financial Instruments (continued)

### Net Holding Gain/(Loss on Financial Instruments by Category

	Net Holding Gain/(Loss)	Total Interest Income / (Expense)	Fee Income / (Expense)	Impairment Loss	Total
	\$000	\$000	\$000	\$000	\$000
<b>2014</b>					
<b>Financial Assets (i)</b>					
Cash and Cash Equivalents	-	2,682	-	-	2,682
Loans and Receivables	-	2	-	-	2
Available for Sale	-	-	-	-	-
<b>Total Financial Assets</b>	-	<b>2,684</b>	-	-	<b>2,684</b>
<b>Financial Liabilities (ii)</b>					
At Amortised Cost	-	1,710	-	-	1,710
<b>Total Financial Liabilities</b>	-	<b>1,710</b>	-	-	<b>1,710</b>
<b>2013</b>					
<b>Financial Assets (i)</b>					
Cash and Cash Equivalents	-	2,595	-	-	2,595
Loans and Receivables	-	-	-	-	-
Available for Sale	-	-	-	(154)	(154)
<b>Total Financial Assets</b>	-	<b>2,595</b>	-	<b>(154)</b>	<b>2,441</b>
<b>Financial Liabilities (ii)</b>					
At Amortised Cost	-	1,521	-	-	1,521
<b>Total Financial Liabilities</b>	-	<b>1,521</b>	-	-	<b>1,521</b>

- (i) For cash and cash equivalents, loans and receivables and available for sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.
- (ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost

## Note 22: Financial Instruments (continued)

### (b) Credit Risk

Credit risk arises from the contractual financial assets of the Health Service, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Health Service's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Health Service. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Health Service's policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the Health Service does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Health Service's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Health Service will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents Austin Health's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### Credit quality of contractual financial assets that are neither past due nor impaired

	Financial Institutions (AAA credit rating) \$000	Government Agencies (AAA credit rating) \$000	Government Agencies (BBB credit rating) \$000	Other (min BBB credit rating) \$000	Total \$000
<b>2014 - Financial Assets</b>					
<i>Cash and Cash Equivalents</i>	67,475	-	-	-	67,475
<i>Loans And Receivables</i>					
- Trade Debtors	-	2,352	-	-	2,352
- Other Receivables (i)	-	1,517	-	-	1,517
- Term Deposits	-	-	-	-	-
<b>Total Financial Assets</b>	<b>67,475</b>	<b>3,869</b>	<b>-</b>	<b>-</b>	<b>71,344</b>
<b>2013 - Financial Assets</b>					
<i>Cash and Cash Equivalents</i>	56,819	-	-	-	56,819
<i>Loans And Receivables</i>					
- Trade Debtors	-	2,579	-	-	2,579
- Other Receivables (i)	-	1,839	-	-	1,839
- Term Deposits	-	-	-	-	-
<b>Total Financial Assets</b>	<b>56,819</b>	<b>4,418</b>	<b>-</b>	<b>-</b>	<b>61,237</b>

- (i) The amounts disclosed here exclude statutory amounts (eg amounts owing to Govt and GST input tax credit recoverable). The amounts disclosed also exclude receivables where no credit rating is available.

## Note 22: Financial Instruments (continued)

### (b) Credit Risk (continued)

#### Ageing analysis of Financial Assets as at 30 June

	Carrying Amount \$000	Not past Due & Not Impaired \$000	Past Due But not Impaired			Impaired Financial \$000
			1 - 3 Months \$000	3 months - 1 Year \$000	1 - 5 Years \$000	
<b>2014 - Financial Assets</b>						
<i>Cash and Cash Equivalents</i>	67,475	67,475	-	-	-	-
<i>Loans And Receivables</i>						
- Trade Debtors	11,517	4,558	4,115	2,844	-	-
- Other Receivables (i)	13,442	10,899	1,349	1,194	-	-
- Term Deposits	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>92,434</b>	<b>82,932</b>	<b>5,464</b>	<b>4,038</b>	-	-
<b>2013 - Financial Assets</b>						
<i>Cash and Cash Equivalents</i>	56,819	56,819	-	-	-	-
<i>Loans And Receivables</i>						
- Trade Debtors	14,514	9,566	2,600	2,348	-	-
- Other Receivables (i)	14,930	11,278	2,211	1,441	-	-
- Term Deposits	43	43	-	-	-	-
<b>Total Financial Assets</b>	<b>86,306</b>	<b>77,706</b>	<b>4,811</b>	<b>3,789</b>	-	-

(i) Ageing analysis of financial assets excludes statutory financial assets (i.e. GST input tax credits)

There are no material financial assets which are individually determined to be impaired. Currently Austin Health does not hold any collateral as security nor credit enhancements relating to any of its financial assets

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

### (c) Liquidity Risk

Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due.

The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Health Service manages its liquidity risk through regular cash forecasts and ensuring sufficient available cash is held to meet its obligations.

The following table discloses the contractual maturity analysis for Austin Health's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

## Note 22: Financial Instruments (continued)

Maturity analysis of financial liabilities as at 30 June

	Carrying Amount \$000	Contractual Cash Flows \$000	Maturity Dates					
			Less than 1 month \$000	1 - 3 Months \$000	3 months - 1 Year \$000	1 - 5 Years \$000	Over 5 Years \$000	
<b>2014 - Financial Liabilities</b>								
<i>At Amortised Cost</i>								
Payables	32,302	-	32,302	-	-	-	-	-
Borrowings - Interest Bearing	38,181	38,181	145	238	579	4,469	32,750	
Borrowings - DHS	1,951	1,951	-	-	-	1,586	365	
Other Liabilities (i)	277	-	247	30	-	-	-	
<b>Total Financial Liabilities</b>	<b>72,711</b>	<b>40,132</b>	<b>32,694</b>	<b>268</b>	<b>579</b>	<b>6,055</b>	<b>33,115</b>	
<b>2013 - Financial Liabilities</b>								
<i>At Amortised Cost</i>								
Payables	29,413	-	29,413	-	-	-	-	
Borrowings - Interest Bearing	32,052	32,052	136	138	283	3,701	27,794	
Borrowings - DHS	49	49	-	30	19	-	-	
Other Liabilities (i)	3,040	-	495	415	2,049	81	-	
<b>Total Financial Liabilities</b>	<b>64,554</b>	<b>32,101</b>	<b>30,044</b>	<b>583</b>	<b>2,351</b>	<b>3,782</b>	<b>27,794</b>	

(i) Excludes statutory financial liabilities (ie GST payable)



## **Note 22: Financial Instruments (continued)**

### **(d) Market Risk**

Austin Health's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

#### ***Currency Risk***

Austin Health is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

#### ***Interest Rate Risk***

Exposure to interest rate risk might arise primarily through Austin Health's interest bearing liabilities. Minimisation of the risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, Austin Health mainly undertakes financial liabilities with relatively even maturity profiles.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Austin Health has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rates.

Austin Health manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing Austin Health to significant bad risk, management monitors interest rate movements regularly.

## Interest Rate Exposure of Financial Assets and Liabilities as at 30 June

	Weighted Average Effective Interest Rates (%)	Carrying Amount \$000	Interest Rate Exposure		
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non Interest Bearing \$000
<b>2014- Financial Assets</b>					
<i>Cash and Cash Equivalents</i>	2.75	67,475	-	67,407	68
<i>Loans And Receivables (i)</i>					
- Trade Debtors	-	11,517	-	-	11,517
- Other Receivables	-	13,442	-	-	13,442
- Term Deposits	-	-	-	-	-
		92,434	-	67,407	25,027
<b>2014 - Financial Liabilities</b>					
<i>At Amortised Cost</i>					
Payables	-	32,302	-	-	32,302
Borrowings - Interest Bearing	5.91	38,181	38,181	-	-
Borrowings - DoH	-	1,951	-	-	1,951
Other Liabilities (i)	-	277	-	-	277
		72,711	38,181	-	34,530
<b>2013 Financial Assets</b>					
<i>Cash and Cash Equivalents</i>	2.99	56,819	-	56,751	68
<i>Loans And Receivables (i)</i>					
- Trade Debtors	-	14,514	-	-	14,514
- Other Receivables	-	14,930	-	-	14,930
- Term Deposits	4.10	43	43	-	-
		86,306	43	56,751	29,512
<b>2013 - Financial Liabilities</b>					
<i>At Amortised Cost</i>					
Payables	-	29,413	-	-	29,413
Borrowings - Interest Bearing	6.12	32,052	32,052	-	-
Borrowings - DoH	-	49	-	-	49
Other Liabilities (i)	-	3,040	-	-	3,040
		64,554	32,052	-	32,502

(i) Excludes types of statutory financial assets & liabilities

## Note 22: Financial Instruments (continued)

### (d) Market Risk (continued)

#### Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Austin Health believes the following movements are 'reasonably possible' over the next twelve months:

- A parallel shift of +1% and -1% in market interest rates (AUD) from year end rates.
- A parallel shift of +1% and -1% in inflation rates (AUD) from year end rates.

The following table discloses the impact on net opening result and equity for each category of financial instrument held by Austin Health at year end as presented to key management personnel, if changes in the relevant risk occur.

	Carrying Amount \$000	Interest Rate Risk				Other Price Risk							
		-1%		+1%		-1%		+1%					
		Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000				
<b>2014</b>													
<b>Financial Assets</b>													
Cash and Cash Equivalents	67,475	(675)	(675)	675	675	-	-	-	-	-	-	-	-
Loans And Receivables (i)	11,517	-	-	-	-	-	-	-	-	-	-	-	-
- Trade Debtors	13,442	-	-	-	-	-	-	-	-	-	-	-	-
- Other Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
- Term Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>92,434</b>	<b>(675)</b>	<b>(675)</b>	<b>675</b>	<b>675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>													
At Amortised Cost													
Payables	32,302	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings - Interest Bearing	38,181	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings - DoH	1,951	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities (i)	277	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>72,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(i) The carrying amount excludes types of statutory financial assets and liabilities (ie GST input tax credit and GST payable)

**Note 22: Financial Instruments (continued)**

	Carrying Amount \$000	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000
<b>2013</b>									
<b>Financial Assets</b>									
Cash and Cash Equivalents	56,819	(568)	(568)	568	568	-	-	-	-
Loans And Receivables (i)									
- Trade Debtors	14,514	-	-	-	-	-	-	-	-
- Other Receivables	14,930	-	-	-	-	-	-	-	-
- Term Deposits	43	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>86,306</b>	<b>(568)</b>	<b>(568)</b>	<b>568</b>	<b>568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>									
At Amortised Cost									
Payables	29,413	-	-	-	-	-	-	-	-
Borrowings - Interest Bearing	32,052	-	-	-	-	-	-	-	-
Borrowings - DoH	49	-	-	-	-	-	-	-	-
Other Liabilities (i)	3,040	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>64,554</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(i) The carrying amount excludes types of statutory financial assets and liabilities (ie GST input tax credit and GST payable)

## Note 22: Financial Instruments (continued)

### (e) Fair Value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Health Services considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

### Comparison between Carrying Amount and Fair Value

	Carrying Amount 2014 \$000	Fair Value 2014 \$000	Carrying Amount 2013 \$000	Fair Value 2013 \$000
<b>Financial Assets</b>				
Cash and Cash Equivalents	67,475	67,475	56,819	56,819
Receivables: - (i)				
- Trade Debtors	11,517	11,517	14,514	14,514
- Other Receivables	13,442	13,442	14,930	14,930
Other Financial Assets				
- Term Deposits	-	-	43	43
<b>Total Financial Assets</b>	<b>92,434</b>	<b>92,434</b>	<b>86,306</b>	<b>86,306</b>
<b>Financial Liabilities</b>				
Payables	32,302	32,302	29,413	29,413
Interest Bearing Liabilities	38,181	38,181	32,052	32,052
Other Liabilities (i)	277	277	3,040	3,040
Borrowings - DHS	1,951	1,951	49	49
<b>Total Financial Liabilities</b>	<b>72,711</b>	<b>72,711</b>	<b>64,554</b>	<b>64,554</b>

- (i) The carrying amount excludes types of statutory financial assets and liabilities (ie GST input tax credit and GST payable)

Austin Health has no financial assets available for sale at the end of the reporting period.

## Note 23: Commitments for Expenditure

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>Capital expenditure commitments</b>		
Land and Buildings	15,124	20,361
Plant and Equipment	12,034	16,376
<b>Total capital expenditure commitments</b>	<b>27,158</b>	<b>36,737</b>
<b>Land and Buildings</b>		
Not later than one year	15,124	20,361
Later than 1 year and not later than 5 years		
Later than 5 years	-	-
<b>Total</b>	<b>15,124</b>	<b>20,361</b>
<b>Plant and Equipment</b>		
Not later than one year	12,034	15,996
Later than 1 year and not later than 5 years		380
Later than 5 years	-	-
<b>Total</b>	<b>12,034</b>	<b>16,376</b>
<b>Lease Commitments</b>		
Commitments in relation to leases contracted for at the reporting date:		
Operating Leases	4,650	5,906
<b>Operating Leases</b>		
<i>Non-cancellable</i>		
Not later than one year	2,110	2,336
Later than 1 year and not later than 5 years	2,540	3,570
Later than 5 years	-	-
<b>Total</b>	<b>4,650</b>	<b>5,906</b>
<b>Total Commitments for Expenditure (inclusive of GST)</b>	<b>31,808</b>	<b>42,643</b>
less GST recoverable from the Australian Tax Office		
<b>Total Commitments for Expenditure (exclusive of GST)</b>	<b>31,808</b>	<b>42,643</b>

Austin Health has entered into Operating Lease arrangements with various financial organisations mainly to lease Assets in the Medical Equipment class. The average lease term is over five (5) years and the commitments represent payments due under non-cancellable operating leases.

## Note 24: Contingent Liabilities

Details of estimates of maximum amounts of contingent liabilities are as follows:

	<b>Total 2014 \$000</b>	<b>Total 2013 \$000</b>
<b>Contingent Liabilities</b>		
<b>Quantifiable</b>		
Other - Recallable Capital Grant Medical Scanning System	750	1,500
Other - Recallable Capital Grant Pathology Redevelopment Stage 2	2,400	3,200
Other - Recallable Capital Grant Radiology Redevelopment	3,000	-
<b>Total Quantifiable Contingent Liabilities</b>	<b>6,150</b>	<b>4,700</b>

Austin Health obtained a Recallable Capital Grant during the 2008/09 financial year from the Department of Health to assist with the financing of the Medical Scanning project. Further Recallable Capital Grants were obtained in 2010/11 and 2011/12 to assist with the financing of the Pathology Redevelopment Stage 2 project. An additional Recallable Capital Grant was obtained in 2013/14 to assist in the financing of the Radiology Redevelopment project. At inception all grants were included in State Government Capital Grants in Note 2. As per advice from the Department of Health:

*“My letter included a schedule for the repayment of the recallable capital by way of future cash flow adjustments. Please be advised, by way of clarification, that no decision has been taken by the Department in respect of the need for your hospital to bear those future cash flow adjustments at this time. Decisions about whether recallable grants are to be repaid are solely at the discretion of the Department in consideration of the outcomes arising from the expenditure of the grant funds and other policy considerations. As such, hospitals at this time have no obligation to repay the recallable grant unless the Department determines at some point in the future that a cash flow adjustment in respect of the recallable grant is warranted.”*

## Note 25: Operating Segments

	RACS		Acute Services		Acute Services		Other		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>												
External Segment Revenue	10,384	9,774	619,273	584,802	-	-	629,657	594,576	-	-	629,657	594,576
Unallocated Revenue	-	-	-	-	146,185	185,914	146,185	185,914	-	-	146,185	185,914
<b>Total Revenue</b>	<b>10,384</b>	<b>9,774</b>	<b>619,273</b>	<b>584,802</b>	<b>146,185</b>	<b>185,914</b>	<b>775,842</b>	<b>780,490</b>	<b>146,185</b>	<b>185,914</b>	<b>775,842</b>	<b>780,490</b>
<b>Expenses</b>												
External Segment Expense	8,925	9,468	627,969	598,036	-	-	636,894	607,504	-	-	636,894	607,504
Unallocated Expense	-	-	-	-	187,600	174,389	187,600	174,389	-	-	187,600	174,389
<b>Total Expenses</b>	<b>8,925</b>	<b>9,468</b>	<b>627,969</b>	<b>598,036</b>	<b>187,600</b>	<b>174,389</b>	<b>824,494</b>	<b>781,893</b>	<b>187,600</b>	<b>174,389</b>	<b>824,494</b>	<b>781,893</b>
<b>Net Result from Ordinary Activities</b>	<b>1,459</b>	<b>306</b>	<b>(8,696)</b>	<b>(13,234)</b>	<b>(41,415)</b>	<b>11,525</b>	<b>(48,652)</b>	<b>(1,403)</b>	<b>(41,415)</b>	<b>11,525</b>	<b>(48,652)</b>	<b>(1,403)</b>
Interest Expense	-	-	(128)	-	(1,583)	(1,521)	(1,711)	(1,521)	(1,583)	(1,521)	(1,711)	(1,521)
Interest Income	-	-	2,194	2,134	262	231	2,456	2,365	262	231	2,456	2,365
<b>Net Result for the Year</b>	<b>1,459</b>	<b>306</b>	<b>(6,630)</b>	<b>(11,100)</b>	<b>(42,736)</b>	<b>10,235</b>	<b>(47,907)</b>	<b>(559)</b>	<b>(42,736)</b>	<b>10,235</b>	<b>(47,907)</b>	<b>(559)</b>
<b>Other Information</b>												
Segment Assets	8,001	8,549	736,267	784,571	-	-	744,268	793,120	-	-	744,268	793,120
Unallocated Assets	-	-	-	-	443,268	305,267	443,268	305,267	-	-	443,268	305,267
<b>Total Assets</b>	<b>8,001</b>	<b>8,549</b>	<b>736,267</b>	<b>784,571</b>	<b>443,268</b>	<b>305,267</b>	<b>1,187,536</b>	<b>1,098,387</b>	<b>443,268</b>	<b>305,267</b>	<b>1,187,536</b>	<b>1,098,387</b>
Segment Liabilities	2,875	3,111	157,740	164,143	-	-	160,615	167,254	-	-	160,615	167,254
Unallocated Liabilities	-	-	-	-	92,422	77,084	92,422	77,084	-	-	92,422	77,084
<b>Total Liabilities</b>	<b>2,875</b>	<b>3,111</b>	<b>157,740</b>	<b>164,143</b>	<b>92,422</b>	<b>77,084</b>	<b>253,037</b>	<b>244,338</b>	<b>92,422</b>	<b>77,084</b>	<b>253,037</b>	<b>244,338</b>
Acquisition of Property, Plant, Equipment and Intangible Assets	30	108	4,781	2,090	29,516	78,283	34,327	80,481	29,516	78,283	34,327	80,481
Depreciation & Amortisation Expense	578	529	53,085	48,357	25,762	24,978	79,425	73,864	25,762	24,978	79,425	73,864



## **Note 25: Segment Reporting (continued)**

The major products/services from which the above segments derive revenue are:

### **Business Segments**

Residential Aged Care Services (RACS) including Mental Health

### **Services**

Residential Aged Care Nursing Home Services  
Mary Guthrie House

All inpatient, outpatient and emergency services offered within the public health system excluding Mental Health Services.

All inter-segment transfers are based on cost.

### **Geographical Segment**

Austin Health operates predominantly in North Eastern Metropolitan Melbourne, Victoria. More than 90% of revenue, net result from ordinary activities and segment assets relate to operations in North Eastern Metropolitan Melbourne, Victoria.

## Note 26a: Responsible Persons Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

<b>Responsible Persons</b>	<b>Period</b>
The Hon David Davis, MLC, Minister for Health and Ageing	01/07/2013 – 30/06/2014
The Hon Mary Wooldridge, MLA, Minister for Mental Health	01/07/2013 – 30/06/2014

### **The Austin Health Board**

The Hon Judith Troeth AM (Chairperson)	01/07/2013 – 30/06/2014
Dr Con Mylonas	01/07/2013 – 30/06/2014
Ms Suzanne Evans	01/07/2013 – 30/06/2014
Prof John McNeil	01/07/2013 – 30/06/2014
Ms Mary Ann Morgan	01/07/2013 – 30/06/2014
Mr Damian Mitsch	01/07/2013 – 30/06/2014
Professor David Scott	13/08/2013 – 30/06/2014
Ms Debra Cerasa	01/10/2013 – 30/06/2014

### **Accountable Officer**

Dr Brendan Murphy	01/07/2013 – 30/06/2014
-------------------	-------------------------

### **Remuneration of Responsible Persons**

The number of Responsible Persons are shown in their relevant income bands:

	<b>2014 No.</b>	<b>2013 No.</b>
\$10,000 - \$19,999	1	1
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	5	7
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	1	-
\$400,000 - \$409,999	-	1
\$420,000 - \$429,999	1	-
<b>Total numbers</b>	<b>9</b>	<b>10</b>

	<b>2014</b>	<b>2013</b>
Total remuneration received or due and receivable by Responsible Persons from Austin Health amounted to:	\$ 707,808	\$ 705,061

Amounts relating to Responsible Ministers are reported in the Financial Statement of the Department of Premier and Cabinet

### **Retirement Benefits of Responsible Person**

There were no retirement benefits paid to Directors during the year.

### **Changes to the Austin Health Board after 30 June 2014.**

As at 30 June 2014, Professor David Scott completed his term of appointment.

### **Other Transactions of Responsible Persons and their Related Parties.**

There were no transactions with responsible persons or their related entities other than those within normal employee relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

## Note 26b: Executive Officer Disclosures

### Executive Officer Disclosures

The number of Executive Officers, other than Ministers and Accountable Officers, and their total remuneration during the reported period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of Executive Officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, LSL payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2014 No	2013 No	2014 No	2013 No
\$0 - \$99,999	-	-	-	-
\$100,000 - \$109,999	-	-	-	-
\$110,000 - \$119,999	-	-	-	-
\$200,000 - \$209,999	-	-	-	-
\$230,000 - \$239,999	-	-	-	-
\$240,000 - \$249,999	-	-	-	2
\$250,000 - \$259,999	-	-	-	3
\$260,000 - \$269,999	-	4	4	-
\$270,000 - \$279,999	4	-	-	-
\$280,000 - \$289,999	-	-	1	1
\$290,000 - \$299,999	-	1	-	-
\$300,000 - \$309,999	1	1	1	-
\$310,000 - \$319,999	1	-	-	1
\$320,000 - \$329,999	-	1	1	-
\$330,000 - \$339,999	1	-	-	-
Total	7	7	7	7
<b>Total remuneration</b>	<b>2,066,034</b>	<b>1,985,804</b>	<b>1,958,964</b>	<b>1,853,110</b>

## Note 27: Remuneration of Auditors

	Total 2014 \$000	Total 2013 \$000
<b>Victorian Auditor-General's Office</b>		
Audit of financial statement	226	240
Total	<b>226</b>	<b>240</b>

## Note 28: Ex Gratia Payments

	Total 2014 \$000	Total 2013 \$000
Austin Health made Ex Gratia payments to staff that transferred to another entity in lieu of salary packaging benefits in 2012/13	-	179
Total	<b>-</b>	<b>179</b>

## **Note 29: Events Occurring after the Balance Sheet Date**

There were no events occurring after the balance sheet date.

## **Note 30: Economic dependency**

Austin Health is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health. The Department of Health has provided confirmation that it will continue to provide Austin Health adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2015.

## **Note 31: Glossary of terms and style conventions**

### **Actuarial gains or losses on superannuation defined benefit plans**

Actuarial gains or losses reflect movements in the superannuation liability resulting from differences between the assumptions used to calculate the superannuation expense and actual experience.

### **Amortisation**

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

### **Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

### **Commitments**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### **Current grants**

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

### **Depreciation**

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

### **Effective interest method**

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period

### **Employee benefits expenses**

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### **Ex gratia payments**

Ex gratia payment is the gratuitous payment of money where no legal obligation exists.

**Financial asset**

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

**Financial instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

**Financial liability**

A financial liability is any liability that is:

- (a) A contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**Financial statements**

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

**Grants and other transfers**

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

**Intangible produced assets**

Refer to produced assets in this glossary.

**Intangible non-produced assets**

Refer to non-produced asset in this glossary.

### **Interest expense**

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term liabilities, amortisation of discounts or premiums relating to liabilities, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

### **Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

### **Liabilities**

Liabilities refers to interest-bearing liabilities mainly raised from public liabilities raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Liabilities also include non-interest-bearing advances from government that are acquired for policy purposes.

### **Net acquisition of non-financial assets (from transactions)**

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

### **Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

Net result from transactions/net operating balance Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

### **Net worth**

Assets less liabilities, which is an economic measure of wealth.

### **Non-financial assets**

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

### **Non-produced assets**

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

### **Payables**

Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

### **Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start up costs associated with capital projects).

### **Receivables**

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

### **Sales of goods and services**

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

### **Supplies and services**

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Department.

### **Taxation income**

Taxation income represents income received from the State's taxpayers and includes:

- payroll tax; land tax; duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, license and concession fees.

### **Transactions**

Revised Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

### **Style conventions**

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

.. zero, or rounded to zero

(xxx.x) negative numbers

200x year period

200x-0x year period

---

---

## **AUSTIN HOSPITAL**

145 Studley Road  
PO Box 5555  
Heidelberg  
Victoria Australia 3084  
Phone: 03 9496 5000

## **HEIDELBERG REPATRIATION HOSPITAL**

300 Waterdale Road  
PO Box 5444  
Heidelberg West  
Victoria Australia 3081  
Phone: 03 9496 5000

## **ROYAL TALBOT REHABILITATION CENTRE**

1 Yarra Boulevard  
Kew  
Victoria Australia 3101  
Phone: 03 9490 7500

[www.austin.org.au](http://www.austin.org.au)

---