

# VAGO

Victorian Auditor-General's Office

23 August 2011

File No: 27065/01

Ms J. Bryce  
Accountable Officer  
Lorne Community Hospital  
Albert Street  
Lorne VIC 3232

Dear Ms Bryce

## **Audited financial report for the year ended 30 June 2011**

I enclose for your information the audited financial report of Lorne Community Hospital and the audit report for the year ended 30 June 2011. These have also been sent to the Board Member.

Copies of the audited financial report and the audit report have been forwarded to:

- the Minister for Health
- the Minister for Finance
- the Secretary of the Department of Health
- the Secretary of the Department of Treasury and Finance.

The audit report incorporates a paragraph addressing the electronic presentation of your financial report. Where you present your financial report on your website, the enclosed audit report must be appended to these statements.

An interim management letter outlining audit observations and recommendations relating to internal controls was issued to you on 1 July 2011. A final management letter dealing with matters arising from our audit of the financial report will be issued to you.

In closing, I record my appreciation for the courtesy and co-operation extended by your staff during the audit.

Yours sincerely

  
for D D R Pearson  
*Auditor-General*



# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Lorne Community Hospital

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2011 of Lorne Community Hospital which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a statement of significant accounting policies and other explanatory information, and the Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's Declaration has been audited.

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

The Board Members of Lorne Community Hospital are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, 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 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.

#### *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.



## Independent Auditor's Report (continued)

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Lorne Community Hospital as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, 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 Lorne Community Hospital for the year ended 30 June 2011 included both in Lorne Community Hospital's annual report and on the website. The Board Members of Lorne Community Hospital are responsible for the integrity of Lorne Community Hospital's website. I have not been engaged to report on the integrity of Lorne Community Hospital'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  
23 August 2011



D D R Pearson  
Auditor-General



LORNE COMMUNITY HOSPITAL

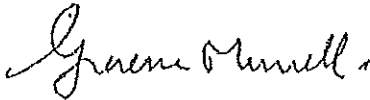
Board member's, accountable officer's and chief finance & accounting officer's declaration

We certify that the attached financial statements for Lorne Community Hospital have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards, 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 notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and the financial position of Lorne Community Hospital at 30 June 2011.

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

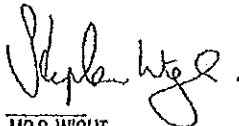
We authorise the attached financial statements for issue on this day.



DR G. MURRELL  
Board Member

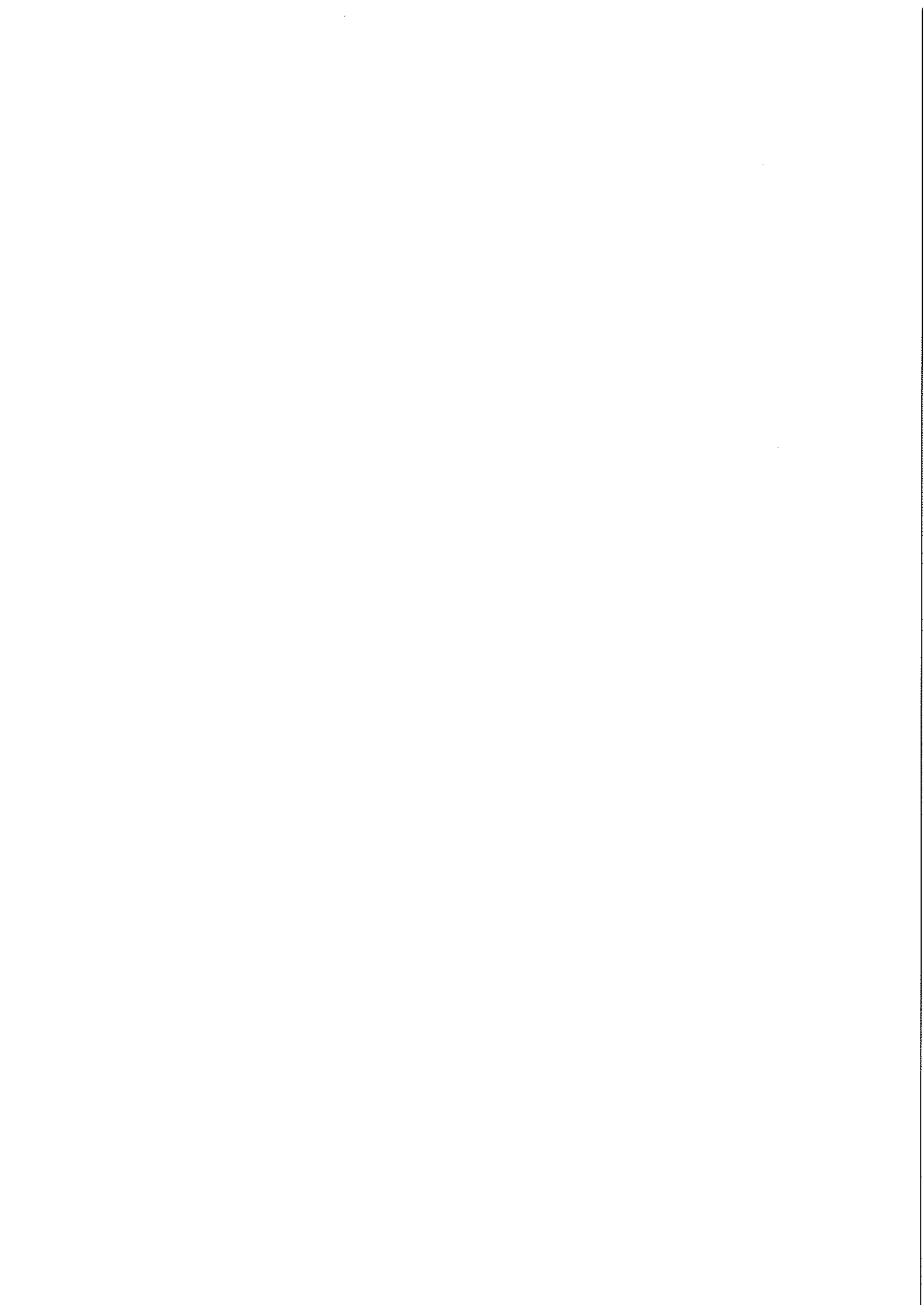


MS J. BRYCE  
Accountable Officer



MRS S. WIGHT  
Chief Finance & Accounting Officer

Dated the 22nd day of August, 2011



LORNE COMMUNITY HOSPITAL

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Revenue from Operating Activities	2	4,525,373	4,174,029
Revenue from Non-Operating Activities	2	55,659	56,305
Employee Expenses	3	(3,222,356)	(3,178,614)
Non Salary Labour Costs	3	(227,862)	(128,388)
Supplies & Consumables	3	(196,500)	(197,376)
Other Expenses From Continuing Operations	3	(1,295,260)	(883,922)
Share of Net Result of Joint Ventures Accounted for using the Equity Method	8	-	(14,012)
<b>NET RESULT BEFORE CAPITAL &amp; SPECIFIC ITEMS</b>		<b>(360,946)</b>	<b>(171,976)</b>
Capital Purpose Income	2	107,930	151,378
Depreciation	4	(644,982)	(680,132)
<b>NET RESULT FOR THE YEAR</b>		<b>(897,998)</b>	<b>(700,730)</b>
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>(897,998)</b>	<b>(700,730)</b>

This statement should be read in conjunction with the accompanying notes

**LORNE COMMUNITY HOSPITAL**  
**BALANCE SHEET AS AT 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	283,604	370,960
Receivables	6	177,649	115,919
Investments and Other Financial Assets	7	533,727	821,249
Other Assets		14,406	
<b>Total Current Assets</b>		<u>1,009,386</u>	<u>1,308,128</u>
<b>Non-Current Assets</b>			
Investments Accounted for using the Equity Method	8		30,098
Property, Plant & Equipment	9	15,604,691	16,098,919
<b>Total Non-Current Assets</b>		<u>15,604,691</u>	<u>16,127,017</u>
<b>Total Assets</b>		<u>16,614,077</u>	<u>17,435,145</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	266,500	205,230
Employee Benefits and Related On-Costs Provisions	11	684,455	682,212
<b>Total Current Liabilities</b>		<u>950,955</u>	<u>887,442</u>
<b>Non-Current Liabilities</b>			
Employee Benefits and Related On-Costs Provisions	11	51,381	37,964
<b>Total Non-Current Liabilities</b>		<u>51,381</u>	<u>37,964</u>
<b>Total Liabilities</b>		<u>1,002,336</u>	<u>925,406</u>
<b>NET ASSETS</b>		<u>16,611,741</u>	<u>16,509,739</u>
<b>EQUITY</b>			
Property, Plant & Equipment Revaluation Surplus	12a	6,131,950	6,131,950
Contributed Capital	12b	2,475,050	2,475,050
Accumulated Surpluses	12c	7,004,741	7,902,739
<b>Total Equity</b>	12d	<u>15,611,741</u>	<u>16,509,739</u>

This statement should be read in conjunction with the accompanying notes

LORNE COMMUNITY HOSPITAL

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Note	Property, Plant & Equipment Revaluation Surplus	Contribution by Owners	Accumulated Surplus / (Deficits)	Total
		\$	\$	\$	\$
Balance at 1 July 2009		6,131,950	2,475,050	8,603,469	17,210,469
Net Result for the year		-	-	(700,730)	(700,730)
Balance at 30 June 2010		6,131,950	2,475,050	7,902,739	16,609,739
Net Result for the year		-	-	(897,998)	(897,998)
Balance at 30 June 2011		6,131,950	2,475,050	7,004,741	15,611,741

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

LORNE COMMUNITY HOSPITAL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		3,475,777	3,293,468
Patient and Resident Fees Received		430,018	421,845
Donations and Bequests Received		79,096	82,111
Interest Received		61,457	45,242
Other Receipts		461,569	158,372
Employee Expenses Paid		(3,206,696)	(3,169,088)
Non Salary Labour Costs		(250,648)	(141,225)
Payments for Supplies & Consumables		(210,906)	(197,376)
GST Paid to the ATO		57,609	57,609
Other Payments		(1,227,328)	(689,062)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>(330,054)</b>	<b>(138,004)</b>
Capital Grants from Government		6,814	119,945
Capital Donations and Bequests Received		100,868	33,503
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	13	<b>(222,374)</b>	<b>15,444</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Properties, Plant & Equipment		(152,764)	(251,607)
Proceeds from Sale of Properties, Plant & Equipment		250	18,000
Purchase of Investments		-	(571,249)
Proceeds from Sale of Investments		287,522	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>135,018</b>	<b>(604,856)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(87,356)</b>	<b>(789,412)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>370,960</b>	<b>1,160,372</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5	<b>283,604</b>	<b>370,960</b>

This statement should be read in conjunction with the accompanying notes

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

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**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of Compliance**

These financial statements are a general purpose financial report which has been prepared in accordance with the Financial Management Act 1994 and applicable Australian Accounting Standards (AASs) and Australian Accounting Interpretations and other mandatory reporting requirements. AASs include Australian equivalents to International Financial Reporting Standards.

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 Hospital is a not-for-profit entity and therefore applies the additional paragraphs applicable to "not-for-profit" entities under the AAS's.

The annual financial statements were authorised for issue by the Board of the Hospital on August 22, 2011

**(b) Basis of preparation**

Accounting policies are selected 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 2011, and the comparative information presented in these financial statements for the year ended 30 June 2010.

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

The presentation currency of the Hospital is the Australian dollar.

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 the revaluation of certain non-financial assets and financial instruments, as noted. Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation 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 through profit and loss; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

The fair value of assets other than land is generally based on their depreciated replacement value.

Historical cost is based on the fair values of the consideration given in exchange for assets.

In the application of AAS's management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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, are disclosed throughout the notes to the financial statements.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Reporting Entity**

The financial statements include all the controlled activities of the Lorne Community Hospital.  
Its principle address is:  
Albert Street  
LORNE VIC 3232

**(d) Jointly Controlled Assets**

Interests in jointly controlled assets are accounted for by recognising in the Hospital's financial statements its proportionate share of the assets, liabilities and any income and expenses of such assets.

**(e) Scope and Presentation of Financial Statements**

**Fund Accounting**

The Hospital operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Capital and Specific Purpose Funds include unspent capital donations and receipts from fund-raising activities conducted solely in respect of these funds.

**Services Supported by Hospitals Agreement and Services Supported by Hospital and Community Initiatives**

The activities classified as Services Supported by Hospitals 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 Hospital's own activities or local initiatives and/or the Commonwealth.

**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 the Hospital. This subtotal reports the result excluding such items as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenues and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Hospitals. The 'Net result before Capital & Specific Items' is used by the management of the Hospital, the Department of Health and the Victorian Government to measure the ongoing performance of Hospitals in operating hospital 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 or plant and equipment. It also includes donations of plant and equipment. 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.
- Specific income/expense, comprises the following items, where material:
  - Voluntary departure packages
  - Non-Current asset revaluation increments/decrements
- Impairment of financial and non-financial assets including all impairment losses (and reversal of previous impairment losses) which have been recognised in accordance with Note 1 (i) and (j)
- Depreciation and amortisation, as described in note 1 (h)
- Assets provided or received free of charge (refer to Note 1 (g) and (h))
- 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.

**Statement of changes in equity**

The statement of changes in equity presents reconciliations of each non-owner and owner equity 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 related to other non-owner changes in equity.

**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.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Change in Accounting Policies**

The Hospital had a 2.21% interest in the joint venture of South West Alliance for Rural Health (SWARH) as at 30 June 2010 amounting to \$30,098. This investment in the joint venture was previously treated as an investment in a jointly controlled entity. From 1 July 2010, this investment has been accounted for as an interest in a jointly controlled asset. The change in accounting policy is as a result of a review of the accounting treatment under the joint venture agreement.

As at 30 June 2011 this investment is disclosed as a Jointly Controlled Asset, split into the relative class of revenue, expenditure, assets and liabilities per the Hospital's share of SWARH's results and position. For the year ended 30 June 2010 the impact of this change is nil.

Previous disclosure 2009/10 Published Financial Statements:

- recognition of Hospital's share of operating result of SWARH \$(14,012), as an individual line item in the Comprehensive Operating Statement; and
- investment accounted for using the equity method as a non current asset in the balance sheet for \$30,098

Under New Accounting Policy this investment would have been disclosed in 2009/10 as follows:

- Revenue class items amounting to \$124,873, expenditure class items amounting to \$(138,885). Net result \$(14,012); and
- Current assets items amounting to \$276,561, non current asset items amounting to \$4,510 and current liability items amounting to \$(247,179) and non current liabilities items amounting to \$(2,794). Resulting in a net asset position for the investment in SWARH jointly controlled assets of \$30,098.

Refer to Note 8 Investment accounted for using the equity method for disclosure relating to 2009/10 and to Note 18 Interest In Jointly Controlled Asset for the disclosure of this investment in 2010/11

**(g) Income recognition**

Revenue is recognised in accordance with AASB 118 Revenue and is recognised as to the extent it is probable that the economic benefits will flow to the Hospital and the income can be reliably measured. 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 Hospital gains control of the underlying assets irrespective of whether conditions are imposed on the Hospital's use of the contributions.

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

**Indirect Contributions**

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 14/2009.

**Patient and Resident Fees**

Patient fees are recognised as revenue at the time invoices are raised.

**Donations and Bequests**

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

**Interest Revenue**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial asset.

**Sale of Investments**

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

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Income recognition (Continued)**

**Resources Provided and Received Free of Charge or for Nominal Consideration**

Resources provided or 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 Hospital 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 donated.

**(h) Expense Recognition**

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

**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 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 plans**

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the Hospital to the superannuation plans in respect of the services of current Hospital 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 the Hospital are entitled to receive superannuation benefits and the Hospital contributes to both the defined benefit and defined contribution plans. The defined benefit plan(s) provide benefits based on years of service and final average salary.

**Depreciation**

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. 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 and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Health.

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land 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.

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

	2011	2010
<b>Buildings</b>		
- Structure Shell Building Fabric	Up to 60 years	Up to 60 years
- Site Engineering Services and Central Plant	Up to 30 years	Up to 30 years
<b>Central Plant</b>		
- Fit Out	Up to 30 years	Up to 30 years
- Trunk Reticulated Building Systems	Up to 40 years	Up to 40 years
<b>Plant &amp; Equipment</b>	Up to 15 years	Up to 15 years
<b>Medical Equipment</b>	Up to 15 years	Up to 15 years
<b>Computers &amp; Communications</b>	Up to 15 years	Up to 15 years
<b>Furniture &amp; Fittings</b>	Up to 15 years	Up to 15 years
<b>Motor Vehicles</b>	Up to 7 years	Up to 7 years

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

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Financial Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

**Receivables**

Receivables consist of:

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

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 an impairment loss has occurred. Bad debts are written off when identified.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

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

**Investment and Other Financial Assets**

Other financial assets 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;
- Loans and receivables; and
- Available-for-sale financial assets.

The Hospital 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.

The Hospital 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 and loss are subject to annual review for impairment.

**Loans and receivables**

Trade receivables, loans, term deposits with maturity greater than three months and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset 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 asset, or, where appropriate, a shorter period.

**Held-to-maturity investments**

Where the Hospital has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

**Available-for-sale financial assets**

Other financial assets held by the Hospital are classified as being available-for-sale and are measured 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 profit or loss for the period. Fair value is determined in the manner described in Note 14.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Financial Assets (Continued)**

**Impairment of Financial Assets**

At the end of each reporting period the Hospital assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings. All financial instruments assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off and allowance for doubtful receivables are recognised as expenses 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 per cent 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 instrument is treated as impaired.

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.

**(j) Non-Financial Assets**

**Inventories**

The value of supplies held at balance date is not considered to be material. The cost of supplies is charged to operating expenses when incurred.

**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, 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.

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 to sell, and are not subject to depreciation.

**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.

**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 land, public announcements or commitments made in relation to the intended use of the land. 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.

**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.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Non-Financial Assets (Continued)**

**Revaluations of Non-Current Physical Assets**

Non-current physical assets measured at fair value are revalued in accordance with FRD 103D 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 credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the property, plant & equipment revaluation surplus in respect of the same class of assets, they are debited directly to the asset revaluation surplus.

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 are normally not transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103D the Hospital's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

**Other non-financial assets**

**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 at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

**Impairment of Non-Financial Assets**

Apart from intangible assets with indefinite useful lives, all other assets are tested annually for indications of impairment except for:

- financial assets;
- investment property that is measured at fair value; and
- non-current physical assets held for sale.

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.

It is deemed that, in the event of the loss or destruction 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.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Liabilities**

**Payables**

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, then subsequently carried at amortised cost and represent liabilities for goods and services provided to the Hospital prior to the end of the financial year that are unpaid, and arise when the Hospital becomes obliged to make future payments in respect of the purchase of these goods and services.

The normal credit terms are usually Net 30 days.

**Employee Benefits**

***Wages and Salaries, Annual Leave, Sick Leave and Accrued Days Off***

Liabilities for wages and salaries, including non-monetary benefits, annual leave accumulating sick leave and accrued days off expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date, classified as current liabilities and measured at nominal values.

Those liabilities that are not expected to settle within 12 months are recognised in the provision for employee benefits as current liabilities, but are 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***

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

***Current Liability - unconditional LSL*** (representing 10 or more years of continuous service) is disclosed as a current liability even where the Hospital does not expect to settle the liability within 12 months because it does not have the unconditional right to defer the settlement of the entitlement should the employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value - component that the Hospital does not expect to settle within 12 months; and
- nominal value - component that the Hospital expects to settle within 12 months.

***Non-Current Liability - 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. Conditional LSL is required to be measured at present value.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

***Termination Benefits***

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations that will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

***On-Costs***

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

***Superannuation Liabilities***

The Hospital does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Hospital 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 administers and discloses the State's defined benefit liabilities in its financial statements.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(l) Leases**

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.

**Operating Leases**

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

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.

**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.

**(m) 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 reserve is used to record increments and decrements on the revaluation of non-current physical assets.

**Specific Restricted Purpose Reserve**

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

**(n) Commitments for Expenditure**

Commitments for expenditure are not recognised on the Balance Sheet. Commitments for expenditure are disclosed 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.

**(o) 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.

**(p) Goods and Services Tax**

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.

**(q) Rounding Off**

All amounts shown in the Financial Statements are expressed to the nearest dollar.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Category Groups**

The Hospital 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.

**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 Hospitals including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

**Residential Aged Care (RAC)** 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).

**(s) New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for financial years ending 30 June 2011. The Hospital has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 9 <i>Financial Instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 124 <i>Related Party Disclosures (Dec 2009)</i>	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, the Hospital is still assessing the detailed impact and whether to early adopt.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12)</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(s) **New Accounting Standards and Interpretations (Continued)**

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 2009-12 <i>Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]</i>	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments. Detail of impact is still being assessed.
AASB 2009-14 <i>Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]</i>	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 &amp; AASB 134 and Interpretation 13]</i>	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-5 <i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 &amp; 1038 and Interpretations 112, 115, 127, 132 &amp; 1042]</i>	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-6 <i>Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</i>	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets. Detail of impact is still being assessed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Interpretations 2, 5, 10, 12, 19 &amp; 127]</i>	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010-8 <i>Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]</i>	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 <i>Investment Property</i> .	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(s) New Accounting Standards and Interpretations (Continued)**

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 2010-9 <i>Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]</i>	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 &amp; AASB 134 and Interpretations 2, 112 &amp; 113]</i>	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 &amp; AASB 1054]</i>	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</i>	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: REVENUE**

	HSA		H&C1		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
<b>Revenue from Operating Activities</b>						
Government Grants						
- Department of Health	2,729,199	2,675,641	-	-	2,729,199	2,675,641
- Commonwealth Government - Residential Aged Care Subsidy	651,123	732,217	-	-	651,123	732,217
<b>Total Government Grants</b>	<b>3,380,322</b>	<b>3,407,858</b>	<b>-</b>	<b>-</b>	<b>3,380,322</b>	<b>3,407,858</b>
Indirect Contributions by Department of Health						
- Insurance	114,829	87,439	-	-	114,829	87,439
- Long Service Leave	-	-	-	-	-	-
<b>Total Indirect Contributions by Department of Health</b>	<b>114,829</b>	<b>87,439</b>	<b>-</b>	<b>-</b>	<b>114,829</b>	<b>87,439</b>
Patient and Resident Fees (refer Note 2b)						
- Patient and Resident Fees	36,972	23,929	-	-	36,972	23,929
- Residential Aged Care	381,524	404,415	-	-	381,524	404,415
<b>Total Patient and Resident Fees (refer Note 2b)</b>	<b>418,496</b>	<b>428,344</b>	<b>-</b>	<b>-</b>	<b>418,496</b>	<b>428,344</b>
Donations and Bequests	79,096	82,111	-	-	79,096	82,111
Other Revenue from Operating Activities						
- Meals on Wheels	14,333	9,730	-	-	14,333	9,730
- District Nursing	20,678	48,196	-	-	20,678	48,196
- Property Income	14,348	16,107	-	-	14,348	16,107
- Miscellaneous	483,271	94,244	-	-	483,271	94,244
<b>Total Other Revenue from Operating Activities</b>	<b>532,630</b>	<b>168,277</b>	<b>-</b>	<b>-</b>	<b>532,630</b>	<b>168,277</b>
<b>Sub-Total Revenue from Operating Activities</b>	<b>4,525,373</b>	<b>4,174,029</b>	<b>-</b>	<b>-</b>	<b>4,525,373</b>	<b>4,174,029</b>
<b>Revenue from Non-Operating Activities</b>						
Interest	-	-	55,659	56,305	55,659	56,305
<b>Sub-Total Revenue from Non-Operating Activities</b>	<b>-</b>	<b>-</b>	<b>55,659</b>	<b>56,305</b>	<b>55,659</b>	<b>56,305</b>
<b>Revenue from Capital Purpose Income</b>						
State Government Grants						
- Targeted Capital Works and Equipment	6,814	119,945	-	-	6,814	119,945
Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2c)	250	(2,070)	-	-	250	(2,070)
Donations & Bequests	-	-	100,866	33,503	100,866	33,503
<b>Sub-Total Revenue from Capital Purpose Income</b>	<b>7,064</b>	<b>117,875</b>	<b>100,866</b>	<b>33,503</b>	<b>107,930</b>	<b>151,378</b>
Share of Net Result of Joint Ventures Accounted for using the Equity Model (refer note 8)	-	(14,012)	-	-	-	(14,012)
<b>Total Revenue (refer note 2a)</b>	<b>4,532,437</b>	<b>4,277,892</b>	<b>156,525</b>	<b>89,808</b>	<b>4,688,962</b>	<b>4,367,700</b>

Indirect Contributions by Department of Health:

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

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2a: ANALYSIS OF REVENUE BY SOURCE**

	Admitted Patients 2011 \$	RAC 2011 \$	Aged Care 2011 \$	Primary Health 2011 \$	Total 2011 \$
<b>Revenue from Services Supported by Hospitals Agreement</b>					
Government Grants	1,951,333	1,164,976	213,604	50,409	3,380,322
Indirect Contributions by Department of Health	114,829	-	-	-	114,829
Patient & Resident Fees (refer note 2b)	36,972	381,524	-	-	418,496
Donations and Bequests (Non-Capital)	79,096	-	-	-	79,096
Other Revenue from Operating Activities	432,868	13,648	65,687	20,429	532,630
Capital Purpose Income (refer note 2)	7,064	-	-	-	7,064
<b>Sub-Total Revenue from Services Supported by Hospitals Agreement</b>	<b>2,622,162</b>	<b>1,560,146</b>	<b>279,291</b>	<b>70,838</b>	<b>4,532,437</b>
<b>Revenue from Services Supported by Hospital &amp; Community Initiatives</b>					
Capital Purpose Income (refer note 2)	100,866	-	-	-	100,866
Interest	55,659	-	-	-	55,659
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>156,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156,525</b>
<b>Total Revenue from Ordinary Activities</b>	<b>2,778,687</b>	<b>1,560,146</b>	<b>279,291</b>	<b>70,838</b>	<b>4,688,962</b>

	Admitted Patients 2010 \$	RAC 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Total 2010 \$
<b>Revenue from Services Supported by Hospitals Agreement</b>					
Government Grants	1,920,072	1,244,167	196,219	47,400	3,407,858
Indirect Contributions by Department of Health	87,439	-	-	-	87,439
Patient & Resident Fees (refer note 2b)	23,929	404,415	-	-	428,344
Donations and Bequests (Non-Capital)	81,931	-	-	180	82,111
Other Revenue from Operating Activities	68,515	13,646	65,687	20,429	168,277
Capital Purpose Income (refer note 2)	117,875	-	-	-	117,875
Share of Net Result of Joint Ventures Accounted for using the Equity Model (refer note 8)	(14,012)	-	-	-	(14,012)
<b>Sub-Total Revenue from Services Supported by Hospitals Agreement</b>	<b>2,285,749</b>	<b>1,662,228</b>	<b>261,906</b>	<b>68,009</b>	<b>4,277,892</b>
<b>Revenue from Services Supported by Hospital &amp; Community Initiatives</b>					
Capital Purpose Income (refer note 2)	33,503	-	-	-	33,503
Interest	56,305	-	-	-	56,305
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>89,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,808</b>
<b>Total Revenue</b>	<b>2,375,557</b>	<b>1,662,228</b>	<b>261,906</b>	<b>68,009</b>	<b>4,367,700</b>

**NOTE 2b: PATIENT AND RESIDENT FEES**

	2011 \$	2010 \$
<b>Recurrent:</b>		
<b>Acute</b>		
- Inpatients	36,972	23,929
<b>Residential Aged Care</b>		
- Nursing Home	263,146	302,765
- Residential Accommodation Payments	118,378	101,650
<b>Total Recurrent</b>	<b>418,496</b>	<b>428,344</b>

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	2011	2010
	\$	\$
<b>NOTE 2c: NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS</b>		
<b>Proceeds from Disposal of Non- Current Assets</b>		
Motor Vehicles	-	18,000
Plant and equipment	250	-
<b>Total Proceeds from Disposal of Non-Current Assets</b>	<u>250</u>	<u>18,000</u>
<b>Less: Written-Down Value of Non-Current Assets Sold</b>		
Motor Vehicles	-	20,070
Plant and equipment	-	-
<b>Total Written Down Value of Non-Current Assets Sold</b>	<u>-</u>	<u>20,070</u>
<b>Net Gains/(Loss) on Disposal of Non-Current Assets</b>	<u>250</u>	<u>(2,070)</u>

<b>NOTE 3: EXPENSES</b>	Admitted	RAC	Aged	Primary	Total
<b>All Expenses are from Services Supported By Hospitals Agreement</b>	Patients		Care	Health	
	2011	2011	2011	2011	2011
	\$	\$	\$	\$	\$
<b>Employee Expenses</b>					
Salaries and Wages	935,521	1,595,608	234,250	58,368	2,823,747
Workcover	12,674	21,617	3,174	791	39,256
Long Service Leave	(25,226)	103,854	14,414	116	93,158
Superannuation	94,258	150,648	17,628	4,661	267,195
<b>Total Employee Benefits</b>	<u>1,017,227</u>	<u>1,871,727</u>	<u>269,466</u>	<u>63,936</u>	<u>3,222,356</u>
<b>Non Salary Labour Costs</b>					
Fee for Service Medical Officers	113,636	-	-	-	113,636
Agency Costs	31,576	65,299	7,976	9,375	114,226
<b>Total Non Salary Labour Costs</b>	<u>145,212</u>	<u>65,299</u>	<u>7,976</u>	<u>9,375</u>	<u>227,862</u>
<b>Supplies &amp; Consumables</b>					
Drug Supplies	19,713	-	-	-	19,713
Medical, Surgical Supplies & Prosthesis	66,607	5,913	-	49	72,589
Food Supplies	8,761	91,766	3,671	-	104,218
<b>Total Supplies and Consumables</b>	<u>95,081</u>	<u>97,699</u>	<u>3,671</u>	<u>49</u>	<u>196,500</u>
<b>Other Expenses from Continuing Operations</b>					
Domestic Services & Supplies	14,472	49,460	36	13	63,981
Fuel, Light, Power and Water	22,245	56,331	28,878	138	107,590
Insurance costs funded by the Department of Health	114,829	-	-	-	114,829
Motor Vehicle Expenses	8,654	7,124	1,162	406	17,346
Repairs and Maintenance	43,472	43,681	15,103	(321)	101,935
Maintenance Contracts	10,827	8,913	1,454	508	21,702
Patient Transport	7,961	-	-	-	7,961
Other Administrative Expenses	424,341	320,331	62,193	37,502	844,367
Audit Fees - Auditor General	11,516	3,306	539	188	15,549
<b>Total Other Expenses from Continuing Operations</b>	<u>658,317</u>	<u>489,146</u>	<u>109,365</u>	<u>38,432</u>	<u>1,295,260</u>
Depreciation & Amortisation (refer note 4)	472,358	156,423	16,201	-	644,982
<b>Total Expenses</b>	<u>2,388,195</u>	<u>2,680,294</u>	<u>406,679</u>	<u>111,792</u>	<u>5,586,960</u>

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**NOTE 3: EXPENSES (Cont.)**

	Admitted Patients 2010 \$	RAC 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Total 2010 \$
<b>Employee Expenses</b>					
Salaries and Wages	1,221,488	1,392,405	147,892	55,044	2,816,829
Workcover	14,006	15,966	1,696	631	32,299
Long Service Leave	(5,310)	56,983	5,747	1,290	58,710
Superannuation	119,776	133,374	13,000	4,626	270,776
<b>Total Employee Benefits</b>	<b>1,349,960</b>	<b>1,598,728</b>	<b>168,335</b>	<b>61,591</b>	<b>3,178,614</b>
<b>Non Salary Labour Costs</b>					
Fee for Service Medical Officers	92,379	-	-	-	92,379
Agency Costs	2,200	4,544	15,473	13,790	36,007
<b>Total Non Salary Labour Costs</b>	<b>94,579</b>	<b>4,544</b>	<b>15,473</b>	<b>13,790</b>	<b>128,386</b>
<b>Supplies &amp; Consumables</b>					
Drug Supplies	18,083	-	-	-	18,083
Medical, Surgical Supplies & Prosthesis	51,000	16,927	-	596	68,523
Food Supplies	22,669	87,611	490	-	110,770
<b>Total Supplies and Consumables</b>	<b>91,752</b>	<b>104,538</b>	<b>490</b>	<b>596</b>	<b>197,376</b>
<b>Other Expenses from Continuing Operations</b>					
Domestic Services & Supplies	33,716	38,623	613	2	72,954
Fuel, Light, Power and Water	33,111	69,812	749	196	103,868
Insurance costs funded by the Department of Health	87,439	-	-	-	87,439
Motor Vehicle Expenses	5,324	6,781	2,230	206	14,541
Repairs and Maintenance	84,062	65,604	1,776	426	151,868
Maintenance Contracts	25,548	21,222	2,802	727	50,299
Patient Transport	2,883	-	-	-	2,883
Other Administrative Expenses	182,707	159,652	36,047	9,064	387,470
Audit Fees - Auditor General	6,300	6,300	-	-	12,600
<b>Total Other Expenses from Continuing Operations</b>	<b>461,090</b>	<b>367,994</b>	<b>44,217</b>	<b>10,621</b>	<b>883,922</b>
Depreciation & Amortisation (refer note 4)	504,671	167,452	7,532	477	680,132
<b>Total Expenses</b>	<b>2,502,052</b>	<b>2,243,256</b>	<b>236,047</b>	<b>87,075</b>	<b>5,068,430</b>

**NOTE 4: DEPRECIATION**

	2011 \$	2010 \$
Buildings	473,104	473,105
Plant and Equipment	108,176	140,531
Medical Equipment	63,702	66,496
<b>Total Depreciation</b>	<b>644,982</b>	<b>680,132</b>

**NOTE 5: CASH AND CASH EQUIVALENTS**

For the purposes 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, net of outstanding bank overdrafts.

Cash on Hand	500	500
Cash at Bank	283,104	370,460
<b>TOTAL</b>	<b>283,604</b>	<b>370,960</b>
Represented by:		
Cash for Hospital Operations (as per Cash Flow Statement)	283,604	370,960

**LORNE COMMUNITY HOSPITAL  
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<b>NOTE 6: RECEIVABLES</b>	2011	2010
<b>CURRENT</b>	\$	\$
<b>Contractual</b>		
Patient Fees	36,830	48,350
Other Debtors	96,385	2,120
Accrued Investment Income	20,727	9,027
Accrued Revenue	2,346	3,098
	<u>156,288</u>	<u>62,593</u>
<b>Statutory</b>		
GST Receivable	21,361	27,159
Department of Health	-	26,167
<b>TOTAL CURRENT RECEIVABLES</b>	<u>177,649</u>	<u>115,919</u>

**(a) Ageing of Receivables**

Please refer to note 14 (c) for the ageing analysis of contractual receivables

**(b) Nature and extent of risk arising from Receivables**

Please refer to note 14 (c) for the nature and extent of credit risk arising from contractual receivables

**NOTE 7: INVESTMENTS AND OTHER FINANCIAL ASSETS**

<b>CURRENT</b>	2011	2010
Term Deposits	533,727	821,249
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<u>533,727</u>	<u>821,249</u>
Represented by:		
Hospital Investments	<u>533,727</u>	<u>821,249</u>

**(a) Ageing of Other Financial Assets**

Please refer to note 14 (c) for the ageing analysis of investments and Other Financial Assets

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

Please refer to note 14 (c) for the nature and extent of credit risk arising from investments and Other Financial Assets

**NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Investment in Jointly Controlled Venture	Principal Activity	Country of Incorporation	Ownership Interest		Published Fair Value	
			2011 %	2010 %	2011 \$	2010 \$
South West Alliance of Rural Hospitals (SWARH)	Information Technology	Australia	0.00%	2.21%	-	30,098

Lorne Community Hospital has a joint venture interest in the South Western Alliance of Rural Health (SWARH) whose principal activity is the implementing and processing of an information technology system and an associated telecommunication service suitable for use by each member hospital

The hospital's share of assets, liabilities and operating result is:

	2011	2010
	\$	\$
Current Assets	-	275,561
Non-Current Assets	-	4,510
<b>Share of Total Assets</b>	<u>-</u>	<u>280,071</u>
Current Liabilities	-	247,179
Non-Current Liabilities	-	2,794
<b>Share of Total Liabilities</b>	<u>-</u>	<u>249,973</u>
<b>Share of Jointly Controlled Entities Net Assets</b>	<u>-</u>	<u>30,098</u>
Total Income	-	124,873
Net Result	-	<u>(14,012)</u>
Operating Contract Commitments	-	176,188
Operating Lease Commitments	-	197,953

As disclosed in Note 1 (f) there has been a change in accounting policy in the treatment of this asset. Refer to Note 18 for disclosure in respect of 2011 for treatment as a jointly controlled asset.

**LORNE COMMUNITY HOSPITAL  
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**NOTE 9: PROPERTY, PLANT & EQUIPMENT**

<b>Land</b>		
Land at fair value	5,060,000	5,060,000
<b>Total Land</b>	<u>5,060,000</u>	<u>5,060,000</u>
 <b>Buildings</b>		
Buildings at fair value	11,022,000	11,022,000
Less Accumulated Depreciation	846,209	473,105
<b>Total Buildings</b>	<u>10,075,791</u>	<u>10,548,895</u>
 <b>Plant &amp; Equipment at Cost</b>		
Plant and Equipment at fair value	1,520,689	1,371,462
Less Accumulated Depreciation	1,179,284	1,072,035
<b>Total Plant &amp; Equipment</b>	<u>341,405</u>	<u>299,427</u>
 <b>Medical Equipment at Cost</b>		
Medical Equipment at fair value	622,712	620,114
Less Accumulated Depreciation	495,217	431,517
<b>Total Medical Equipment</b>	<u>127,495</u>	<u>188,597</u>
 <b>TOTAL</b>	<u>15,604,691</u>	<u>16,096,919</u>

**Land and buildings carried at valuation**

*An Independent valuation of the Hospital's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on Independent assessments. The effective date of the valuation was 30 June 2009.*

*Reconciliations of the carrying amounts of each class of land, buildings, plant & equipment and communication at the beginning and end of the current and previous financial year are set out below.*

	Freehold Land	Buildings	Plant & Equipment	Medical Equipment	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	5,060,000	11,022,000	338,742	124,772	16,545,514
Additions	-	-	121,286	130,321	251,607
Disposals	-	-	(20,070)	-	(20,070)
Depreciation Expense (Note 4)	-	(473,105)	(140,531)	(66,496)	(680,132)
<b>Balance at 1 July 2010</b>	<u>5,060,000</u>	<u>10,548,895</u>	<u>299,427</u>	<u>188,597</u>	<u>16,096,919</u>
 Additions	-	-	150,164	2,600	152,764
Depreciation Expense (Note 4)	-	(473,104)	(108,176)	(63,702)	(644,982)
<b>Balance at 30 June 2011</b>	<u>5,060,000</u>	<u>10,075,791</u>	<u>341,405</u>	<u>127,495</u>	<u>15,604,691</u>

**LORNE COMMUNITY HOSPITAL  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 10: PAYABLES**

	2011	2010
	\$	\$
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors	187,840	178,333
Accrued Expenses	7,500	24,325
Income in advance	2,072	2,572
	<u>197,212</u>	<u>205,230</u>
<b>Statutory</b>		
Department of Health	69,288	-
<b>TOTAL</b>	<u>266,500</u>	<u>205,230</u>

**(a) Maturity analysis of payables**

Please refer to note 14d for the ageing analysis of contractual payables

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

Please refer to note 14d for the nature and extent of risks arising from contractual payables

**NOTE 11: EMPLOYEE BENEFITS AND RELATED ON-COSTS PROVISIONS**

<b>CURRENT</b>		
Accrued Wages and Salaries	25,436	27,273
Annual Leave	299,287	277,046
Accrued Days Off	5,252	6,800
Unconditional Long Service Leave Entitlements	354,480	371,093
<b>TOTAL*</b>	<u>684,455</u>	<u>682,212</u>

**\* Current Employee Benefits that:**

Expected to be utilised within 12 months (nominal value)	468,173	468,897
Expected to be utilised after 12 months (present value)	216,282	215,315
	<u>684,455</u>	<u>682,212</u>

**NON-CURRENT**

Conditional Long Service Leave Entitlements (present value)	51,381	37,964
<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<u>735,836</u>	<u>720,176</u>

**Movement in Long Service Leave:**

Balance at start of year	409,057	385,208
Provision made during the year	101,303	61,763
Settlement made during the year	(104,499)	(37,912)
Balance at end of year	<u>405,861</u>	<u>409,057</u>

**LORNE COMMUNITY HOSPITAL  
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**NOTE 12: EQUITY**

	2011	2010
	\$	\$
<b>(a) Reserves</b>		
Property, Plant & Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	<u>6,131,950</u>	<u>6,131,950</u>
Balance at the end of the reporting period	<u>6,131,950</u>	<u>6,131,950</u>
 Represented by:		
Land	<u>6,131,950</u>	<u>6,131,950</u>
	<u>6,131,950</u>	<u>6,131,950</u>
 <b>Total Reserves</b>	 <u>6,131,950</u>	 <u>6,131,950</u>
 <b>(b) Contributed Capital</b>		
Balance at the beginning of the reporting period	<u>2,475,050</u>	<u>2,475,050</u>
Balance at the end of the reporting period	<u>2,475,050</u>	<u>2,475,050</u>
 <b>(c) Accumulated Surpluses/(Deficits)</b>		
Balance at the beginning of the reporting period	7,902,739	8,603,469
Net Surplus/(Deficit) for the year	<u>(897,998)</u>	<u>(700,730)</u>
Balance at the end of the reporting period	<u>7,004,741</u>	<u>7,902,739</u>
 <b>(d) Total Equity at the end of the financial year</b>	 <u>15,611,741</u>	 <u>16,509,739</u>

**NOTE 13: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

<b>Net Result for the Year</b>	(897,998)	(700,730)
Depreciation	644,982	680,132
Net Loss from Disposal of Property, Plant & Equipment	(250)	2,070
Changes in Operating Assets & Liabilities:		
(Decrease)/Increase in Employee Entitlements	15,660	9,526
(Decrease)/Increase in Payables	61,270	68,024
(Increase)/Decrease in Receivables	(61,730)	(57,590)
(Increase)/Decrease in Other Assets	15,692	14,012
<b>Net Cash Inflow From Operating Activities</b>	<u>(222,374)</u>	<u>15,444</u>

**NOTE 14: FINANCIAL INSTRUMENTS**

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

The Hospital's principal financial instruments comprise of:

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

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 main purpose in holding financial instruments is to prudentially manage the Hospital financial risks within the government policy parameters.

**LORNE COMMUNITY HOSPITAL  
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**NOTE 14: FINANCIAL INSTRUMENTS (Cont.)**

**(b) Categorisation of Financial Instruments**

Financial Assets	Note	Category	Carrying	Carrying
			Amount	Amount
			2011	2010
			\$	\$
Cash and cash equivalents	5	N/A	283,604	370,960
Receivables	6	Loans and Receivables	156,288	62,593
Other Financial Assets	7	Loans and Receivables	533,727	821,249
<b>Financial Liabilities</b>				
Payables	10	Financial liabilities measured at amortised cost	197,212	205,230

No net holding gain or loss was made in respect of any of the above categories of financial instruments with the exception of interest revenue which is disclosed in note 2.

**(c) Credit Risk**

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

Credit risk associated with the Hospital's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Hospital's policy to deal where possible with entities with high credit ratings. Trade and Other receivables that are not either past due nor impaired are considered to be of high credit quality.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Hospital 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.

In addition, the Hospital 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 Hospital's policy is to only deal with banks with high credit ratings.

The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Hospital does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

**Ageing analysis of financial assets as at 30/06/2011**

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired				Over 5 Years	Impaired Financial Assets
			Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years		
	\$	\$	\$	\$	\$	\$	\$	
<b>2011</b>								
<b>Financial Assets</b>								
Cash and Cash Equivalents	283,604	283,604	-	-	-	-	-	
Receivables								
Trade Debtors	36,830	30,057	2,761	4,012	-	-	-	
Other Receivables	119,458	119,458	-	-	-	-	-	
Other Financial Assets - Term Deposit	533,727	533,727	-	-	-	-	-	
<b>Total Financial Assets</b>	<b>973,619</b>	<b>966,846</b>	<b>2,761</b>	<b>4,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>2010</b>								
<b>Financial Assets</b>								
Cash and Cash Equivalents	370,960	370,960	-	-	-	-	-	
Receivables								
Trade Debtors	48,350	39,350	9,000	-	-	-	-	
Other Receivables	14,243	14,243	-	-	-	-	-	
Other Financial Assets - Term Deposit	821,249	821,249	-	-	-	-	-	
<b>Total Financial Assets</b>	<b>1,254,802</b>	<b>1,245,802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

There are no material financial assets which are individually determined to be impaired. The Hospital 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.

**LORNE COMMUNITY HOSPITAL  
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**NOTE 14: FINANCIAL INSTRUMENTS (CONTINUED)**

**(d) Liquidity Risk**

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

The Hospital's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Hospital manages its liquidity risk by monitoring forecast cash flows and ensuring that liquid assets are available.

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

**Maturity Analysis of Financial Liabilities as at 30/06/2011**

	Carrying Amount \$	Contractual Cash Flows \$	Maturing Less than 1 Month \$
<b>2011</b>			
<b>Payables</b>			
Trade Creditors & Accruals	197,212	197,212	197,212
<b>Total Financial Liabilities</b>	<b>197,212</b>	<b>197,212</b>	<b>197,212</b>
<b>2010</b>			
<b>Payables</b>			
Trade Creditors & Accruals	205,230	205,230	205,230
<b>Total Financial Liabilities</b>	<b>205,230</b>	<b>205,230</b>	<b>205,230</b>

**(e) Market Risk**

The Hospital'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 below.

**Currency Risk**

The Hospital has no exposure to foreign currency risk.

**Interest Rate Risk**

Exposure to interest rate risk might arise primarily through the Hospital's interest bearing liabilities. The Hospital currently has no interest bearing liabilities and is unlikely to have any into the future as interest bearing liabilities can only be entered into with the approval of the Department of Treasury and Finance.

**Other Price Risk**

The Hospital is exposed to insignificant other price risk.

**Interest rate exposure of financial assets and liabilities as at 30 June**

	Weighted Average Interest Rates (%)	Interest Rate Exposures			
		Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3.50	283,604	-	283,104	500
Receivables	0.00	156,288	-	-	156,288
Other Financial Assets	6.30	533,727	533,727	-	-
		<b>973,619</b>	<b>533,727</b>	<b>283,104</b>	<b>156,788</b>
<b>Financial Liabilities</b>					
Trade Creditors & Accruals	0.00	197,212	-	-	197,212
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3.50	370,960	-	370,460	500
Receivables	0.00	62,593	-	-	62,593
Other Financial Assets	6.20	821,249	821,249	-	-
		<b>1,254,802</b>	<b>821,249</b>	<b>370,460</b>	<b>63,093</b>
<b>Financial Liabilities</b>					
Trade Creditors & Accruals	0.00	205,230	-	-	205,230

**LORNE COMMUNITY HOSPITAL  
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**NOTE 14: FINANCIAL INSTRUMENTS (CONTINUED)**

**Sensitivity Disclosure Analysis**

the Hospital believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia)

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 6%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2% (the impact of this has not been modelled).

The following table discloses the impact on net operating result and equity for each category of variable rate financial instruments held by the Hospital at year end as presented to key management personnel, if changes in the relevant interest rate risk occur

	Carrying Amount	Interest Rate Risk			
		-1% Profit \$	Equity \$	+1% Profit \$	Equity \$
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	283,604	(2,831)	(2,831)	2,831	2,831
Receivables	156,288	-	-	-	-
Other Financial Assets	533,727	(5,337)	(5,337)	5,337	5,337
<b>Financial Liabilities</b>					
Trade creditors and accruals	197,212	-	-	-	-
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	370,960	(3,705)	(3,705)	3,705	3,705
Receivables	62,593	-	-	-	-
	821,249	(8,212)	(8,212)	8,212	8,212
<b>Financial Liabilities</b>					
Trade creditors and accruals	205,230	-	-	-	-

**(f) 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 Hospital considers that the carrying amount of financial 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.

**NOTE 15: COMMITMENTS FOR EXPENDITURE**

	2011 \$	2010 \$
Operating Lease Commitments - Computer equipment	13,261	14,175
Non-Cancellable		
Not later than one year	8,305	5,155
Later than 1 year and not later than 5 years	4,956	9,020
	<u>13,261</u>	<u>14,175</u>

**NOTE 16: CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There are no known contingent assets or contingent liabilities for the Lorne Community Hospital as at 30 June 2011.

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**NOTE 17: SEGMENT REPORTING**

	Admitted Patients 2011 \$	RAC 2011 \$	Aged Care 2011 \$	Primary Health 2011 \$	Total 2011 \$
<b>REVENUE</b>					
Segment Revenue from Outside	2,778,687	1,560,146	279,291	70,838	4,688,962
<b>Total Revenue</b>	<b>2,778,687</b>	<b>1,560,146</b>	<b>279,291</b>	<b>70,838</b>	<b>4,688,962</b>
<b>EXPENSES</b>					
Allocated Segment expense	1,915,837	2,523,871	390,478	111,792	4,941,978
Depreciation	472,358	156,423	16,201	-	644,982
<b>Total Expenses</b>	<b>2,388,195</b>	<b>2,680,294</b>	<b>406,679</b>	<b>111,792</b>	<b>5,586,960</b>
<b>Net Result for the Year</b>	<b>390,492</b>	<b>(1,120,148)</b>	<b>(127,388)</b>	<b>(40,954)</b>	<b>(897,998)</b>
<b>OTHER INFORMATION</b>					
Segment Assets	11,600,819	4,991,600	(47,388)	69,046	16,614,077
<b>Total Assets</b>	<b>11,600,819</b>	<b>4,991,600</b>	<b>(47,388)</b>	<b>69,046</b>	<b>16,614,077</b>
Segment Liabilities	722,462	279,874	-	-	1,002,336
<b>Total Liabilities</b>	<b>722,462</b>	<b>279,874</b>	<b>-</b>	<b>-</b>	<b>1,002,336</b>
<b>Acquisition of Property Plant &amp; Equipment</b>	<b>152,754</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,754</b>

	Admitted Patients 2010 \$	RAC 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Total 2010 \$
<b>REVENUE</b>					
Segment Revenue from Outside	2,375,557	1,662,228	261,906	68,009	4,367,700
<b>Total Revenue</b>	<b>2,375,557</b>	<b>1,662,228</b>	<b>261,906</b>	<b>68,009</b>	<b>4,367,700</b>
<b>EXPENSES</b>					
Allocated Segment expense	1,997,381	2,075,804	228,515	86,598	4,388,298
Depreciation	504,671	167,452	7,532	477	680,132
<b>Total Expenses</b>	<b>2,502,052</b>	<b>2,243,256</b>	<b>236,047</b>	<b>87,075</b>	<b>5,068,430</b>
<b>Net Result for the Year</b>	<b>(126,495)</b>	<b>(581,028)</b>	<b>25,859</b>	<b>(19,066)</b>	<b>(700,730)</b>
<b>OTHER INFORMATION</b>					
Segment Assets	14,370,690	2,867,662	105,859	90,934	17,435,145
<b>Total Assets</b>	<b>14,370,690</b>	<b>2,867,662</b>	<b>105,859</b>	<b>90,934</b>	<b>17,435,145</b>
Segment Liabilities	645,532	279,874	-	-	925,406
<b>Total Liabilities</b>	<b>645,532</b>	<b>279,874</b>	<b>-</b>	<b>-</b>	<b>925,406</b>
<b>Acquisition of Property Plant &amp; Equipment</b>	<b>250,273</b>	<b>1,334</b>	<b>-</b>	<b>-</b>	<b>251,607</b>

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

<b>Business Segments</b>	<b>Services</b>
Hospital	Acute Care
RAC	High Level Aged Care
Aged Care	HACC services including district nursing.
Community Health	Primary Health

**GEOGRAPHICAL SEGMENT**

The Lorne Community Hospital operates in Lorne and serves the coastal communities from Wye River to Alreys Inlet, and inland to Deans Marsh. More than 90% of revenue, net surplus from ordinary activities and segment assets relate to operations in Lorne, Victoria.

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**NOTE 18: JOINTLY CONTROLLED OPERATIONS AND ASSETS**

Interest in Jointly Controlled Entities	Principal Activity	Ownership Interest	
		2011 %	2010 %
South West Alliance of Rural Health (SWARH)	Information Technology	2.24%	0.00%

The Hospital interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective asset categories:

	2011 \$	2010 \$
<b>Current Assets</b>		
Cash and Cash Equivalents	(7,818)	
Receivables	80,789	
Other Assets	14,406	
<b>Total Current Assets</b>	<u>87,377</u>	-
<b>Non-Current Assets</b>		
Property, Plant & Equipment	3,639	
<b>Total Assets</b>	<u>91,016</u>	-

The Hospital interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

<b>Revenues</b>		
Revenue from Operating Activities	395,145	
Revenue from Non-Operating Activities	-	
Capital Purpose Income	-	
<b>Total Revenue</b>	<u>395,145</u>	-
<b>Expenses</b>		
Employee Benefits	104,851	
Maintenance Contract and IT Support	34,976	
Operating Lease Costs	32,741	
Other Expenses from Ordinary Activities	235,884	
Depreciation	928	
<b>Total Expenses</b>	<u>409,380</u>	-
<b>Net Result</b>	<u>(14,235)</u>	-

As per Note 1 (f), there has been a change in accounting policy with the ownership in the entity having previously been equity accounted. Refer to Note 8 for disclosures made in respect of the 2010 year.

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**NOTE 19a: RESPONSIBLE PERSONS DISCLOSURES**

**a) Responsible Persons**

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.

Responsible Minister		Period	
		1/07/2010	2/12/2010
The Honourable Daniel Andrews, MLA,	Minister for Health	1/07/2010	2/12/2010
The Honourable David Davis, MP,	Minister for Health and Ageing	2/12/2010	30/06/2011
The Honourable Mary Woodridge, MLA,	Minister for Mental Health	2/12/2010	30/06/2011

**Governing Boards**

G. Murrell	1/07/2010	30/06/2011
N. Gantly	1/07/2010	30/06/2011
J. Stevens	1/07/2010	30/06/2011
L. Dwyer	1/07/2010	30/06/2011
S. Whitten	1/07/2010	30/06/2011
C. Messner	1/07/2010	30/06/2011
G. Fenton	1/07/2010	30/06/2011
J. Mortimore	1/07/2010	30/06/2011
J. Fiske	1/07/2010	30/06/2011
V. Enticott	1/07/2010	30/06/2011

**Accountable Officers**

J. Bryce	1/07/2010	30/06/2011
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**b) Remuneration of Responsible Persons**

	2011 \$	2010 \$
The numbers of responsible persons are shown below in their relevant income bands		
\$0 - \$9,999	10	11
\$10,000-\$19,999	-	1
\$20,000-\$29,999	1	-
	<u>10</u>	<u>8</u>
Total remuneration received or due and receivable by Responsible persons from the reporting entity amounted to:	<u>134,216</u>	<u>117,736</u>

Board members are not remunerated. Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

**c) Transactions with Responsible Persons and Responsible Person-Related Parties**

There were no transactions with directors or director related entities during the year ended 30 June, 2011 (2010: nil).

**NOTE 19b: EXECUTIVE OFFICER DISCLOSURES**

No executive officer remuneration exceeded \$100,000 in 2011 (2010 nil)

**NOTE 20: ECONOMIC DEPENDENCY**

Lorne Community Hospital is dependent upon the continued support of the Department of Health to fund its ongoing operations. A letter of comfort dated the 8th of August has been provided from the Department of Health confirming support for the Hospital up to September 2012.

