



SOUTH GIPPSLAND
HOSPITAL

Annual Report 2014-2015



www.southgippslandhospital.org.au

Table of Contents

Overview

| | |
|---|---|
| Establishment & Relevant Ministers | 2 |
| Vision, Mission, Strategic Directions, Values | 2 |
| Overview of services | 3 |
| Responsible bodies' declaration | 4 |
| Chair Report | 4 |
| CEO's Report | 5 |

Governance and Management

| | |
|--------------------------|---|
| Board of Management | 7 |
| Executive management | 7 |
| Organisational structure | 8 |

Workforce

| | |
|--------------------------------|---|
| Workforce data | 9 |
| Merit and equity | 9 |
| Occupational Health and Safety | 9 |
| Industrial Relations | |

Report of Operations

| | |
|-------------------------------|----|
| Statement of Priorities | |
| Part A Strategic priorities | 10 |
| Part B Performance priorities | 13 |
| Part C Activity and funding | 14 |

Attestations

| | |
|--|----|
| Attestation on Data Integrity | 15 |
| Attestation for compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance | 15 |
| Attestation for compliance with the Australian/New Zealand Risk Management Standard | 15 |

Other information and disclosures

| | |
|--|----|
| Summary of operational and budgetary objectives | 16 |
| Summary of factors affecting operations | 16 |
| Events subsequent to balance date | 16 |
| Freedom of information | 16 |
| Ex-gratia payments | 16 |
| Consultancies | 16 |
| Carers' Recognition Act 2012 | 16 |
| Protected Disclosure Act 2012 | 16 |
| Building Act 1993 | 16 |
| Competitive neutrality | 16 |
| Contracts | 16 |
| Environmental performance | 16 |
| Legislation | 17 |
| Availability of additional information (FRD 22C) | 18 |
| Disclosure Index | 19 |

Financial Statements for the year ended 30 June 2013

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

VAGO independent auditor's report

| |
|-----------------------------------|
| Comprehensive operating statement |
| Balance sheet |
| Statement of changes in equity |
| Cashflow statement |
| Notes to the financial statements |

Overview

Establishment & Relevant Ministers

South Gippsland Hospital, classified as a small rural health service (SRHS), is an integrated hospital and community health service providing a broad range of acute and primary care services. It is closely associated with the Foster and Toora Medical Centres which provide the medical practitioner services. The combined experience and skills of the doctors and hospital staff and the range of services provided by the organisation, especially the obstetrics care, has led to a significant number of people accessing the services of South Gippsland Hospital from outside the recognised catchment boundaries.

South Gippsland Hospital was established in 1907 as a private institution and continued as such until 1937 when it was taken over by the community as a local hospital. It gained public hospital status in 1941, when it was incorporated under the Hospital and Charities Act. The hospital building is more than 60 years old. It has 16 in-patient and two day procedure beds, an operating theatre, ambulance bay, radiology facilities and an Urgent Care Clinic.

A Community Health Centre, co-located on the hospital site, was opened in June 2001. In recent years, the hospital has expanded services to meet community needs with the addition of a CT scanner and the establishment of a radiography centre. Greater awareness of community health has necessitated expansion of primary health care services and the

development of a community supported Youth Assistance Program. We continue to offer urology, gastroenterology and general surgery. These services continue to grow and have been well received by the community.

South Gippsland Hospital is a Public Hospital and is an incorporated body listed under Schedule 1 of the *Health Services Act 1988*.

During the reporting period the responsible ministers were:

- The Honourable Jill Hennessy MLA, Minister for Health 4 December 2014 to 30 June 2015
- Martin Foley MLA, Minister for Mental Health 4 December 2014 to 30 June 2015
- Martin Foley, MLA, Minister for Housing, Disability and Ageing 4 December 2014 to 30 June 2015
- Jenny Mikakos MLC, Minister for Families and Children 4 December 2014 to 30 June 2015
- The Honourable David Davis MLC, Minister for Health, Minister for Ageing 1 July 2014 to 3 December 2014
- The Honourable Mary Wooldridge MLA, Minister for Mental Health 1 July 2014 to 3 December 2014
- The Honourable Mary Wooldridge MLA, Minister for Community Services 1 July 2014 to 3 December 2014
- The Honourable Mary Wooldridge MLA, Minister for Disability Services and Reform 1 July 2014 to 3 December 2014

Vision, Mission, Strategic Directions and Values

Vision

South Gippsland Hospital will demonstrate excellence in community focused rural healthcare

Mission

To deliver the highest quality health care services that are equitable and accessible to all; that meets the current and changing needs of our community; and collaborate with our strategic partners to provide innovative models of care that reflect best practice.

Strategic Directions

- Develop a health service which is responsive to community needs
- **Improving status of our community's** health status and health experiences
- Expanding our workforce and build system capacity
- Increase financial sustainability and productivity
- Implementing improvement and innovation
- Increase accountability and transparency

Core Values

- **Mutual respect:** We treat others the way we want to be treated.
- **Accountability:** We accept responsibility for our actions, attitudes, and actions.
- **Trust:** We act with integrity and can rely on each other.
- **Excellence:** We do our best at all times and look for ways to improve.

Overview (continued)

Overview of Services

South Gippsland Hospital (SGH) is located in the small town of Foster at **the gateway to Wilson's Promontory and Tarra Bulga National Parks.**

The town of Foster has a population of approximately 1700 people however the official catchment area of the Hospital has approximately 5600 people.

The Hospital offers services on an in-patient basis, outreach clinics, through its Community Health Centre and in-home care.

Acute Services

Urgent care
Radiology
Obstetrics
Gynaecology
Palliative Care
Pathology
Medical
Surgical
Urology
General Surgery
Pre-Anaesthetic Clinic

Allied Health

Physiotherapy
Occupational Therapy
Dietetics
Podiatry
Therapeutic Massage
Inpatient Services
Outpatient Services
Home-based Services
Psychology
Allied Health Assistants
Diabetes Education

Community Health

Planned Activity Groups
Health Promotion
Good Health Clinic
Chronic Disease Management
Well Women's Clinic
Smoking Cessation
District Nursing
Drug and Alcohol Counselling
Child and Maternal Health
Continence Nurse
McGrath Breast Care Nurse
Mental Health Liaison Nurse
Youth Assist Clinic
Welfare Worker
Transition Care Program

Overview (continued)

Responsible bodies' declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for South Gippsland Hospital for the year ending 30 June 2015.



Eric Neil Roussac – Chair, Board of Management

2 September 2015

Chairman's Report

The Year in Review

As expected, the year 2014/15 has turned out to be quite challenging for all involved at SGH. Our Executive team - CEO Peter Rushen, DoN Anna Stefani, and CHC Manager Samantha Park - continued unchanged. I take this opportunity on behalf of the Board to thank them sincerely for their untiring efforts throughout the year, at times in the face of considerable difficulty.

The following is an incomplete list of significant achievements for SGH in 2014/15:

During the year the Board endorsed the Strategic Plan for the period 2015-2018. The Plan will provide guidance to the Board in its consideration of the future direction of the hospital.

The Board Chair signed a Memorandum of Understanding between SGH and the health services at Wonthaggi and Leongatha. Ultimately this grouping is expected to form a sub-regional alliance, which will allow increased co-operation between individual members, thus assisting in the delivery of existing and new services.

This year also saw the first steps in the transition to the National Safety and Quality Health Service Standards. SGH met the required three national standards in 2014/15.

The remaining standards will be assessed in 2015/16. The Board would like to congratulate the staff on the achievement of accreditation and is conscious of the effort involved.

Board Membership

2014 saw the retirement of Board members Bill Fuller and Jeff White. Bill was a Board member of long standing, appointed in 2000. In his 14 years of service he performed many roles on the Board including a term as Chair. In contrast Jeff was a recent appointment (July 2013): regrettably he was unable to

continue his membership and subsequently resigned. On behalf of the Board, I thank both Bill and Jeff for their contributions and wish them well for the future.

Offsetting the losses of Bill and Jeff, the Board welcomed the appointments of Jan Bull, Sue Pilkington and Priscilla Robinson. Jan, Sue and Priscilla bring a mixture of business and academic skills to the Board. Their already considerable contributions are highly valued.

I would like to take this opportunity to thank all Board members for their hard work and dedication throughout the year.

Acknowledgements

While the Board concerns itself with **policy setting and oversight, the "doing"** part of the provision of a health service falls to a number of groups to whom we must express our appreciation.

- The staff of the Hospital and Community Health Centre for their dedication and the quality of care provided
- The Corner Inlet Community for its support as donors and volunteers, both as individuals and through service and commercial organizations
- Our many contractors, particularly Foster Medical Group and South Gippsland Radiology
- The Hospital Auxiliary, whose members have been tireless and productive in their efforts towards fund-raising for the purchase of hospital equipment
- Finally, Rod Lomax and Ralph Gallagher, who serve as independent members of the Audit and Risk Management Committee.

Overview (continued)

Looking Forward

What does seem clear from the operating result is that the current expansionary phase of services at SGH is over, at least in the short term. In the absence of a significant increase in funding, SGH will be entering a period of (at best) stability, and (at worst) contraction.

Recently the state government carried out an enquiry into the funding of small rural health services. To date, the results of that enquiry have not been released.

The Board awaits with keen interest any policy changes that may arise from the **enquiry's recommendations**.

At present SGH is "block funded", which in practice means that any increases in service have to be met out of the existing state grant. For example, the number of births at the hospital has almost doubled in the last 7 years (an annual growth rate of 10%) whereas **growth of the "the block" over that** period has been less than CPI, probably around 2%. Consequent funding stresses necessarily arise from this discrepancy.

Any changes the government adopts for the funding of small rural health services are likely to have profound consequences for SGH. I have no doubt, however, that with the continued dedication of staff and service providers and strong ongoing support from our community, SGH will continue to thrive and provide high quality healthcare for the people of South Gippsland and beyond.



Eric Neil Roussac

Chair, Board of Management

CEO's Report

As in previous years, we have had a number of operational challenges but from a health services perspective we delivered high quality acute care and significantly more services in community health care services. As we transition to the National Safety Quality Health Standards (NSQHS) the quality of care results from surveillance and accreditation audits have been fully met and client feedback on the level of care continues to show very high levels of service.

The focus of management for the year has been the development of a new strategic plan for 2015-2018, completion of a service planning review and the development of plans for new theatre recovery facilities and maternity suite.

Strategic & Business Planning

The Health Department Statement of Priorities for 2014-15 was fully met and for the year ahead a new set of priorities have been agreed. The new strategic plan for 2015-2018 which aligns to the Victorian Health Priorities Framework was developed with broad consultation with the Board and other stakeholders.

In line with the strategic direction, plans have been developed for an expansion of theatre facilities to incorporate a full recovery suite and associated facilities and the development of a new birthing suite. This development has an estimated cost of \$2.1 million. These plans require Board approval and will then be subject to Department of Health scrutiny as part of the process of obtaining capital funding.

Risk management and audit are critical management responsibilities and the risk management framework has been

maintained during the review period. The discussion and appointment of new internal audit resources has been completed and initial program reviews have been undertaken.

Business Viability

The operating result for 2014-15 failed to achieve budget and the deficit was due to a decline in income streams and pressure on wages and salaries necessary to keep pace with service delivery. Maintaining current levels of service delivery continue to be challenging with constrained funding. The Transition Care Program continues to provide a good revenue stream with high occupancy maintained. Income from private patient admissions has declined significantly while there continues to be cost pressures arising from a steep increase in births.

Opportunities for all forms of cost saving and improved efficiency are continually being examined. Plans for savings in energy costs from solar hot water and electricity to be installed in 2015 will impact costs in the next financial. Opportunities to provide services to Prom Country Aged Care (PCAC) is making some of our allied health services more viable and the provision of maintenance services to PCAC is contributing to the cost of this service.

Staffing

Workforce planning to address the retirement of long standing, older, staff has seen the appointment of younger staff to address the ageing profile of our service while at the same time, significant recruitment of highly skilled senior nursing staff to replace retiring older staff members will ensure that the level of experience has been maintained.

Appointments to the roles of physiotherapy, occupational therapy and podiatry has added to the scope of our

Overview (continued)

community care and has also enabled us to attract some shared hours of support at PCAC for these services.

Communication with Stakeholders

SGH has initiated the re-establishment of the sub regional collaboration with Bass Coast Regional Health and Gippsland Southern Health Service with a new memorandum of understanding, approved by the Boards of all the entities concerned. This will provide the opportunity to increase services in South Gippsland region and to share existing services.

Communication with other business stakeholders has also been an important priority. Retirement of visiting medical specialists has required the appointment of suitable replacements who can work in our environment, has been important. Regular and frank communication with Foster Medical Centre doctors has been necessary to maintain service standards now established under the NSQHS and SGH continues to enjoy a very positive working relationship with the doctors.

Co-operation with PCAC for the sharing of services and use of Banksia Lodge has been important to the consolidation of the health precinct for Foster. The sharing of experienced resources from the hospital in providing maintenance, primary health professionals and the proposed catering contract are important in reinforcing the precinct concept. We are also progressing plans for a precinct car park.

Community and Public Relations

The management team has been actively involved in community engagement during the year. We have focused on the strong relationships built with service clubs and the community bank resulting in valuable funding for hospital services. We have also used and had the support of, the Mirror newspaper to inform the community about regular events/happenings in the

health service, the strategic direction and the Quality of Care Report

We continue to receive valuable financial support from the Hospital Auxiliary in the provision of clinical equipment and their contribution is greatly appreciated.

Summary

In 2014-15 the overall performance exceeded expectations in client service terms and overall patient safety has been maintained at the highest level. This has been due to the professionalism and commitment of all staff and the general wellbeing of staff, noticeable in the day to day operation of the health service. I am very satisfied with the high reputation SGH has achieved at the State Health Department level, regionally and within the local community. Without the support of an effective Board this would be difficult to achieve and their efforts are greatly appreciated.



Peter Rushen
Chief Executive Officer

Governance and Management

Board of Governance

The Board oversees the strategic direction and management of South Gippsland Hospital and ensures that all services provided are consistent with the health service's by-laws, the *Health Services Act 1998* and any applicable Victorian and Commonwealth legislation.

Board Members

(as at 30 June 2015)

Neil Roussac, B.Sc , President
appointed 2006

Clive White, B.Juris, LL.B Vice President
appointed 1986

Bruce Lester, Treasurer
appointed 2010

Megan Knight, T.P.T.C, GradDip BusTech, Assistant Treasurer/ Immediate Past President
appointed 2004

Mohya Davies, Dip.Ed
appointed 1986

Matthew Marriott BVSc (Hons)
appointed 2009

Paul Ahern
appointed 2011

Lisa Barham-Lomax B.Ed. Grad. Dip. Leadership and O.D, Exec Masters in Public Administration
appointed 2012

Bernadette Thomson BA, Grad. Dip. Psych, MAPsS, MVAPP
appointed 2013

Janyce Bull
appointed 2014

Dr. Priscilla Robinson, PhD, MPH, MHSc(PHP)
appointed 2014

Susan Pilkington
appointed 2014

Executive Management

(as at 30 June 2015)

Chief Executive Officer
Peter Rushen, B.Econ, CPA

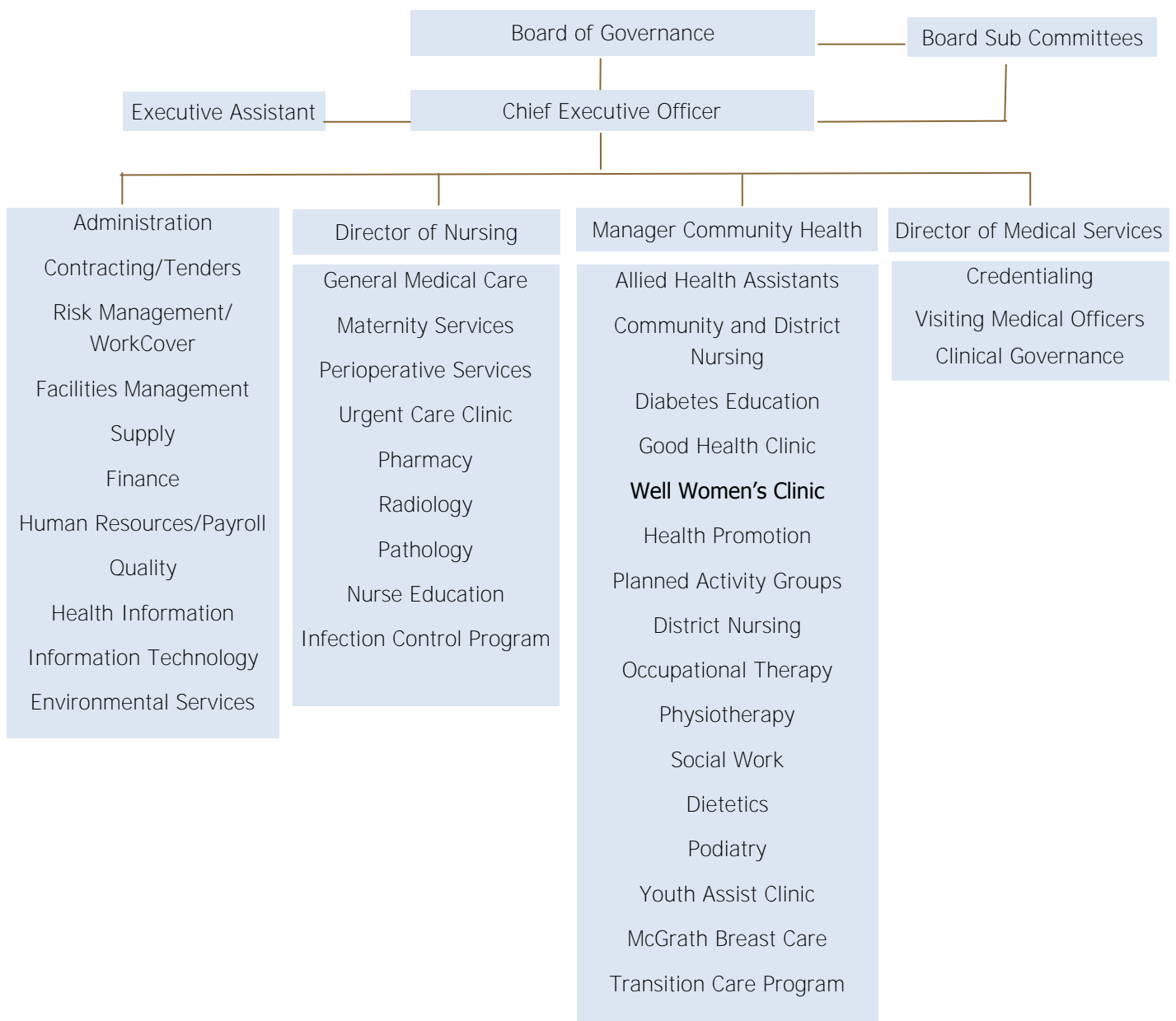
Director of Medical Services
Dr Craig Winter, MB.BS, MBA, GMA, FACEM

Director of Nursing
Anna Stefani, RN, RM, GCDE, IBCLC

Manager Community Health
Samantha Park, BSc, MS (Prelim), Grad Dip Adolescent Health and Welfare

Governance and Management (continued)

Organisational structure



Workforce

Workforce data

| Labour Category | JUNE Current | | JUNE YTD FTE | |
|---------------------------------|--------------|-------------|--------------|-------------|
| | 2014 | 2015 | 2014 | 2015 |
| Nursing | 24.5 | 26.2 | 23.4 | 24.7 |
| Administration and Clerical | 8.5 | 10.5 | 8.9 | 10.3 |
| Medical Support | 4.4 | 5.6 | 5.0 | 5.4 |
| Hotel and Allied Services | 11.2 | 12.7 | 11.0 | 11.9 |
| Medical Officers | 0.02 | 0.08 | 0.04 | 0.1 |
| Hospital Medical Officers | 0 | | 0 | |
| Sessional Clinicians | 0 | | 0 | |
| Ancillary Staff (Allied Health) | 0.9 | 1.70 | 0.8 | 0.9 |
| Total | 49.5 | 56.7 | 49.1 | 53.3 |

Merit and equity

South Gippsland Hospital is subject to the provisions of the *Public Authorities (Equal Employment Opportunity) Act 1990* and is committed to equality in the workplace. The hospital bases its employment practices on the principles of fairness and merit and seeks to provide a welcoming work environment that is free from discrimination and harassment. South Gippsland Hospital **staff are also expected to embrace and work in accordance with the Code of Conduct for Victorian Public Sector Employees.**

Occupational health and safety

South Gippsland Hospital meets all certification performance indicators in relation to Occupational Health and Safety requirements. **It maintains an Occupational Health and Safety framework to manage a safe work environment, roles and responsibilities, the OH&S Committee, incident management and return to work programs.**

Industrial relations

South Gippsland Hospital continues to maintain a good working relationship with the Unions representing its staff members. There were zero days lost to industrial action in the 2014-2015 financial year.

Report of Operations

Statement of priorities

Part A – Strategic Priorities

The Victorian **Government's** priorities and policy directions are outlined in the *Victorian Health Priorities Framework 2012–2022*. In 2014–15 South Gippsland Hospital will contribute to the achievement of these priorities by:

| Priority | Action | Deliverable | Outcome |
|---|--|---|---|
| Developing a system that is responsive to people's needs | Develop an organisational policy for the provision of safe, high quality end of life care in acute and sub-acute settings, with clear guidance about the role of, and access to, specialist palliative care. | Complete a health service plan to provide direction to meet community needs. | Service plan completed and strategies identified. |
| | | Work with clinicians and patients to ensure advance care planning is embedded in care management. | Advanced care planning processes and link with FMC discussed at Clinical Practice Committee. |
| | | Develop a palliative care model in consultation with sub regional partners. | Training of Volunteers through Bass Coast Health and with Leongatha support completed. |
| | Progress partnerships with other services to improve outcomes for regional and rural patients. | Formalise executive relationships with Gippsland Southern Health Service and Bass Coast Health to focus on health service delivery across the Gippsland south coast sub region. | Sub regional alliance developed with formal MOU and initial shared project underway . |
| | | Participate in the implementation of the Strengthening Gippsland Plan in particularly the maternity and newborns services plan and clinical referral pathways projects. | Participated in pathways model I Strengthening Gippsland plan and actively involved in Gippsland Regional Maternity and Newborn Planning Committee. |
| | Develop opportunities for greater private sector collaboration, coordination and integration. | Increase access to community based services through the establishment of a Medicare Benefits Schedule clinic in partnership with Foster Medical Group. | Program of MBS clinics commenced for Diabetes, Dietetic and podiatry services. |

Report of Operations (continued)

Part A – Strategic Priorities cont.

| Priority | Action | Deliverable | Outcome |
|---|---|--|---|
| Improving every Victorian's health status and experiences | Use consumer feedback to improve person and family centered care, health service practice and patient experience. | Investigate options to establish a formal community advisory committee. | Initial investigation of suitable model completed |
| | | Ensure that diversity is recognised and any barriers fully addressed. | Recognition of ATSI community completed with formal flag raising ceremony and staff awareness activities. |
| | | Respond to feedback provided in local and state-wide patient surveys. | Achieved a 55% response rate. High level of performance achieved. |
| Expanding service, workforce and system capacity | Develop and implement a workforce immunisation plan that includes pre-employment screening and immunisation assessment for existing staff that work in high risk areas in order to align with Australian infection control and immunisation guidelines. | Review policy and procedure to ensure workforce immunisation, screening and assessment aligns with guidelines | Policies and procedures updated and immunisation target met |
| | | Refurbish education room to ensure quality facilities for staff and visiting students. | Initial discussions held with PCAC about modifying space in Banksia Lodge. |
| | Build workforce capability and sustainability by supporting formal and informal clinical education and training for staff and health students, in particular inter-professional learning. | Establish a clinical support nurse role to support nursing students and graduates. | Clinical support nurse position in place. |
| | Optimise workforce productivity through identification and implementation of workforce models that enhance individual and team capacity and support flexibility. | Continue second year of a two year project for a collaborative nurse/midwife graduate program in partnership with Latrobe Regional Hospital and Bass Coast Health. | Collaborative nurse/midwife placement completed. |

Report of Operations (continued)

Part A – Strategic Priorities cont.

| Priority | Action | Deliverable | Outcome |
|--|---|---|---|
| Increasing the system's financial sustainability and productivity | Identify and implement practice change to enhance asset management. | Develop and maintain an Asset Management and Replacement plan. | Asset Management Plan completed in 2014-15 and also in Business Plan. |
| Implementing continuous improvements and innovation | Develop a focus on ' systems thinking ' to drive improved integration and networking across health care settings. | Implement Access to Allied Psychological Services (ATAPS) model, in partnership with Gippsland Medicare Local, Foster Medical Centre and private providers to improve access to community based mental healthcare, with a particular focus on young people. | Project implemented with access to community based mental health care. Further support provided to provide ongoing service. |
| | Drive improved health outcomes through a strong focus on patient-centred care in the planning, delivery and evaluation of services, and the development of new models for putting patients first. | Introduce clinical bed-side handover to engage patients in the planning and delivery of their health care. | Policies and procedures in place for bed-side handover and operating well. |
| Increasing accountability & transparency | Undertake an annual board assessment to identify and develop board capability to ensure all board members are well equipped to effectively discharge their responsibilities. | Undertake annual Board self-assessment and utilise information to identify training needs. | The Board of Governance has adopted the ACHG system for 2014-15. |
| Improving utilisation of e-health and communications technology | Ensure local ICT strategic plans are in place. | Work with Gippsland regional IT alliance to develop a plan for the health service. | Active member of GHA steering Committee and responded to system change proposals. |

Report of Operations (continued)

Statement of priorities - Part B: Performance priorities

Safety and quality performance

| | Current | |
|---|---------------|---------------|
| | 2014-15 | |
| Patient experience & outcomes | Actual | Target |
| Victorian Healthcare Experience Survey | Full | Full |
| Prearranged postnatal care | 100% | 100% |
| Governance, leadership & culture | Actual | Target |
| Patient safety culture | 97% | 80% |
| Safety & quality | Actual | Target |
| Health Service Accreditation | Full | Full |
| Hand Hygiene Program Compliance | 87% | 80% |
| Cleaning Standards* | Met | 85% |
| VICNISS—Data Compliance | Full | Full |
| Immunisation Rate | 80.9% | 75% |

*

| | |
|------------------------------|-----------------|
| Cleaning standards (Overall) | Full compliance |
| Cleaning standards (AQL-A) | 90 |
| Cleaning standards (AQL-B) | 85 |
| Cleaning standards (AQL-C) | 85 |

Financial sustainability performance

| | Current | |
|-------------------------|---------------|---------------|
| | 2014-15 | |
| | Actual | Target |
| Annual operating result | (\$342,935) | \$6,287 |
| Creditors average days | 41 | 60 |
| Debtors average days | 63 | 60 |

Report of Operations (continued)

Statement of Priorities -Part C: Activity and funding

| Funding type | 2014-2015 Actuals |
|----------------------------|-------------------|
| Small Rural | |
| Small Rural Acute | 5,180,934 |
| Small Rural Primary Health | 130,416 |
| Small Rural HACC | 487,468 |

Summary of financial results

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-----------|-----------|-----------|-----------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Total Revenue | 7,260,336 | 7,296,084 | 6,895,865 | 6,668,214 | 5,877,600 |
| Total Expenses | 7,898,864 | 7,480,281 | 6,960,739 | 6,466,169 | 6,139,903 |
| Net Result for the Year | (638,528) | (184,197) | (64,874) | 202,045 | (261,300) |
| Net Increase in Asset Revaluation Reserve | - | 561,624 | - | - | - |
| Accumulated Surpluses (Accumulated Deficits) | 502,572 | 1,141,100 | 1,325,297 | 1,390,171 | 1,188,126 |
| Contributed Capital | 3,086,756 | 3,086,756 | 3,086,756 | 3,086,756 | 3,086,756 |
| Asset Revaluation Reserve | 2,857,560 | 2,857,560 | 2,295,936 | 2,295,936 | 2,295,936 |
| Total Equity | 6,446,888 | 7,085,416 | 6,707,989 | 6,772,863 | 6,570,818 |
| Total Assets | 8,496,127 | 8,836,792 | 8,649,412 | 8,940,375 | 8,196,736 |
| Total Liabilities | 2,049,240 | 1,751,316 | 1,941,423 | 1,717,514 | 1,625,918 |
| Net Assets | 6,446,888 | 7,085,416 | 6,707,989 | 6,772,863 | 6,570,818 |

Attestations

Attestation on Data Integrity

I, PETER RUSHEN certify that the *South Gippsland Hospital* has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. The *South Gippsland Hospital* has critically reviewed these controls and processes during the year.



Peter Rushen
Accountable Officer
Foster
2 September 2015

Attestation Standing Direction 4.5.5—Risk Management Framework and Processes.

I, PETER RUSHEN certify that the *South Gippsland Hospital* has complied with Ministerial Direction 4.5.5 - Risk Management Framework and Processes. The South Gippsland Hospital Audit Committee verifies this.



Peter Rushen
Accountable Officer
Foster
2 September 2015

Other information and disclosures

The Annual Report of South Gippsland Hospital is prepared in accordance with Victorian legislation. A summary of the legislative obligations and required disclosures of South Gippsland Hospital is detailed below.

Summary of operational and budgetary objectives

In 2014-2015, SGH achieved the targets established under the Statement of Priorities. The hospital recorded a \$343,000 operating deficit before capital purpose income and depreciation. Capital purpose income of \$112,287 was received during the financial year with depreciation write-offs totalling \$399,662.

Summary of factors affecting operations

The results for the year have been affected by the following:

- A decline in private patient revenue
- A decline in Department of Veterans Affairs WIES throughput
- A significant number of births attended at the hospital
- A significant increase in salaries and associated payroll costs

Events subsequent to balance date

At the date of this report, management is not aware of any events that have occurred subsequent to balance date that may have material impact on the results of the next reporting period.

Freedom of Information

The Freedom of Information Act 1982 (the FOI Act) gives people right of access to information held by South Gippsland Hospital and applications for access to information and records are processed in accordance with the FOI Act by the Health Information Manager under delegation from the Chief Executive Officer. Health Services charge a fee for FOI and medico-legal requests. In some instances where hardship can be proven, the fee may be waived. SGH has in place a corporate policy and procedure which complies with the Act. Disclosures made under this policy will be investigated swiftly, professionally and discreetly. A copy of the Act and the policy and procedure is available to staff in the hospital library and a copy is also held in the Human Resource Department. There were no requests under the Act in the reporting period.

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at <http://www.data.vic.gov.au/> in machine readable format.

Ex-gratia payments

There were no ex-gratia payments made in 2013-2014.

Consultancies

In 2014-15 there were no consultancies where the total fees payable to the consultants were \$10,000 or greater nor were there any consultancies where the total fees payable to the consultants were less than \$10,000.

Carers' Recognition Act 2012

South Gippsland Hospital endorses the Carers Recognition Act which recognises, promotes and values the role of carers.

Staff are encouraged to consider and promote the care relationship principles and the supporting document 'Victorian Charter Supporting People in Care Relationships'.

Protected Disclosure Act 2012

South Gippsland Hospital endorses the provisions of the Protected Disclosure Act 2012 which encourages and facilitates disclosure of improper conduct by public officers, public bodies and protects persons who make these disclosures.

Building Act 1993

All buildings and maintenance provisions of South Gippsland Hospital comply with the *Building Act 1993*, which encompasses the Building Code.

Competitive neutrality

South Gippsland Hospital complies with all Government policies regarding competitive neutrality requirements and has implemented policies and programs to ensure compliance with the National Competition Policy and the requirements of the Competitive Neutrality Policy Victoria and any subsequent reforms.

Contracts commenced and/or completed

There were no contracts commenced but not completed during the financial year which require disclosure under the *Victorian Industry Participation Policy (VIIPP) Act 2003*.

Environmental Performance

South Gippsland Hospital has an active Environmental Program and monitors the usage of energy and water to avoid unnecessary waste. The environmental impact of all proposed developments is reviewed to ensure that they meet key performance standards.

Other information and disclosures (continued)

Legislation

South Gippsland Hospital complies with the requirements of the following legislation:

Financial Management Act 1994

Protected Disclosure Act 2012

Carers Recognition Act 2012

Victorian Industry Protection Act 2003

Directions of the Minister for Finance,
including Financial Reporting Directions

Health Services Act 1988

Other information and disclosures (continued)

Availability of additional information

(FRD 22C)

In compliance with the requirements of FRD 22C *Standard Disclosures in the Report of Operations*, details in respect of the items listed below have been retained by South Gippsland Hospital and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable):

- (a) A statement of pecuniary interest has been completed;
- (b) Details of shares held by senior officers as nominee or held beneficially;
- (c) Details of publications produced by South Gippsland Hospital about the activities of the health service and where they can be obtained;
- (d) Details of changes in prices, fees, charges, rates and levies charged by South Gippsland Hospital;
- (e) Details of any major external reviews carried out on South Gippsland Hospital;
- (f) Details of major research and development activities undertaken by South Gippsland Hospital that are not otherwise covered either in the Report of Operations or in a document that contains the financial statements and Report of Operations;
- (g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- (h) Details of major promotional, public relations and marketing activities undertaken by South Gippsland Hospital to develop

community awareness of the health service and its services;

- (i) Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- (j) General statement on industrial relations within South Gippsland Hospital and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;
- (k) A list of major committees sponsored by South Gippsland Hospital the purposes of each committee and the extent to which those purposes have been achieved;
- (l) Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

Other information and disclosures (continued)

Disclosure Index

The annual report of the *South Gippsland Hospital* is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of **the Department's compliance with** statutory disclosure requirements.

| Legislation | Requirement | Page Reference |
|-------------------------------|---|--|
| Ministerial Directions | | |
| Report of Operations | | |
| | Charter and purpose | |
| FRD 22F | Manner of establishment and the relevant Ministers | 15 |
| FRD 22F | Purpose, functions, powers and duties | 15 |
| FRD 22F | Initiatives and key achievements | 15 |
| FRD 22F | Nature and range of services provided | 15 |
| | Management and structure | |
| FRD 22F | Organisational structure | 15 |
| | Financial and other information | |
| FRD 10 | Disclosure index | 18 , 35-36 |
| FRD 11A | Disclosure of ex-gratia expenses | 19 |
| FRD 12A | Disclosure of major contracts | 19 |
| FRD 21B | Responsible person and executive officer disclosures | 19 |
| FRD 22F | Application and operation of <i>Protected Disclosure 2012</i> | 18 |
| FRD 22F | Application and operation of <i>Carers Recognition Act 2012</i> | 18 |
| FRD 22F | Application and operation of <i>Freedom of Information Act 1982</i> | 18 |
| FRD 22F | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | 18 |
| FRD 22F | Details of consultancies over \$10,000 | 17 |
| FRD 22F | Details of consultancies under \$10,000 | 17 |
| FRD 22F | Employment and conduct principles | 15 |
| FRD 22F | Major changes or factors affecting performance | 17 |
| FRD 22F | Occupational health and safety | 18 |
| FRD 22F | Operational and budgetary objectives and performance against objectives | 17 |
| FRD 24C | Reporting of office-based environmental impacts | 18 |
| FRD 22F | Significant changes in financial position during the year | 17 |
| FRD 22F | Statement on National Competition Policy | 18 |
| FRD 22F | Subsequent events | 17 |

Other information and disclosures (continued)

Disclosure Index cont.

| Legislation | Requirement | Page Reference |
|---|--|--------------------|
| FRD 22F | Summary of the financial results for the year | 17 |
| FRD 22F | Workforce Data Disclosures including a statement on the application of employment and conduct principles | 15 |
| FRD 25B | Victorian Industry Participation Policy disclosures | 19 |
| FRD 29A | Workforce Data disclosures | 15 |
| SD 4.2(g) | Specific information requirements | 37 |
| SD 4.2(j) | Sign-off requirements | 14 |
| SD 3.4.13 | Attestation on data integrity | 37 |
| SD 4.5.5.1 | Ministerial Standing Direction 4.5.5.1 compliance attestation | 38 |
| SD 4.5.5 | Risk management compliance attestation | 40 |
| Financial Statements | | |
| Financial statements required under Part 7 of the FMA | | |
| SD 4.2(a) | Statement of changes in equity | 55 |
| SD 4.2(b) | Comprehensive operating statement | 46 |
| SD 4.2(b) | Balance sheet | 51 |
| SD 4.2(b) | Cash flow statement | 58 |
| Other requirements under Standing Directions 4.2 | | |
| SD 4.2(a) | Compliance with Australian accounting standards and other authoritative pronouncements | 66 |
| SD 4.2(c) | Accountable officer's declaration | 42 |
| SD 4.2(c) | Compliance with Ministerial Directions | 66 |
| SD 4.2(d) | Rounding of amounts | 72 |
| Legislation | | |
| <i>Freedom of Information Act 1982</i> | | 18 |
| <i>Protected Disclosure Act 2001</i> | | 18 |
| <i>Carers Recognition Act 2012</i> | | 18 |
| <i>Victorian Industry Participation Policy Act 2003</i> | | 19 |
| <i>Building Act 1993</i> | | 18 |
| <i>Financial Management Act 1994</i> | | 18 |

Financial Statements for the year ended 30 June 2015

Two thin, wavy lines, one blue and one yellow, curve across the page below the title.

Financial Statements for the year ended 30 June 2015

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position of South Gippsland Hospital at 30 June 2015.

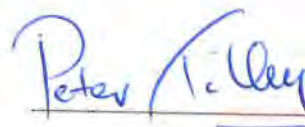
At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.



Neil Roussac
Board Member
Foster
4 September 2015



Peter Rushen
Accountable Officer
Foster
4 September 2015



Peter Tilley
Chief Finance & Accounting Officer
Foster
4 September 2015

INDEPENDENT AUDITOR'S REPORT

To the Board Members, South Gippsland Hospital

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the South Gippsland Hospital which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board member's, accountable officer's and chief finance & accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Gippsland Hospital as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
9 September 2015


John Doyle
Auditor-General

SOUTH GIPPSLAND HOSPITAL

Comprehensive Operating Statement for the financial year ended 30 June 2015

| | Note | 2015 \$ | 2014 \$ |
|---|------|------------------|------------------|
| Revenue from Operating Activities | | | |
| Revenue from Non-Operating Activities | 2 | 7,217,892 | 7,299,929 |
| Employee Expenses | 2 | 155,407 | 146,940 |
| Non Salary Labour Costs | 3 | (5,527,073) | (4,952,555) |
| Supplies and Consumables | 3 | (267,777) | (436,882) |
| Other Expenses | 3 | (513,412) | (572,909) |
| | 3 | (1,407,972) | (1,344,263) |
| NET RESULT BEFORE CAPITAL & SPECIFIC ITEMS | | <u>(342,935)</u> | <u>140,260</u> |
| CAPITAL & SPECIFIC ITEMS | | | |
| Capital Purpose Income | | | |
| Depreciation and Amortisation | 2 | 112,287 | 50,242 |
| Capital Purpose Expenditure | 3 | (399,662) | (371,884) |
| | 3 | (8,217) | (2,814) |
| NET RESULT FOR THE YEAR | | <u>(638,527)</u> | <u>(184,196)</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Net fair value revaluation of Non Financial Assets | 11 | - | 561,624 |
| TOTAL OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>561,624</u> |
| COMPREHENSIVE RESULT FOR THE YEAR | | <u>(638,527)</u> | <u>377,428</u> |

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

SOUTH GIPPSLAND HOSPITAL

Balance Sheet as at 30 June 2015

| | Note | 2015 \$ | 2014 \$ |
|---|------|-------------------------|-------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 5 | 262,889 | 219,088 |
| Receivables | 6 | 241,880 | 257,231 |
| Investments and Other Financial Assets | 7 | 1,415,378 | 1,545,245 |
| Inventories | 8 | 72,008 | 76,530 |
| Other Current Assets | 9 | 26,168 | 13,153 |
| Total Current Assets | | <u>2,018,323</u> | <u>2,111,248</u> |
| Non-Current Assets | | | |
| Receivables | 6 | 309,224 | 256,287 |
| Property, Plant & Equipment | 10 | 6,168,582 | 6,469,257 |
| Intangible Assets | 11 | - | - |
| Total Non-Current Assets | | <u>6,477,806</u> | <u>6,725,544</u> |
| TOTAL ASSETS | | <u>8,496,130</u> | <u>8,836,792</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 12 | 225,485 | 147,186 |
| Provisions | 13 | 1,554,849 | 1,395,086 |
| Other Current Liabilities | 15 | 49,343 | 36,782 |
| Total Current Liabilities | | <u>1,829,677</u> | <u>1,579,054</u> |
| Non-Current Liabilities | | | |
| Provisions | 13 | 219,563 | 172,323 |
| Total Non-Current Liabilities | | <u>219,563</u> | <u>172,323</u> |
| TOTAL LIABILITIES | | <u>2,049,240</u> | <u>1,751,376</u> |
| NET ASSETS | | <u>6,446,889</u> | <u>7,085,416</u> |
| EQUITY | | | |
| Property, Plant & Equipment Revaluation Surplus | 16a | 2,857,560 | 2,857,560 |
| Contributed Capital | 16b | 3,086,756 | 3,086,756 |
| Accumulated Surpluses | 16c | 502,573 | 1,141,100 |
| TOTAL EQUITY | 16c | <u>6,446,889</u> | <u>7,085,416</u> |
| Contingent Assets and Contingent Liabilities | 21 | | |
| Commitments | 19 | | |

SOUTH GIPPSLAND HOSPITAL

Statement Of Changes in Equity for the financial year ended 30 June 2015

| | Note | Property, Plant & Equipment Revaluation Surplus \$ | Contributed Capital \$ | Accumulated Surpluses \$ | Total \$ |
|-------------------------------------|------|--|------------------------------|--------------------------------|------------------|
| Balance at 1 July 2013 | 16a | 2,295,936 | 3,086,756 | 1,325,297 | 6,707,989 |
| Net Result for Year | 16c | - | - | (184,197) | (184,197) |
| Other Comprehensive income for year | 10 | 561,624 | - | - | 561,624 |
| Balance at 30 June 2014 | | <u>2,857,560</u> | <u>3,086,756</u> | <u>1,141,100</u> | <u>7,085,416</u> |
| Net Result for Year | 16 | - | - | (638,527) | (638,527) |
| Other Comprehensive income for year | 10 | - | - | - | - |
| Balance at 30 June 2015 | | <u>2,857,560</u> | <u>3,086,756</u> | <u>502,573</u> | <u>6,446,889</u> |

SOUTH GIPPSLAND HOSPITAL

Cash Flow Statement for the financial year ended 30 June 2015

| | Note | 2015 \$ Inflows/ (Outflows) | 2014 \$ Inflows/ (Outflows) |
|---|------|--------------------------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Operating Grants from Government | | 5,454,396 | 5,833,115 |
| Patient Fees Received | | 363,506 | 469,356 |
| Donations & Bequests Received | | 60,399 | 43,723 |
| GST Received from / (paid to) ATO | | 126,209 | (77,497) |
| Recoupment from private practice for use of hospital facilities | | 42,198 | 41,180 |
| Interest Received | | 59,680 | 67,289 |
| Other Receipts | | 997,924 | 1,013,448 |
| Total Receipts | | 7,104,315 | 7,390,614 |
| Payments | | | |
| Employee Expenses Paid | | (5,320,070) | (4,740,707) |
| Fees for Service of Medical Officers | | (262,669) | (462,683) |
| Payments for Supplies & Consumables | | (514,701) | (567,656) |
| Other Payments | | (1,098,027) | (1,673,832) |
| Total Payments | | (7,195,467) | (7,444,878) |
| Cash Generated from Operations | | (91,152) | (54,264) |
| Capital Grants from Government | | 89,675 | 27,757 |
| Capital Donations and Bequests Received | | 22,612 | 22,485 |
| NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES | 17 | 21,135 | (4,022) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for Non-Financial Assets | | (136,751) | (223,022) |
| Proceeds from Sale of Non-Financial Assets | 2a | 29,546 | 24,910 |
| Proceeds on sale investments | | 129,868 | 153,242 |
| NET CASH FLOW USED IN INVESTING ACTIVITIES | | 22,663 | (44,870) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS HELD | | 43,801 | (48,892) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 219,088 | 267,980 |
| | 5 | 262,889 | 219,088 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Note 1: Statement of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for South Gippsland Hospital ("The Health Service") for the period ending 30 June 2015. The purpose of the report is to provide users with information about the Health Services' stewardship of resources entrusted to it.

[a] Statement of Compliance

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

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

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

The annual financial statements were authorised for issue by the Board of South Gippsland Hospital on 04/09/2015.

[b] Basis of Accounting Preparation and Measurement

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 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

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

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

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

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

- Non-current physical assets, which subsequent to acquisition, are measured at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- 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 AASs 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 professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

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 AASBs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of the land, buildings, infrastructure, plant and equipment (refer to Note 1(k));
- superannuation expense (refer to note 1(h)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(l)).
- equities and management investment schemes classified at level 3 of the fair value hierarchy

Sources of Estimation Uncertainty

[Entities are required by AASB 101 paragraph 122 to disclose the nature of significant judgements, estimates and assumptions made by management. The illustrated paragraph above discloses:

- the fact that significant assumptions, judgements and estimates were made; and
- how these were made (the method used)

It does not describe the nature of these significant assumptions, judgements and estimates. Entities may provide the nature of significant assumptions, judgements and estimates (e.g. for operating lease commitments, valuation of investments, impairment of PPEs, etc.) in addition to the above, either in Note 1 or in relevant notes to the financial statements.]

Where applicable, the Health Services should also disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- that it has control of another entity
- that it has joint control of an arrangement or significant influence over another entity; and
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

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

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

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

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

The Valuer-General Victoria (VGV) is South Gippsland Hospital's independent valuation agency.

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

[c] Reporting Entity

The financial statements includes all the controlled activities of the Health Service.

Its principal address is:

87 Station Road

Foster

Victoria 3960

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

Objectives and funding

South Gippsland Hospital's overall objective is to be a healthcare provider delivering exceptional performance in provision of healthcare services, as well as improve the quality of life to Victorians.

South Gippsland Hospital is predominantly funded by accrual based grant funding for the provision of outputs.

[d] Principles of Consolidation

Jointly Controlled Assets

Interests in jointly controlled assets or operations are not consolidated by the Health Service, but are accounted for in accordance with the policy outlined in Note 1(k) Assets.

[e] Scope and presentation of financial statements

Fund Accounting

The Health Service operates on a fund accounting basis and maintains two funds, being an Operating Fund and a Specific Purpose Fund. The Health Service's Specific Purpose Fund includes unspent donations and receipts from fund-raising activities conducted solely in respect of these funds.

Services Supported by Health Services Agreement and Services Supported by Hospital and Community Initiatives

Activities classified as *Services Supported by Health Services Agreement [HSA]* are substantially funded by the Department of Health while Services Supported by *Hospital and Community Initiatives [H&CI]* are funded by the Health Service's own activities or local initiatives.

Comprehensive operating statement

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

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

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer to Note 1(g)). 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.
- Depreciation, amortisation and impairment, as described in Note 1 (h).

Balance Sheet

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Statement of changes in equity

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

Cash flow statement

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

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

Rounding

All amounts shown in the financial statements are expressed to the nearest dollar unless otherwise stated.

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

Comparative Information

Where necessary the previous year's figures have been reclassified to facilitate comparisons.

[f] Change in accounting policies

AASB 13 Fair Value Measurement

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

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

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

[g] Income from transactions

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

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

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

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

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Indirect Contributions from the Department of Health

- Insurance is recognised as revenue following advice from the Department of Health.
- Long Service Leave (LSL) - Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013 (update for 2013-14).

Patient Fees

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

Private Practice Fees

Private practice fees are recognised as revenue at the time invoices are raised.

Revenue from commercial activities

Revenue from commercial activities such as catering & property income are recognised at the time the invoice is raised.

Donations and Other Bequests

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

Interest Revenue

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

Sale of Investments

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

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

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

Other income

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

[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;
- Superannuation expenses which are reported differently depending on whether employees are members of defined benefit or defined contribution plans.

Defined contribution superannuation plans

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Defined benefit superannuation plans

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

Employees of the Health Service are entitled to receive superannuation benefits and the Health Service contributes to both the defined benefit and defined contribution plans. The defined benefit plan provide benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by the Health Service are disclosed in Note 14: Superannuation.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

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

| | 2015 | 2014 |
|-------------------|----------------|----------------|
| Buildings | Up to 40 years | Up to 40 years |
| Plant & Equipment | Up to 20 years | Up to 20 years |
| Motor Vehicles | Up to 10 years | Up to 10 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

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

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

Amortisation

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

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

Intangible assets with finite useful lives are amortised over a 10-15 year period (2014: 10-15 years).

Finance Costs

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Grants & other transfers

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

Other operating expenses

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

Supplies and consumables

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

Bad and doubtful debts

Refer to Note 1 (k) Impairment of financial assets.

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

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

[i] Other comprehensive income

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

Net gains/(losses) of non-financial physical assets

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

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

Refer to Note 1(k) Revaluations of non-financial physical assets.

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

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

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1 (k)); and
- disposals of financial assets and derecognition of financial liabilities

Revaluations of financial instrument at fair value

Refer to Note 1 (j) Financial instruments.

Share of net profits/(losses) of associates and joint entities, excluding dividends

Refer to Note 1 (e) Basis of consolidation.

Other gains/(losses) from other comprehensive income

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

[j] Financial Instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and Receivables

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

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

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

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

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

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

Financial liabilities at amortised cost

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

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

[k] Assets

Cash and cash equivalents

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

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

Receivables

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to goods and services and accrued investment income.
- Statutory receivables, which include predominately amounts owing from the Victorian Government and Goods and Services Tax "GST" input tax credits recoverable.

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment. Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Investments and Other Financial Assets

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

Investments are classified in the following categories:

- Held to maturity; and
- Loans and receivables.

The Health Service 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

The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets are impaired.

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

Inventories

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

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

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

Property, Plant and Equipment

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

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 10 Property, plant and equipment.

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.

Revaluation of Non-current Physical Assets

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

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

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

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

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

In accordance with FRD 103F, the Health Service's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Intangible assets

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

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

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

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

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

Prepayments

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

Disposal of Non-Financial Assets

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

Impairment of Non-Financial Assets

Apart from intangible assets with indefinite useful lives, all other assets are assessed annually for indications of impairment, except for inventories and financial assets.

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

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

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.

Investments in jointly controlled assets and operations

In respect of any interest in jointly controlled assets, the health service recognises in the financial statements:

- its share of jointly controlled assets;
- any liabilities that it had incurred;
- its share of liabilities incurred jointly by the joint venture;
- any income earned from the selling or using of its share of the output from the joint venture; and
- any expenses incurred in relation to being an investor in the joint venture.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Derecognition of financial assets

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

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

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

Impairment of Financial Assets

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

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.

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

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:

- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets and derecognition of financial liabilities.

[1] Liabilities

Payables

Payables consist of:

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

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

Provisions

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

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

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

Employee Benefits

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

Wages and Salaries, Annual Leave and Accrued Days Off

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

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, but are measured at the 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 in the notes to the financial statements as a current liability even where the Health Service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value on the component that the Health Service does not expect to settle within 12 months; and
- nominal value on the component that the Health Service 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 decides to accept an offer of benefits in exchange for the termination of employment.

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

On-Costs

Employee benefit on-costs such as payroll tax, workers compensation and superannuation are recognised separately in the expense for employee benefits.

Superannuation liabilities

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

Derecognition of financial liabilities

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

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

[m] Leases

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

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

Finance Leases

The Health Service does not hold any finance lease arrangements with other parties.

Operating Leases

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

[n] Equity

Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119A *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.

Transfers of net assets arising from administrative restructurings are treated as contributions by owners. Transfers of net liabilities arising from administrative restructures are to go through the comprehensive operating statement.

Property, Plant & Equipment Revaluation Surplus

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

[o] Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note (refer to note 20) at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

[p] 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.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

[q] Service concession arrangements

The Health Service sometimes enters into certain arrangement with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as either public private partnerships or service concession arrangements (SCAs).

These SCAs usually take one of two main forms. In the more common form, the Health Service pays the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment in accordance with the lease policy (see Note 1(m)). The remaining components are accounted for as commitments (see Note 1(o)) for operating costs which are expensed in the comprehensive operating statement as they are incurred.

The other less common form of SCA, is one in which the Health Service grants to an operator for a specified period of time, the right to collect fees from users of the SCA asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes state works, from the Health Service and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the grantor Health Agency.

[r] Goods and Service 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 an asset or 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 component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments for expenditure and contingent assets and liabilities are presented on a gross basis.

[s] Events after the reporting period

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

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

[t] Foreign Currency

The Health Service had no foreign currency transactions in the reporting period.

[u] AASs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of all these new standards and advises the Hospital of their applicability and early adoption where applicable.

As at 30 June 2015, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The Hospital has not and does not intend to adopt these standards early.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2014

| Standard/ Interpretation | Summary | Applicable for Annual reporting periods beginning on | reporting periods beginning on Impact on financial Statements |
|---|--|---|--|
| AASB 9 Financial instruments | 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 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). | 1 Jan 2017 | Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed |
| AASB 12 Disclosure of Interests in Other Entities | This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures. | 1 Jan 2014 (not-for-profit entities) | Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures. |
| AASB 128 Investments in Associates and Joint Ventures | This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. | 1 Jan 2014 (not-for-profit entities) | Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation. |

[v] Category Groups

The Health Service 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 and expenditure on admitted patient services, where services are delivered in public hospitals.

Aged Care

Comprises revenue and expenditure from Home and Community Care (HACC) programs, Allied Health and support services.

Primary Health

Comprises revenue and expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

Other Services excluded from Australian Health Care Agreement (Other)

Comprises revenue and expenditure for services not separately classified above. Health and Community Initiatives also fall into this category group.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 2: Analysis of Revenue by Source

| | Note | Admitted Patients | Aged Care | Primary Health | Other | Total |
|--|------|----------------------|----------------|-------------------|----------------|------------------|
| | | 2015 \$ | 2015 \$ | 2015 \$ | 2015 \$ | 2015 \$ |
| Government Grants | | 4,963,472 | 486,893 | 113,111 | - | 5,563,476 |
| Indirect Contributions by Dept of Health and Human Services | | 218,851 | - | - | - | 218,851 |
| Patient Fees | | 255,237 | 132,133 | - | - | 387,370 |
| Catering | | - | - | - | 52,878 | 52,878 |
| Transitional Care Program | | 376,575 | - | - | - | 376,575 |
| Other Revenue from Operating Activities | | - | - | - | 618,742 | 618,742 |
| Total Revenue from Operating Activities | | 5,814,135 | 619,026 | 113,111 | 671,620 | 7,217,892 |
| Interest | | - | - | - | 56,279 | 56,279 |
| Donations & Bequests | | - | - | - | 60,399 | 60,399 |
| Other Revenue from Non Operating Activities | | - | - | - | 38,729 | 38,729 |
| Total Revenue from Non-Operating Activities | | - | - | - | 155,407 | 155,407 |
| Capital Donations | | - | - | - | 22,612 | 22,612 |
| Capital Grants | | - | - | - | 89,675 | 89,675 |
| Total Capital Purpose Income | | - | - | - | 112,287 | 112,287 |
| Total Revenue | | 5,814,135 | 619,026 | 113,111 | 939,314 | 7,485,586 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 2: Analysis of Revenue by Source (cont.)

| | Note | Admitted Patients | Aged Care | Primary Health | Other | Total |
|--|------|----------------------|----------------|-------------------|----------------|------------------|
| | | 2014 \$ | 2014 \$ | 2014 \$ | 2014 \$ | 2014 \$ |
| Government Grants | | 5,101,889 | 487,649 | 118,688 | - | 5,708,226 |
| Indirect Contributions by Dept of Health and Human Services | | 164,233 | - | - | - | 164,233 |
| Patient Fees | | 319,821 | 147,765 | - | - | 467,586 |
| Catering | | - | - | - | 51,539 | 51,539 |
| Transitional Care Program | | 350,748 | - | - | - | 350,748 |
| Other Revenue from Operating Activities | | - | - | - | 557,597 | 557,597 |
| Total Revenue from Operating Activities | | 5,936,691 | 635,414 | 118,688 | 609,136 | 7,299,929 |
| Interest | | - | - | - | 64,534 | 64,534 |
| Donations & Bequests | | - | - | - | 43,723 | 43,723 |
| Other Revenue from Non Operating Activities | | - | - | - | 38,683 | 38,683 |
| Total Revenue from Non-Operating Activities | | - | - | - | 146,940 | 146,940 |
| Capital Donations | | - | - | - | 22,485 | 22,485 |
| Capital Grants | | - | - | - | 27,757 | 27,757 |
| Total Capital Purpose Income | | - | - | - | 50,242 | 50,242 |
| Total Revenue | | 5,936,691 | 635,414 | 118,688 | 806,318 | 7,497,111 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

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

| | 2015 | 2014 |
|--|-----------------|-----------------|
| | \$ | \$ |
| Proceeds from Disposal of Non-Current Assets | | |
| Land | - | - |
| Plant and Equipment | - | 847 |
| Motor Vehicles | 29,546 | 24,063 |
| Total Proceeds from Disposal of Non-Current Assets | <u>29,546</u> | <u>24,910</u> |
| Less: Written Down Value of Non-Current Assets Sold | | |
| Land | - | - |
| Plant and Equipment | (8,507) | (1,486) |
| Motor Vehicles | (29,256) | (26,238) |
| Total Written Down Value of Non-Current Assets Sold | <u>(37,763)</u> | <u>(27,724)</u> |
| NET LOSS ON DISPOSAL OF NON-CURRENT ASSETS | <u>(8,217)</u> | <u>(2,814)</u> |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 3: Analysis of Expenses by Source

| | Acute Care 2015 \$ | Aged Care 2015 \$ | Primary Health 2015 \$ | Other 2015 \$ | Total 2015 \$ |
|--|-----------------------------|----------------------------|---------------------------------|---------------------|---------------------|
| Employee Expenses | 4,427,183 | 502,962 | 88,432 | 508,496 | 5,527,073 |
| Non Salary Labour Costs | 267,777 | - | - | - | 267,777 |
| Supplies & Consumables | 474,893 | 26,566 | 4,670 | 7,283 | 513,412 |
| Other Expenses | 1,120,463 | 122,095 | 21,464 | 143,950 | 1,407,972 |
| Total Expenditure from Operating Activities | 6,290,316 | 651,623 | 114,566 | 659,729 | 7,716,234 |
| Loss on disposal of non-current assets | - | - | - | 8,217 | 8,217 |
| Depreciation and Amortisation (Note 4) | - | - | - | 399,662 | 399,662 |
| Total Other Expenses | - | - | - | 407,879 | 407,879 |
| Total Expenses | 6,290,316 | 651,623.00 | 114,566.00 | 1,067,608 | 8,124,113 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 3: Analysis of Expenses by Source (continued)

| | Acute Care 2014 \$ | Aged Care 2014 \$ | Primary Health 2014 \$ | Other 2014 \$ | Total 2014 \$ |
|--|-----------------------------|----------------------------|---------------------------------|---------------------|---------------------|
| Employee Expenses | 4,051,188 | 430,870 | 79,238 | 391,259 | 4,952,555 |
| Non Salary Labour Costs | 436,882 | - | - | - | 436,882 |
| Supplies & Consumables | 538,220 | 23,907 | 4,396 | 6,386 | 572,909 |
| Other Expenses | 1,096,177 | 109,025 | 20,049 | 119,012 | 1,344,263 |
| Total Expenditure from Operating Activities | 6,122,467 | 563,802 | 103,683 | 516,657 | 7,306,609 |
| Loss on disposal of non-current assets | - | - | - | 2,814 | 2,814 |
| Depreciation and Amortisation (Note 4) | - | - | - | 371,884 | 371,884 |
| Total Other Expenses | - | - | - | 374,698 | 374,698 |
| Total Expenses | 6,122,467 | 563,802.00 | 103,683.00 | 891,355 | 7,681,307 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 4: Depreciation

| | 2015 | 2014 |
|---------------------------|----------------|----------------|
| | \$ | \$ |
| Depreciation | | |
| Buildings | 173,039 | 147,095 |
| Plant & Equipment | 28,614 | 21,698 |
| Motor Vehicles | 35,154 | 31,878 |
| Medical Equipment | 137,353 | 145,470 |
| Furniture & Fittings | 7,403 | 7,403 |
| Other Equipment | 18,099 | 18,340 |
| TOTAL DEPRECIATION | <u>399,662</u> | <u>371,884</u> |

Note 5: Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash assets 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.

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$ | \$ |
| Cash on Hand | 400 | 400 |
| Cash at Bank | 262,489 | 218,688 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>262,889</u> | <u>219,088</u> |

Represented by:

| | | |
|--|----------------|----------------|
| Cash for Health Service Operations | 149,511 | 94,569 |
| GHA Cash at Bank | 113,378 | 124,519 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>262,889</u> | <u>219,088</u> |

Note 6: Receivables

Current

| | | |
|--|----------------|----------------|
| Contractual | | |
| - Sundry Debtors | 127,386 | 163,694 |
| - Patient Fees | 78,766 | 54,902 |
| - Accrued Investment Income | 8,155 | 11,556 |
| - GHA Receivables | 36,441 | 20,197 |
| Less Allowance for Doubtful Debts | | |
| - Patient Fees | (13,412) | (2,095) |
| | <u>237,336</u> | <u>248,254</u> |
| Statutory | | |
| - GST Refund Due | 4,544 | 8,977 |
| | <u>4,544</u> | <u>8,977</u> |
| Total Current | <u>241,880</u> | <u>257,231</u> |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements

for the year ended 30 June 2015

Note 6: Receivables (continued)

| Non-Current | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Statutory | \$ | \$ |
| - Accrued Revenue | | |
| Department of Health Long Service Leave | 309,224 | 256,287 |
| Total Non-Current | <u>309,224</u> | <u>256,287</u> |
| TOTAL RECEIVABLES | <u><u>551,104</u></u> | <u><u>513,518</u></u> |

(a) Movement in the Allowance for doubtful debts

| | | |
|--|---------------|--------------|
| Balance at beginning of year | 2,095 | 2,095 |
| Increase in allowance recognised in net result | 11,317 | - |
| Balance at end of year | <u>13,412</u> | <u>2,095</u> |

(b) Ageing analysis of receivables

Please refer to note 18b for the ageing analysis of receivables.

(c) Nature and extent of risk arising from receivables

Please refer to note 18b for the nature and extent of credit risk arising from receivables.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 7: Investments and Other Financial Assets

| | Operating Fund 2015 \$ | Operating Fund 2014 \$ | Total 2015 \$ | Total 2014 \$ |
|--|---------------------------------|---------------------------------|---------------------|---------------------|
| Current | | | | |
| Term Deposits | | | | |
| - Term Deposit # 1 (Capital Development) | 312,169 | 398,309 | 312,169 | 398,309 |
| - Term Deposit # 4 (Leave Liabilities) | 369,433 | 355,000 | 369,433 | 355,000 |
| - Term Deposit # 5 (Leave Liabilities) | 733,776 | 707,936 | 733,776 | 707,936 |
| - Term Deposit # 6 (Contingencies) | - | 84,000 | - | 84,000 |
| TOTAL OTHER FINANCIAL ASSETS | 1,415,378 | 1,545,245 | 1,415,378 | 1,545,245 |

(a) Ageing analysis of investments and other financial assets

Please refer to note 19(b) for the ageing analysis of investments and other financial assets.

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

Please refer to note 19(b) for the nature and extent of credit risk arising from investments and other financial assets.

Note 8: Inventories

| | | |
|----------------------------------|---------------|---------------|
| Pharmaceuticals At Cost | 13,681 | 14,541 |
| Catering Supplies At Cost | 5,040 | 5,357 |
| Medical & Surgical Lines At Cost | 49,684 | 52,806 |
| Engineering Stores At Cost | 3,600 | 3,827 |
| TOTAL INVENTORIES | 72,006 | 76,530 |

Note 9: Other Current Assets

| | | |
|-----------------------------------|---------------|---------------|
| GHA Other Current Assets | 26,168 | 13,153 |
| TOTAL OTHER CURRENT ASSETS | 26,168 | 13,153 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 10: Property, Plant & Equipment

| | 2015 \$ | 2014 \$ |
|--|-------------------------|-------------------------|
| Land | | |
| - Land at fair value | 360,000 | 360,000 |
| Total Land | <u>360,000</u> | <u>360,000</u> |
| Buildings | | |
| - Buildings at fair value | 4,898,792 | 4,898,792 |
| Less Accumulated Depreciation | (173,039) | - |
| - Buildings - Work in Progress - at cost | 8,100 | 2,290 |
| Total Buildings | <u>4,733,853</u> | <u>4,901,082</u> |
| Plant and Equipment | | |
| - Plant & Equipment at fair value | 212,098 | 204,284 |
| Less Accumulated Depreciation | (95,203) | (76,856) |
| | <u>116,895</u> | <u>127,428</u> |
| - Medical Equipment at fair value | 1,543,116 | 1,522,597 |
| Less Accumulated Depreciation | (991,180) | (853,827) |
| | <u>551,936</u> | <u>668,770</u> |
| - Furniture & Fittings at fair value | 87,162 | 87,162 |
| Less Accumulated Depreciation | (62,690) | (55,286) |
| | <u>24,472</u> | <u>31,876</u> |
| - Other Equipment at fair value | 455,660 | 410,578 |
| Less Accumulated Depreciation | (309,672) | (284,897) |
| - Other Equipment - Work in Progress at cost | - | 9,500 |
| | <u>145,988</u> | <u>135,181</u> |
| - GHA Plant & Equipment at fair value | 4,068 | 4,178 |
| | <u>4,068</u> | <u>4,178</u> |
| Total Plant & Equipment | <u>843,359</u> | <u>967,433</u> |
| Motor Vehicles | | |
| - Motor Vehicles at fair value | 293,055 | 290,977 |
| Less Accumulated Depreciation | (61,685) | (50,235) |
| Total Motor Vehicles | <u>231,370</u> | <u>240,742</u> |
| TOTAL PROPERTY, PLANT & EQUIPMENT | <u><u>6,168,582</u></u> | <u><u>6,469,257</u></u> |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 10: Property, Plant & Equipment (continued)

All land and buildings were valued at the 30th June, 2014 by Mr. J Kilgour (A.A.P.I.) of Westernport Property Consultants under contract by Valuer-General Victoria. Reconciliation of the carrying amounts of each class of asset at the beginning and end of the previous and current financial years are set out below.

Fair value, where applicable is calculated in accordance with Note 1(b).

| | Freehold Land | Buildings | Medical, Plant & Equipment | Motor Vehicles | Total |
|--|------------------|------------------|-------------------------------|-------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1st July 2013 | 452,895 | 4,390,141 | 1,036,449 | 204,735 | 6,084,220 |
| Additions | - | 3,517 | 125,381 | 94,123 | 223,021 |
| Disposals | - | - | (1,486) | (26,238) | (27,724) |
| Revaluation increments / (decrements) | (92,895) | 654,519 | - | - | 561,624 |
| Depreciation/amortisation expense (Note 4) | - | (147,095) | (192,911) | (31,878) | (371,884) |
| Building WIP write-down | - | - | - | - | - |
| Balance at 1st July 2014 | 360,000 | 4,901,082 | 967,433 | 240,742 | 6,469,257 |
| Additions | - | 5,810 | 75,903 | 55,037 | 136,751 |
| Disposals | - | - | (8,508) | (29,256) | (37,764) |
| Depreciation/amortisation expense (Note 4) | - | (173,039) | (191,469) | (35,154) | (399,662) |
| Balance at 30th June 2015 | 360,000 | 4,733,853 | 843,359 | 231,370 | 6,168,582 |

(a) Fair value measurement hierarchy for assets as at 30 June 2015

| | Carrying amount as at 30 June 2015 | | | |
|---|---------------------------------------|---------------|---------------|------------------|
| | \$ | Level 1 \$ | Level 2 \$ | Level 3 \$ |
| Land at fair value | | | | |
| Non-specialised land | | | | |
| Specialised land | | | | |
| - Station Road - Foster | 360,000 | - | - | 360,000 |
| Total of land at fair value | 360,000 | - | - | 360,000 |
| Buildings at fair value | | | | |
| Non-specialised buildings | | | | |
| Specialised buildings | | | | |
| - Station Road, Foster | 4,733,853 | - | - | 4,733,853 |
| Total of building at fair value | 4,733,853 | - | - | 4,733,853 |
| Plant and equipment at fair value | | | | |
| Plant equipment and vehicles at fair value | | | | |
| - Medical Equipment | 551,935 | - | - | 551,935.04 |
| - Plant and equipment | 291,424 | - | - | 291,424 |
| Total of plant, equipment and vehicles at fair value | 843,359 | - | - | 843,359 |
| Motor Vehicles at fair value | | | | |
| - Vehicles | 231,370 | - | - | 231,370 |
| Total motor vehicles at fair value | 231,370 | - | - | 231,370 |
| Total Assets at fair value | 6,168,582 | - | - | 6,168,582 |

There have been no transfers between levels during the period.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

(a) Fair value measurement hierarchy for assets as at 30 June 2014

| | Carrying amount as at 30 | | | |
|--|--------------------------|---------|---------|-----------|
| | June 2014 | Level 1 | Level 2 | Level 3 |
| | \$ | \$ | \$ | \$ |
| Land at fair value | | | | |
| Non-specialised land | | | | |
| Specialised land | | | | |
| - Station Road - Foster | 360,000 | - | - | 360,000 |
| Total of land at fair value | 360,000 | - | - | 360,000 |
| Buildings at fair value | | | | |
| Non-specialised buildings | | | | |
| Specialised buildings | | | | |
| - Station Road, Foster | 4,901,082 | - | - | 4,901,082 |
| Total of building at fair value | 4,901,082 | - | - | 4,901,082 |
| Plant and equipment at fair value | | | | |
| Plant equipment and vehicles at fair value | | | | |
| - Medical Equipment | 240,742 | - | - | 668,770 |
| - Plant and equipment | 298,663 | - | - | 298,663 |
| Total of plant, equipment and vehicles at fair value | 539,405 | - | - | 967,433 |
| Motor Vehicles at fair value | | | | |
| - Vehicles | 668,770 | - | - | 240,742 |
| Total motor vehicles at fair value | 668,770 | - | - | 240,742 |
| Total Assets at fair value | 6,469,257 | - | - | 6,469,257 |

There have been no transfers between levels during the period.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

Non-specialised land and non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

The market approach is also used for specialised land and specialised buildings although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the health services, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of the Hospital's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

Vehicles

The Health Service acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by the Health Service who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying value (depreciated cost).

Plant and equipment

Plant and equipment is held at carrying value (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing

There were no changes in valuation techniques throughout the period to 30 June 2015.

For all assets measured at fair value, the current use is considered the highest and best use.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements

for the year ended 30 June 2015

(b) Reconciliation of Level 3 fair value

| | Land | Buildings | Medical, Plant & Equipment | Motor Vehicles |
|--|----------------|------------------|----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Opening Balance | 360,000 | 4,901,083 | 967,433 | 240,742 |
| Purchases (sales) | - | 5,809 | 67,395 | 25,782 |
| Gains or losses recognised in net result | | | | |
| - Depreciation | - | (173,039) | (191,469) | (35,154) |
| Subtotal | <u>360,000</u> | <u>4,733,853</u> | <u>843,359</u> | <u>231,370</u> |
| Items recognised in other comprehensive income | | | | |
| - Revaluation | - | - | - | - |
| Subtotal | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Closing Balance | <u>360,000</u> | <u>4,733,853</u> | <u>843,359</u> | <u>231,370</u> |

There have been no transfers between levels during the period.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of fair value measurement to changes in significant unobservable inputs |
|---|------------------------------|---|--------------------------------|---|
| Specialised land - Station Road, Foster | Market Approach | Community Service Obligation (CSO) adjustment | 20% (20%)(i) | A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value |
| | | Direct cost per square meter | \$350 - \$1825/m2 | A significant increase or decrease in direct cost per square metre adjustment would result in higher or lower fair value. |
| Specialised Buildings - Station Road, Foster | Depreciated replacement cost | Useful life of building | 1-50 years | A significant increase or decrease in the estimated useful life of the asset would result in significantly higher |
| | | Cost per unit | \$0 - \$64,000 (\$2,160) | A significant increase or decrease in cost per unit would result in higher or lower fair value. |
| Plant & Equipment at fair value - Plant & Equipment | Depreciated replacement cost | Useful life of asset | 5-10 years (7years) | A significant increase or decrease in the estimated useful like of asset would result in significantly higher or lower value. |
| | | Cost per unit | \$15,000 - \$50,000 (\$26,750) | A significant increase or decrease in cost per unit would result in higher or lower fair value. |
| Vehicles at fair value - Vehicles | Depreciated replacement cost | Useful life of asset | 8-10 years (9years) | A significant increase or decrease in the estimated useful like of asset would result in significantly higher or lower value. |
| | | Cost per unit | \$0 - \$190,000 (\$4,100) | A significant increase or decrease in cost per unit would result in higher or lower fair value. |
| Medical equipment at fair value - Medical Expenses | Depreciated replacement cost | Useful life of asset | 8-10 years (9years) | A significant increase or decrease in the estimated useful like of asset would result in significantly higher |

(i) CSO adjustments ranging from 50% to 70% were applied to reduce the market approach value for the Department's specialised land, with the weighted average 60% reduction applied.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 11: Intangible Assets

| | 2015 | 2014 |
|----------------------------------|----------|----------|
| | \$ | \$ |
| Intangible Assets at Cost | | |
| - Computer Software | 11,250 | 11,250 |
| Less Accumulated Amortisation | (11,250) | (11,250) |
| Total Intangible Assets | <u>-</u> | <u>-</u> |

Note 12: Payables

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Current | | |
| Contractual | | |
| - Trade Creditors | 143,968 | 180,263 |
| - Accrued Expenses | 33,560 | 28,046 |
| | <u>177,528</u> | <u>208,309</u> |
| Statutory | | |
| - Department of Health - WIES Recall/(Refund) | 47,957 | (61,123) |
| TOTAL PAYABLES | <u><u>225,485</u></u> | <u><u>147,186</u></u> |

Note 12a: Maturity Analysis of Payables

Please refer to note 18c for the ageing analysis of contractual payables.

Note 12b: Nature and extent of risk arising from Payables

Please refer to note 18c for the nature and extent of risks arising from contractual payables.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 13: Provisions

CURRENT

Long Service Leave

| | | |
|--|---------|---------|
| - Unconditional and expected to be settled wholly within 12 months | 148,013 | 143,096 |
| - Unconditional and expected to be settled wholly after 12 months | 444,039 | 429,286 |

Annual Leave

| | | |
|--|---------|---------|
| - Unconditional and expected to be settled wholly within 12 months | 405,142 | 359,586 |
| - Unconditional and expected to be settled wholly after 12 months | 163,905 | 145,560 |

Accrued Wages & Salaries

229,893 167,424

Accrued Days Off

13,276 12,658

Provisions related to Employee Benefit On-Costs

| | | |
|--|---------|---------|
| - Unconditional and expected to be settled wholly within 12 months | 127,964 | 119,095 |
| - Unconditional and expected to be settled wholly after 12 months | 22,618 | 18,381 |

TOTAL CURRENT EMPLOYEE BENEFITS

| | |
|-----------|-----------|
| 1,554,849 | 1,395,086 |
|-----------|-----------|

NON-CURRENT (refer note 1 (l))

Conditional Long Service Leave

219,563 172,323

TOTAL NON-CURRENT EMPLOYEE BENEFITS

219,563 172,323

TOTAL PROVISIONS

| | |
|-----------|-----------|
| 1,774,412 | 1,567,409 |
|-----------|-----------|

(a) Employee Benefits and Related On-Costs:

Current Employee Benefits and Related On-Costs

| | | |
|---------------------------|--------|--------|
| Annual Leave Entitlements | 61,358 | 54,702 |
|---------------------------|--------|--------|

Accrued Wages & Salaries

- -

Unconditional Long Service Leave Entitlements

66,606 64,393

Non-Current Employee Benefits and Related On-Costs

Conditional Long Service Leave Entitlements

22,618 18,381

| | |
|---------|---------|
| 150,582 | 137,476 |
|---------|---------|

(b) Movement in Long Service Leave:

Balance at start of year

827,480 794,879

Provision made during the year

174,258 128,244

Settlements made during the year

(100,899) (95,643)

Balance at end of year

| | |
|---------|---------|
| 900,839 | 827,480 |
|---------|---------|

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 14: Superannuation

| | Paid Contributions | | Outstanding Contributions | |
|-----------------------------|--------------------|----------------|---------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Defined Contribution plans: | | | | |
| - Health Super | 352,478 | 309,649 | 1,653 | 2,101 |
| - Hesta Super | 103,823 | 89,245 | 368 | 462 |
| - Other | - | 840 | - | - |
| TOTAL SUPERANNUATION | 456,301 | 399,734 | 2,021 | 2,563 |

Note 15: Other Current Liabilities

Current

| | | |
|--|---------------|---------------|
| GHA Other Current Liabilities | 49,343 | 36,782 |
| TOTAL OTHER CURRENT LIABILITIES | 49,343 | 36,782 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 16: Equity

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| (a) Surpluses | | |
| Property, Plant & Equipment Revaluation Surplus | | |
| Balance at the beginning of the reporting period | 2,857,560 | 2,295,936 |
| Revaluation Increments / (Decrements) | | |
| - Land | - | (92,895) |
| - Buildings | - | 654,519.00 |
| Balance at end of Reporting Period | <u>2,857,560</u> | <u>2,857,560</u> |
| Represented by; | | |
| - Land | 146,586 | 146,586 |
| - Buildings | 2,710,974 | 2,710,974 |
| Total Reserves | <u>2,857,560</u> | <u>2,857,560</u> |
| (b) Contributed Capital | | |
| Balance at the beginning of the reporting period | 3,086,756 | 3,086,756 |
| Balance at the end of reporting period | <u>3,086,756</u> | <u>3,086,756</u> |
| (c) Accumulated Surpluses | | |
| Balance at the beginning of the reporting period | 1,141,100 | 1,325,297 |
| Net Result for year | (638,527) | (184,197) |
| Balance at the end of reporting period | <u>502,573</u> | <u>1,141,100</u> |
| Total Equity at the Reporting Date | <u>6,446,889</u> | <u>7,085,416</u> |

Note 17: Reconciliation of Net Result for the Year to Net Cash Inflow / (Outflow) from Operating Activities

| | | |
|--|---------------|----------------|
| Net Result for the Year | (638,527) | (184,196) |
| Depreciation and Amortisation | 399,662 | 371,884 |
| Net Loss from Sale of Plant & Equipment | 8,217 | 2,814 |
| Change in Operating Assets and Liabilities | | |
| Increase/(Decrease) in Payables | 78,299 | (357,540) |
| Increase/(Decrease) in Employee Entitlements | 207,003 | 211,848 |
| (Increase)/Decrease in Inventories | 4,524 | (8,879) |
| (Increase)/Decrease in Receivables | (37,586) | 2,893 |
| Increase/(Decrease) in Other Assets | (13,015) | 1,509 |
| (Increase)/Decrease in Other Liabilities | 12,561 | (44,355) |
| Net Cash Inflow / (Outflow) from Operating Activities | <u>21,138</u> | <u>(4,022)</u> |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 18: Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Health Services 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.

Categorisation of financial instruments

Details of each categories in accordance with AASB 139, shall be disclosed either on the face of the balance sheet or in the notes.

| | Note | Carrying Amount 2015 \$ | Carrying Amount 2014 \$ |
|--|-------|----------------------------------|----------------------------------|
| Financial Assets | | | |
| Cash and cash equivalents | 5 | 262,889 | 219,088 |
| Receivables | 6 | 237,336 | 248,254 |
| Term Deposits | 7 | 1,415,378 | 1,545,245 |
| Total Financial Assets | | 1,915,603 | 2,012,587 |
| Financial Liabilities | | | |
| Payables at amortised cost | 12 | 177,528 | 208,309 |
| Total Financial Liabilities | | 177,528 | 208,309 |
| Holding Gains from Interest Earned | 2 | 56,279 | 64,534 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 18: Financial Instruments (continued)

(b) Credit Risk

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

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government.

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

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

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

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

| | Financial Institutions AA- Rating | Other | Total |
|-------------------------------|---|----------------|------------------|
| | \$ | \$ | \$ |
| 2015 | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 262,489 | 400 | 262,889 |
| Receivables | - | 237,336 | 237,336 |
| Other financial assets | 1,415,378 | - | 1,415,378 |
| Total Financial Assets | <u>1,677,867</u> | <u>237,736</u> | <u>1,915,603</u> |
| 2014 | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 218,688 | 400 | 219,088 |
| Receivables | - | 248,254 | 248,254 |
| Other financial assets | 1,545,245 | - | 1,545,245 |
| Total Financial Assets | <u>1,763,933</u> | <u>248,654</u> | <u>2,012,587</u> |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 18: Financial Instruments (continued)

(b) Credit Risk

The Hospital's exposure to credit risk and the effective weighted average interest rate by ageing periods is set out in the following table. For interest rates applicable to each class of asset refer to individual notes to the financial statements.

Ageing analysis of Financial Asset as at 30 June

| | Carrying Amount | Not Past Due and not Impaired | Past Due But Not Impaired Less than 1 Month | 1 - 3 Months | 3 Months - 1 Year | 1 - 5 Years | Impaired Financial Assets |
|-------------------------------|--------------------|-------------------------------------|---|-----------------|----------------------|----------------|---------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 262,889 | 262,889 | - | - | - | - | - |
| Receivables | 237,336 | 166,184 | 31,481 | 39,671 | - | - | - |
| Other financial assets | 1,415,378 | 1,415,378 | - | - | - | - | - |
| Total Financial Assets | 1,915,603 | 1,844,451 | 31,481 | 39,671 | - | - | - |
| 2014 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 219,088 | 219,088 | - | - | - | - | - |
| Receivables | 248,254 | 173,038 | 22,512 | 52,704 | - | - | - |
| Other financial assets | 1,545,245 | 1,545,245 | - | - | - | - | - |
| Total Financial Assets | 2,012,587 | 1,937,371 | 22,512 | 52,704 | - | - | - |

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

(c) Liquidity Risk

Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due. The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet. Financial liabilities comprise only of payables, being the monthly trading accounts and sufficient funds are held in the trading bank account to cover these liabilities as and when they fall due.

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

| | Carrying Amount | Contractual Cash Flows | Maturity Dates Less than 1 Month | 1 - 3 Months | 3 Months - 1 Year | 1 - 5 Years |
|------------------------------------|--------------------|---------------------------|--|-----------------|----------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | |
| Payables | | | | | | |
| Trade creditors & accruals | 177,528 | 177,528 | 177,528 | - | - | - |
| Total Financial Liabilities | 177,528 | 177,528 | 177,528 | - | - | - |
| 2014 | | | | | | |
| Payables | | | | | | |
| Trade creditors & accruals | 208,309 | 208,309 | 208,309 | - | - | - |
| Total Financial Liabilities | 208,309 | 208,309 | 208,309 | - | - | - |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 18: Financial Instruments (continued)

(d) Market Risk

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

Currency Risk

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

Interest Rate Risk

Exposure to interest rate risk might arise primarily through the Hospital's financial assets and liabilities. Minimisation of risk is achieved by spreading the terms on our fixed deposits.

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

| | Weighted Average Effective Interest Rate % | Carrying Amount \$ | Fixed Interest Rate \$ | Variable Interest Rate \$ | Non- Interest Bearing \$ |
|------------------------------|---|--------------------------|---------------------------------|------------------------------------|-----------------------------------|
| 2015 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 0.61% | 262,889 | - | 262,489 | 400 |
| Receivables | | | | | |
| - Trade Debtors | - | 200,895 | - | - | 200,895 |
| - Other Receivables | - | 36,441 | - | - | 36,441 |
| Other financial assets | | | | | |
| - Term Deposits | 3.03% | 1,415,378 | 1,415,378 | - | - |
| | | 1,915,603 | 1,415,378 | 262,489 | 237,736 |
| Financial Liabilities | | | | | |
| Payables | - | 177,528 | - | - | 177,528 |
| | - | 177,528 | - | - | 177,528 |
| 2014 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 0.84% | 219,088 | - | 218,688 | 400 |
| Receivables | | | | | |
| - Trade Debtors | - | 228,057 | - | - | 228,057 |
| - Other Receivables | - | 20,197 | - | - | 22,292 |
| Other financial assets | | | | | |
| - Term Deposits | 3.64% | 1,545,245 | 1,545,245 | - | - |
| | | 2,014,682 | 1,545,245 | 218,688 | 250,749 |
| Financial Liabilities | | | | | |
| Payables | - | 208,309 | - | - | 208,309 |
| | - | 208,309 | - | - | 208,309 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 18d: Financial Instruments (continued)

(d) Market Risk (continued)

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Hospital believes the following movements are "reasonably possible" over the next 12 months (Base rates are sourced from the Australia and New Zealand Bank)

- A parallel shift of + 1% and - 1% in market interest rates (AUD) from year-end rates of 3.5%;

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

| | Carrying Amount | Interest Rate Risk | | | |
|------------------------------|--------------------|--------------------|--------------|--------------|--------------|
| | | - 1% | - 1% | + 1% | + 1% |
| | \$ | Profit \$ | Equity \$ | Profit \$ | Equity \$ |
| 2015 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 262,489 | (2,625) | (2,625) | 2,625 | 2,625 |
| Cash on hand | 400 | - | - | - | - |
| Receivables | | | | | |
| - Trade Debtors | 200,895 | - | - | - | - |
| - Other Receivables | 36,441 | - | - | - | - |
| Other financial assets | | | | | |
| - Term Deposits | 1,415,378 | (14,154) | (14,154) | 14,154 | 14,154 |
| <hr/> | | | | | |
| Financial Liabilities | | | | | |
| Payables | 177,528 | - | - | - | - |
| | | (16,779) | (16,779) | 16,779 | 16,779 |
| <hr/> | | | | | |
| 2014 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 218,688 | (2,187) | (2,187) | 2,187 | 2,187 |
| Cash on hand | 400 | - | - | - | - |
| Receivables | | | | | |
| - Trade Debtors | 228,057 | - | - | - | - |
| - Other Receivables | 22,292 | - | - | - | - |
| Other financial assets | | | | | |
| - Term Deposits | 1,545,245 | (15,452) | (15,452) | 15,452 | 15,452 |
| <hr/> | | | | | |
| Financial Liabilities | | | | | |
| Payables | 208,309 | - | - | - | - |
| | | (17,639) | (17,639) | 17,639 | 17,639 |
| <hr/> | | | | | |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 18: Financial Instruments (continued)

(e) Fair Value

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

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

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

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

| | Carrying Amount 2015 \$ | Fair Value 2015 \$ | Carrying Amount 2014 \$ | Fair Value 2014 \$ |
|------------------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| Financial Assets | | | | |
| Cash and Cash Equivalents | 262,889 | 262,889 | 219,088 | 219,088 |
| Receivables | | | | |
| - Trade Debtors | 200,895 | 200,895 | 228,057 | 228,057 |
| - Other Receivables | 36,441 | 36,441 | 20,197 | 20,197 |
| Other financial assets | | | | |
| - Term Deposits | 1,415,378 | 1,415,378 | 1,545,245 | 1,545,245 |
| Total Financial Assets | <u>1,915,603</u> | <u>1,915,603</u> | <u>2,014,682</u> | <u>2,014,682</u> |
| Financial Liabilities | | | | |
| Payables | 177,528 | 177,528 | 208,309 | 208,309 |
| Total Financial Liabilities | <u>177,528</u> | <u>177,528</u> | <u>208,309</u> | <u>208,309</u> |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 19: Commitments for expenditure

The Health Service does not have any capital or lease commitments for expenditure as at 30 June 2015. (2014: Nil)

Note 20: Segment Reporting

The Health Service does not have any significant income earning activities other than the provision of health services. Residential aged care services are provided by a separate legal entity.

Note 21: Contingent Assets and Contingent Liabilities

There were no contingent assets or contingent liabilities at 30 June 2015. (2014: Nil)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 22: Jointly Controlled Assets

| Name of Entity | Principal Activity | Ownership Interest | |
|---------------------------|------------------------|--------------------|------|
| | | 2015 | 2014 |
| | | % | % |
| Gippsland Health Alliance | Information Technology | 3.16 | 2.63 |

The Health Service interest in assets employed in the above jointly controlled operations and assets is detailed below.

| | 2015 | 2014 |
|---|----------------|----------------|
| | \$ | \$ |
| Current Assets | | |
| Cash and Cash Equivalents | 113,378 | 124,519 |
| Receivables | 36,441 | 20,197 |
| Other Current Assets | 26,168 | 13,153 |
| Total Current Assets | 175,987 | 157,869 |
| Non-Current Assets | | |
| Property, Plant & Equipment | 4,068 | 4,178 |
| Total Non-Current Assets | 4,068 | 4,178 |
| Share of Total Assets | 180,055 | 162,047 |
| Current Liabilities | | |
| Other Current Liabilities | 49,343 | 36,782 |
| Total Current Liabilities | 49,343 | 36,782 |
| Share of Total Liabilities | 49,343 | 36,782 |
| Net Assets | 130,712 | 125,265 |
| Reconciliation of jointly controlled assets: | | |
| Share of funds at beginning of the reporting period | 125,265 | 117,156 |
| Share of current year Surplus/(Deficit) | 5,447 | 8,109 |
| Share of funds at end of reporting period | 130,712 | 125,265 |
| Operating Revenue | | |
| GHA Revenue - SGH | 217,033 | 198,213 |
| GHA Revenue - Other | 92,601 | 85,469 |
| Total Operating Revenue | 309,634 | 283,682 |
| Operating Expenses | | |
| GHA Expenses | 304,077 | 275,497 |
| Total Operating Expenses | 304,077 | 275,497 |
| Capital Expenditure | | |
| Depreciation | 110 | 76 |
| Total Capital Expenditure | 110 | 76 |
| Net Result | 5,447 | 8,109 |

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 23: Responsible Persons Disclosures

| | Period |
|---|-----------------------------------|
| Responsible Ministers: | |
| The Honourable David Davis, MLC, Minister for Health and Ageing | 01/07/2014 03/12/2014 |
| The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Service | 04/12/2014 30/06/2015 |
| Governing Board: | |
| Mr. Neil Roussac (Chair) (appointed 2006) | 01/07/2014 30/06/2015 |
| Mrs. Megan Knight (appointed 2004) | 01/07/2014 30/06/2015 |
| Mrs. Mohya Davies (appointed 1986) | 01/07/2014 30/06/2015 |
| Mr. Clive White (appointed 1986) | 01/07/2014 30/06/2015 |
| Dr. Matthew Marriott (appointed 2009) | 01/07/2014 30/06/2015 |
| Mr. Bruce Lester (appointed 2010) | 01/07/2014 30/06/2015 |
| Mr. Paul Ahern (appointed 2011) | 01/07/2014 30/06/2015 |
| Mrs. Lisa Barham-Lomax (appointed 2012) | 01/07/2014 30/06/2015 |
| Ms. Bernadette Thomson (appointed 2013) | 01/07/2013 30/06/2015 |
| Accountable Officer | |
| Mr. Peter Rushen | 01/07/2014 30/06/2015 |
| | 2015 2014 |

Remuneration of Responsible Persons

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

| | | |
|-----------------------|---|---|
| Income Band | | |
| \$140,000 - \$149,999 | 1 | 1 |

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

There was no remuneration paid to any Board Member in respect of their role as a Board Member.

Other Transactions of Responsible Persons and their Related Parties.

Mrs. Mohya Davies as a partner in Foster Butchery was in receipt of payment for meat supplies provided to the Hospital and not for her role on the Board. The total paid to Foster Butchery for the period 1st July 2014 to 30th June 2015 was \$12,486 (2014 \$12,911)

Mr. Paul Ahern as a partner in Aherns Fruit Market was in receipt of payment for food supplies provided to the Hospital and not for his role on the Board. The total paid to Aherns Fruit Market for the period 1st July 2014 to 30th June 2015 was \$9,064 (2014 \$8,541)

There were no other transactions with responsible persons or their related parties.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 24: Executive Officer Disclosures

The numbers of executive officers, other than Ministers and Accountable Officers, due in 2013/14 remuneration during the reporting period are shown below.

| 2015 | 2014 |
|------|------|
|------|------|

The number of Executive Officers whose total remuneration exceeded \$100,000 amounted to:

| | |
|---|---|
| 2 | 1 |
|---|---|

Note 25: Remuneration of Auditors

| 2015 | 2014 |
|------|------|
|------|------|

| | |
|----|----|
| \$ | \$ |
|----|----|

Audit fees paid or payable to the Victorian Auditor- General's Office for audit of the Hospital's current financial report

| | |
|---------------|---------------|
| 20,500 | 20,000 |
| <u>20,500</u> | <u>20,000</u> |

Note 26: Events Occurring After Reporting Date

There have been no events since balance date which have had a material effect on these financial statements (2014:Nil)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Note 27: Glossary of terms and style conventions

Actuarial gains or losses on superannuation defined benefit plans

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

Amortisation

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

Comprehensive result

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

Commitments

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

Current grants

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

Depreciation

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

Effective interest method

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

Employee benefits expenses

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

Ex gratia payments

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

Financial asset

A financial asset is any asset that is:

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Financial statements

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

Grants and other transfers

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

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

General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced asset in this glossary.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements

for the year ended 30 June 2015

Interest expense

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

Interest income

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

Liabilities

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

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'. Net result from transactions/net operating balance Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

Net worth

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

Non-financial assets

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

Payables

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

Produced assets

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

Receivables

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

Sales of goods and services

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

Supplies and services

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2015

Appendix A - Alternative presentation of comprehensive operating statement

| | 2015 \$ | 2014 \$ |
|--|------------------|------------------|
| Interest | 56,279 | 64,534 |
| Grants | 5,872,002 | 5,900,216 |
| Other Income | 1,557,305 | 1,532,361 |
| Total Revenue | 7,485,586 | 7,497,111 |
| Employee expenses | 5,527,073 | 4,952,555 |
| Depreciation | 399,662 | 371,884 |
| Other operating expenses | 2,189,162 | 2,354,055 |
| Total Expenses | 8,115,897 | 7,678,494 |
| Net result from transactions - Net operating balance | (630,311) | (181,383) |
| Net gain/ (loss) on sale of non-financial assets | (8,217) | (2,814) |
| Total other economic flows included in net result | (638,528) | (184,197) |
| Items that may be reclassified subsequently to net result | | |
| Changes to financial assets available-for-sale revaluation surplus | - | 561,624 |
| Total other economic flows included in net result | - | 561,624 |
| Net result | (638,528) | 377,427 |