

LORNE COMMUNITY HOSPITAL

BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND
CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for Lorne Community Hospital have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under 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 forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of Lorne Community Hospital as at 30 June 2018.

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

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



Dr D Smith
Board Member

Lorne Community Hospital

27th August, 2018



Ms K Gillan
Accountable Officer

Lorne Community Hospital

27th August, 2018



Mr M Markham
Chief Finance & Accounting Officer

Lorne Community Hospital

27th August, 2018

**LORNE COMMUNITY HOSPITAL
COMPREHENSIVE OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Parent Entity 2018 \$	Parent Entity 2017 \$	Consolidated 2017 \$
Revenue from Operating Activities	2.1	7,651,362	6,927,504	6,985,435
Revenue from Non-Operating Activities	2.1	261,605	168,054	247,705
Employee Expenses	3.1	(5,074,897)	(4,611,935)	(4,728,195)
Non Salary Labour Costs	3.1	(882,664)	(576,498)	(576,498)
Supplies and Consumables	3.1	(226,432)	(203,999)	(204,044)
Information Technology & Communications	3.1	(676,988)	(801,601)	(802,681)
Repairs & Maintenance	3.1	(148,268)	(147,454)	(153,490)
Food Services	3.1	(87,337)	(90,336)	(90,556)
Other Expenses	3.1	(590,072)	(510,391)	(529,823)
Net Result Before Capital and Specific Items		226,309	153,344	147,853
Capital Purpose Income	2.1	107,489	447,474	447,474
Depreciation	4.4	(640,504)	(641,891)	(645,390)
Finance Costs	3.2	(2,931)	(20,096)	(20,096)
Specific Expenses	3.1, 3.3	(118,171)	-	-
Expenditure for capital purposes	3.1	-	(4,690)	(4,690)
Net Result after capital and specific items		(427,808)	(65,859)	(74,849)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2.1	16,529	(453,635)	(453,635)
Revaluation of Long Service Leave		549	4,797	4,797
Total other economic flows included in net result		17,078	(448,838)	(448,838)
NET RESULT FOR THE YEAR		(410,730)	(514,697)	(523,687)
Other Comprehensive Income				
Items that will not be reclassified to net result				
Changes in physical asset revaluation surplus	8.1(a)	871,664	-	-
Total other comprehensive income		871,664	-	-
COMPREHENSIVE RESULT		460,934	(514,697)	(523,687)

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

**LORNE COMMUNITY HOSPITAL
BALANCE SHEET
AS AT 30 JUNE 2018**

	Note	Parent Entity 2018 \$	Parent Entity 2017 \$	Consolidated 2017 \$
Current Assets				
Cash and Cash Equivalents	6.2	3,864,769	2,842,401	2,963,564
Receivables	5.1	346,703	558,358	558,488
Investments and Other Financial Assets	4.1	1,377,284	1,370,972	1,370,972
Prepayments and Other Assets	5.3	58,008	46,584	47,384
Total Current Assets		5,646,764	4,818,315	4,940,408
Non-Current Assets				
Receivables	5.1	69,995	91,026	91,026
Property, Plant and Equipment	4.2	17,804,896	17,001,172	17,003,422
Intangible assets	4.4	-	118,171	118,171
Total Non-Current Assets		17,874,891	17,210,369	17,212,619
TOTAL ASSETS		23,521,655	22,028,684	22,153,027
Current Liabilities				
Payables	5.4	552,990	658,134	789,071
Borrowings	6.1	51,716	67,246	67,246
Provisions	3.4	1,199,276	1,145,048	1,145,048
Other Liabilities	5.2	2,834,088	1,675,117	1,675,117
Total Current Liabilities		4,638,070	3,545,545	3,676,482
Non-Current Liabilities				
Borrowings	6.1	-	81,565	81,565
Provisions	3.4	150,863	129,786	129,786
Total Non-Current Liabilities		150,863	211,351	211,351
TOTAL LIABILITIES		4,788,933	3,756,896	3,887,833
NET ASSETS		18,732,722	18,271,788	18,265,194
EQUITY				
Property, Plant and Equipment Revaluation Surplus	8.1(a)	8,641,680	7,770,016	7,770,016
Contributed Capital	8.1(b)	2,475,050	2,475,050	2,475,050
Accumulated Surpluses	8.1(c)	7,615,992	8,026,722	8,020,128
TOTAL EQUITY		18,732,722	18,271,788	18,265,194
Commitments	6.3			
Contingent Assets and Contingent Liabilities	7.2			

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

**LORNE COMMUNITY HOSPITAL
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Parent Entity 2018 \$	Parent Entity 2017 \$	Consolidated 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)
Operating Grants from Government		4,618,508	4,358,167	4,416,098
Capital Grants from Government		31,270	157,968	157,968
Patient and Resident Fees Received		1,759,475	1,640,397	1,640,397
Interest Received		73,586	73,274	73,274
GST (received from)/paid to the ATO		(22,333)	24,407	24,407
Capital Donations and Bequests Received		202,027	250,242	250,242
Other Receipts		1,640,113	992,767	1,072,418
Total Receipts		8,302,646	7,497,222	7,634,804
Employee Expenses Paid		(4,939,439)	(4,646,147)	(4,646,147)
Non Salary Labour Costs		(882,664)	(576,498)	(576,498)
Payments for Supplies & Consumables		(226,432)	(204,044)	(204,044)
Finance Costs		(2,931)	(20,096)	(20,096)
Other Payments		(1,851,754)	(1,348,960)	(1,431,468)
Total Payments		(7,903,220)	(6,795,745)	(6,878,253)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.2	399,426	701,477	756,551
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Properties, Plant & Equipment		(594,967)	(1,967,480)	(1,967,480)
Cash Contributed from Controlled Entity		121,163	-	-
Proceeds from Sale of Properties, Plant & Equipment		41,182	29,500	29,500
Purchase of Investments		-	657,823	657,823
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(432,622)	(1,280,157)	(1,280,157)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net movement in borrowings		(97,095)	(15,963)	(15,963)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(97,095)	(15,963)	(15,963)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(130,291)	(594,643)	(539,569)
Cash and cash equivalents at beginning of financial year		2,538,256	3,132,899	3,198,988
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	2,407,965	2,538,256	2,659,419

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

LORNE COMMUNITY HOSPITAL
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Consolidated	Note	Property, Plant and Equipment Revaluation Surplus \$	Contributed Capital \$	Accumulated Surpluses (Deficits) \$	Total \$
Balance at 1 July 2016		7,770,016	2,475,050	8,543,815	18,788,881
Net result for the year	8.1(c)	-	-	(523,687)	(523,687)
Balance at 30 June 2017		7,770,016	2,475,050	8,020,128	18,265,194

Parent	Note	Property, Plant and Equipment Revaluation Surplus \$	Contributed Capital \$	Accumulated Surpluses (Deficits) \$	Total \$
Balance at 1 July 2016		7,770,016	2,475,050	8,541,419	18,786,485
Net result for the year		-	-	(514,697)	(514,697)
Balance at 30 June 2017		7,770,016	2,475,050	8,026,722	18,271,788
Net result for the year	8.1(c)	-	-	(410,730)	(410,730)
Other Comprehensive income for the year	8.1(a)	871,664	-	-	871,664
Transfer to Accumulated Surplus	15(a)	-	-	-	-
Balance at 30 June 2018		8,641,680	2,475,050	7,615,992	18,732,722

BASIS OF PRESENTATION

The financial statements are prepared in accordance with Australian Accounting Standards and relevant FRDs.

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the hospital.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contribution by owners. Transfer of net liabilities arising from administrative restructurings are treated as distribution to owners.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of AASB that have significant effect on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for Lorne Community Hospital for the period ending 30 June 2018. The purpose of the report is to provide users with information about the Lorne Community Hospitals' 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 Australian Accounting Standards (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 Lorne Community Hospital is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Services under the AAS's.

The annual financial statements were authorised for issue by the Board of Lorne Community Hospital on 27th August 2018.

(b) Reporting Entity

The financial statements includes all the controlled activities of Lorne Community Hospital.

Its principal address is:
Albert Street
Lorne, VIC 3232

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

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of accounting preparation and measurement

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

All amounts shown in the financial statements have been rounded to the nearest dollar, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

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.

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

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment);
- Superannuation expense (refer to Note 3.5 Superannuation); and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee Benefits in the Balance Sheet).

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

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

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

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Principles of Consolidation

These statements are presented on a consolidated basis for the 2017 financial year only, in accordance with AASB 10 *Consolidated Financial Statements*:

- The consolidated financial statements of Lorne Community Hospital include all reporting entities controlled by Lorne Community Hospital as at 30 June 2017; and
- The consolidated financial statements exclude bodies of Lorne Community Hospital that are not controlled by Lorne Community Hospital, and therefore are not consolidated.
- Control exists when Lorne Community Hospital has the power to govern the financial and operating policies of a Health Service so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements include the audited financial statements of the controlled entities listed in note 8.8.
- The parent entity is not shown separately in the notes.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Entities consolidated into Lorne Community Hospital reporting entity for 2017 include;

- The Lorne Figtree Community House Inc.

Effective 21st May 2018, the Lorne Figtree Community House Incorporated was wound up and unincorporated. All assets and liabilities were transferred to Lorne Community Hospital on the 1st July 2017. As a result, the 2018 financial statements are presented as parent entity results only, as these reflect transactions of the entity as a whole.

Intersegment Transactions

Transactions between segments within Lorne Community Hospital have been eliminated to reflect the extent of Lorne Community Hospital's operations as a group.

(e) Jointly Controlled Operation

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In respect of any interest in joint operations, Lorne Community Hospital recognises in the financial statements:

- its assets, including its share of any assets held jointly;
- any liabilities including its share of liabilities that it had incurred;
- its revenue from the sale of its share of the output from the joint operation;
- its share of the revenue from the sale of the output by the operation; and
- its expenses, including its share of any expenses incurred jointly.

Lorne Community Hospital is a Member of the Southwest Alliance of Rural Health Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.10)

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

Lorne Community Hospital's overall objective is to provide quality health services that support and enhance the wellbeing of all Victorians. Lorne Community Hospital is predominantly funded by accrual based grant funding for the provision of outputs. The hospital also receives income from the supply of services.

Structure

2.1 Analysis of revenue by source

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE

	Admitted Patients 2018 \$	RAC 2018 \$	Aged Care 2018 \$	Primary Health 2018 \$	Other 2018 \$	TOTAL 2018 \$
Parent						
Government Grants	2,405,882	1,610,989	393,707	130,806	73,449	4,614,833
Indirect Contributions by Department of Health and Human Services	(7,877)	(6,912)	(1,125)	(161)	-	(16,075)
Patient & Resident Fees	77,881	653,464	64,461	-	971,413	1,767,219
Other Revenue from Operating Activities	150,961	96,845	20,027	507,371	510,181	1,285,385
Total Revenue from Operating Activities	2,626,847	2,354,386	477,070	638,016	1,555,043	7,651,362
Interest	27,524	24,154	3,932	562	3,406	59,578
Other Revenue from Non-Operating Activities	94,726	90,327	13,532	3,442	-	202,027
Total Revenue from Non-Operating Activities	122,250	114,481	17,464	4,004	3,406	261,605
Capital Purpose Income	-	-	-	-	59,787	59,787
Capital Grants	-	-	-	-	31,270	31,270
Capital Interest	-	-	-	-	16,432	16,432
Total Capital Purpose Income	-	-	-	-	107,489	107,489
Net gain/(loss) on non-financial assets	-	-	-	-	16,529	16,529
TOTAL REVENUE	2,749,097	2,468,867	494,534	642,020	1,682,467	8,036,985
	Admitted Patients 2017 \$	RAC 2017 \$	Aged Care 2017 \$	Primary Health 2017 \$	Other 2017 \$	TOTAL 2017 \$
Consolidated						
Government Grants	2,335,491	1,495,674	366,014	228,467	60,452	4,486,098
Indirect Contributions by Department of Health and Human Services	(15,551)	(13,647)	(2,222)	(317)	-	(31,737)
Patient & Resident Fees	186,983	522,056	101,507	-	817,884	1,628,430
Other Revenue from Operating Activities	58,204	45,351	13,270	112,917	672,902	902,644
Total Revenue from Operating Activities	2,565,127	2,049,434	478,569	341,067	1,551,238	6,985,435
Interest	19,819	17,392	2,831	404	1,513	41,959
Other Revenue from Non-Operating Activities	87,349	84,136	12,478	1,783	20,000	205,746
Total Revenue from Non-Operating Activities	107,168	101,528	15,309	2,187	21,513	247,705
Capital Purpose Income	-	-	-	-	263,343	263,343
Capital Grants	-	-	-	-	157,968	157,968
Capital Interest	-	-	-	-	26,163	26,163
Total Capital Purpose Income	-	-	-	-	447,474	447,474
Net gain/(loss) on non-financial assets	-	-	-	-	(453,635)	(453,635)
TOTAL REVENUE	2,672,295	2,150,962	493,878	343,254	1,566,590	7,226,979

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

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE (Continued)

Revenue Recognition

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 Lorne Community Hospital and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

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

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

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

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

Indirect Contributions from the Department of Health and Human Services

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- 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 04/2017.

Patient and Resident Fees

Patient fees are recognised as revenue on an accrual basis.

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 provision of meals to external users is recognised on an accrual basis.

Donations and Other Bequests

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

Interest Revenue

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

Sale of investments

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

Other Income

Other income includes recoveries, sundry sales and minor facility charges.

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE (Continued)

Category Groups

Lorne Community Hospital has used the following category groups for reporting purposes for the current and previous financial years.

- **Admitted Patient Services (Admitted Patients)** comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.
- **Aged Care** comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.
- **Primary, Community and Dental Health** comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.
- **Residential Aged Care including Mental Health (RAC incl. Mental Health)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the department under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).
- **Other Services not reported elsewhere - (Other)** comprises services not separately classified above, including: Public Health Services including laboratory testing, blood borne viruses / sexually transmitted infections clinical services, Kooris liaison officers, immunisation and screening services, drugs services including drug withdrawal, counselling and the needle and syringe program, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

NOTE 3: THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

- 3.1 Analysis of expenses by source
- 3.2 Finance Costs
- 3.3 Specific Expenses
- 3.4 Provisions
- 3.5 Superannuation

NOTE 3.1: ANALYSIS OF EXPENSE BY SOURCE

	Admitted Patients 2018 \$	RAC 2018 \$	Aged Care 2018 \$	Primary Health 2018 \$	Other 2018 \$	TOTAL 2018 \$
Parent						
Employee Expenses	1,779,241	1,901,358	681,849	179,567	532,882	5,074,897
Other Operating Expenses						
Non Salary Labour Costs	187,116	4,761	29,037	204,641	457,109	882,664
Supplies and Consumables	64,776	91,651	34,755	(1,061)	36,311	226,432
Information Technology & Communications	186,852	166,776	27,794	5,257	290,309	676,988
Repairs & Maintenance	70,886	62,922	9,879	3,465	1,116	148,268
Food Services	39,927	38,196	7,708	1,497	9	87,337
Other Expenses	215,851	205,653	41,579	56,731	70,258	590,072
Total Expenditure from Operating Activities	2,544,649	2,471,317	832,601	450,097	1,387,994	7,686,658
Depreciation & Amortisation (refer note 4.4)	313,847	275,417	44,835	6,405	-	640,504
Finance Costs (refer note 3.2)	-	-	-	-	2,931	2,931
Specific Expense (refer note 3.3)	-	-	-	-	118,171	118,171
Total Other Expenses	313,847	275,417	44,835	6,405	121,102	761,606
TOTAL EXPENSES	2,858,496	2,746,734	877,436	456,502	1,509,096	8,448,264
	Admitted Patients 2017 \$	RAC 2017 \$	Aged Care 2017 \$	Primary Health 2017 \$	Other 2017 \$	TOTAL 2017 \$
Consolidated						
Employee Expenses	1,599,829	1,732,770	603,936	220,311	571,349	4,728,195
Other Operating Expenses						
Non Salary Labour Costs	243,490	33,089	20,773	761	278,385	576,498
Supplies and Consumables	69,591	92,509	34,605	213	7,126	204,044
Information Technology & Communications	160,347	140,712	25,327	4,352	471,943	802,681
Repairs & Maintenance	72,517	63,359	10,033	7,454	127	153,490
Food Services	42,695	39,506	7,116	1,072	167	90,556
Other Expenses	249,290	193,264	47,700	24,955	14,614	529,823
Total Expenditure from Operating Activities	2,437,759	2,295,209	749,490	259,118	1,343,711	7,085,287
Depreciation & Amortisation (refer note 4.4)	316,241	277,518	45,177	6,454	-	645,390
Expenditure for Capital Purposes	-	-	-	-	4,690	4,690
Finance Costs (refer note 3.2)	-	-	-	-	20,096	20,096
Total Other Expenses	316,241	277,518	45,177	6,454	24,786	670,176
TOTAL EXPENSES	2,754,000	2,572,727	794,667	265,572	1,368,497	7,755,463

Note 3.1 Expense Recognition

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

NOTE 3.1: ANALYSIS OF EXPENSE BY SOURCE (Continued)

Employee expenses

Employee expenses include:

- Wages and salaries;
- Annual leave;
- Sick leave;
- Long service leave; and
- Superannuation expenses
- Workcover premiums

Grants and Other Transfers

These 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 service 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.
- 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 control over them.

Net Gain / (Loss) on Non-Financial Assets

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

- Revaluation gain/ (losses) of non-financial physical assets (Refer to Note 4.2 Property, Plant and Equipment)
- 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.

Net gain/ (loss) on financial instruments

Net gain/ (loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 Investments and other financial assets; and
- disposals of financial assets and derecognition of financial liabilities

Other gains/(losses) from other economic flows

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Derecognition of financial liabilities

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

NOTE 3.2: FINANCE COSTS

	Parent 2018 \$	Consol'd 2017 \$
Finance Charges on Finance Leases	2,931	20,096
TOTAL FINANCE COSTS	2,931	20,096

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

Finance costs include:

- finance charges in respect of finance leases recognised in accordance with AASB 117 Leases.

NOTE 3.3: SPECIFIC EXPENSES

	Parent 2018 \$	Consol'd 2017 \$
Write-down of Intangible Assets	118,171	-
TOTAL SPECIFIC EXPENSES	118,171	-

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET

	Parent 2018 \$	Consol'd 2017 \$
Current Provisions		
Employee Benefits (i)		
Accrued salaries & wages and accrued days off		
- unconditional and expected to be settled wholly within 12 months (ii)	222,494	199,446
Annual Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	286,829	288,377
- unconditional and expected to be settled wholly after 12 months (iii)	48,862	48,161
Long Service Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	50,000	50,000
- unconditional and expected to be settled wholly after 12 months (iii)	441,369	412,298
	1,049,554	998,282
Provisions related to employee benefit on-costs		
- unconditional and expected to be settled wholly within 12 months (ii)	106,271	105,564
- unconditional and expected to be settled wholly after 12 months (iii)	43,451	41,202
	149,722	146,766
Total Current Provisions	1,199,276	1,145,048
Non-Current Provisions		
Employee Benefits (i)	136,311	117,676
Provisions related to employee benefit on-costs	14,552	12,110
Total Non-Current Provisions	150,863	129,786
Total Provisions	1,350,139	1,274,834

(a) Employee Benefits and Related On-Costs

	Parent 2018 \$	Consol'd 2017 \$
Current Employee Benefits and Related On-Costs		
Annual Leave Entitlements	431,362	432,452
Accrued Salaries and Wages	179,041	147,950
Accrued Days Off	21,684	7,836
Unconditional Long Service Leave Entitlements	545,420	513,150
Other - SWARH	21,769	43,660
Non-Current Employee Benefits and Related On-Costs		
Conditional Long Service Leave Entitlements (ii)	146,842	122,203
Other - SWARH	4,021	7,583
Total Employee Benefits and Related On-Costs	1,350,139	1,274,834

Notes:

- (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
- (ii) The amounts disclosed are nominal amounts
- (iii) The amounts disclosed are discounted to present values

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET (Continued)

(b) Movements in provisions

	Parent 2018	Consol'd 2017
Movement in Long Service Leave:	\$	\$
Balance at start of year	635,353	623,525
Provision made during the year		
- Revaluations	(549)	(4,797)
- Expense Recognising Employee Service	97,576	62,690
Settlement made during the year	(40,118)	(46,065)
Balance at end of year	692,262	635,353

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

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.

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.

Salaries and Wages, Annual Leave and Accrued Days Off

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

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

- Undiscounted value – if the health service expects to wholly settle within 12 months; or
- Present value – if the health service does not expect to wholly settle within 12 months.

Long Service Leave (LSL)

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

Unconditional LSL 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. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – if the health service expects to wholly settle within 12 months; and
- Present value – if the health service does not expect to settle a component of this current liability within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

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.

On-Costs related to employee expense

Provision for on-costs, such as payroll tax, workers compensation and superannuation are recognised separately from provisions for employee benefits.

NOTE 3.5: SUPERANNUATION

Fund	Paid Contributions for the year		Outstanding Contributions at Year End	
	2018	2017	2018	2017
	\$	\$	\$	\$
Defined Benefit Plans: HESTA	2,488	3,132	-	-
Defined Contribution Plans: Health Super / HESTA / Other	421,542	393,823	-	-
Total	424,030	396,955	-	-

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

Defined contribution superannuation plans

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

Defined benefit superannuation plans

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

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

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Lorne Community Hospital are disclosed above.

NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

The hospital controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the hospital to be utilised for delivery of those outputs.

Structure

- 4.1 Investments and other financial assets
- 4.2 Property, plant & equipment
- 4.3 Depreciation and amortisation
- 4.4 Intangible Assets

NOTE 4.1: INVESTMENTS AND OTHER FINANCIAL ASSETS

	Parent 2018	Consol'd 2017
CURRENT	\$	\$
Loans and Receivables		
<i>Term Deposit</i>		
Aust. Dollar Term Deposits > 90 days (i)	1,377,284	1,370,972
TOTAL CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS	1,377,284	1,370,972
Represented by:		
Hospital Investments	-	-
Refundable Accommodation Deposits	1,377,284	1,370,972
TOTAL OTHER ASSETS	1,377,284	1,370,972

(i) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

Note 4.1 Investment Recognition

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 as available-for-sale financial assets.

Lorne Community Hospital classifies its other financial assets between current and non-current assets based on the Board of Management's intention at balance date with respect to the timing of disposal of each asset. The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Lorne Community Hospital investments must comply with Standing Direction 3.7.2 - Treasury and Investment Risk Management.

All financial assets, except those measured at fair value through the Comprehensive Operating Statement are subject to annual review for impairment.

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 Lorne Community Hospital has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Lorne Community Hospital'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 assets is impaired. All financial instrument assets, except those measured at fair value through the Comprehensive Income Statement, are subject to annual review for impairment.

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

In order to determine an appropriate fair value as at 30 June 2018 for its portfolio of financial assets, the Health Service used the market value of investments held provided by the portfolio managers.

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

(a) Gross carrying amount and accumulated depreciation

	Parent 2018 \$	Consol'd 2017 \$
Land		
- Land at Fair Value	6,420,664	5,405,000
Total Land	6,420,664	5,405,000
Buildings		
- Buildings Under Construction at Cost	16,851	2,500
- Buildings at Cost	-	2,622,764
- Buildings at Fair Value	12,509,856	9,531,125
Less Accumulated Depreciation	(1,697,575)	(1,217,909)
Total Buildings	10,829,132	10,938,480
Plant and Equipment		
- Plant and Equipment at Fair Value	639,247	1,879,884
Less Accumulated Depreciation	(239,347)	(1,462,322)
Total Plant and Equipment	399,900	417,562
Medical Equipment		
- Medical Equipment at Fair Value	211,370	786,458
Less Accumulated Depreciation	(103,097)	(682,757)
Total Medical Equipment	108,273	103,701
Leased Assets		
- Computers and Communication	46,927	317,860
Less Accumulated Depreciation	-	(179,181)
Total Leased Assets	46,927	138,679
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,804,896	17,003,422

(b) Reconciliations of the carrying amounts of each class of asset

	Land \$	Buildings \$	Plant and Equipment \$	Medical Equipment \$	Leased Assets \$	\$
Balance at 1 July 2016	5,405,000	10,132,327	377,981	84,385	164,774	16,164,467
Additions	-	1,704,256	148,528	47,248	67,448	1,967,480
Disposals	-	(447,984)	(35,151)	-	-	(483,135)
Depreciation Expense (Note 4)	-	(450,119)	(73,796)	(27,932)	(93,543)	(645,390)
Balance at 1 July 2017	5,405,000	10,938,480	417,562	103,701	138,679	17,003,422
Additions	144,000	370,318	94,535	40,552	-	649,405
SWARH Alliance	-	-	-	-	(54,438)	(54,438)
Disposals	-	-	(24,653)	-	-	(24,653)
Revaluation Increments	871,664	-	-	-	-	871,664
Depreciation Expense (Note 4)	-	(479,666)	(87,544)	(35,980)	(37,314)	(640,504)
Balance at 30 June 2018	6,420,664	10,829,132	399,900	108,273	46,927	17,804,896

Land and buildings carried at valuation

An independent valuation of the Health Service's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30 June 2014.

In compliance with FRD 103F, in the year ended 30 June 2018, Lorne Community Hospital management conducted an annual assessment of the fair value of land and buildings and leased buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2018.

The latest indices required a managerial revaluation in 2018. The indexed value was then compared to individual assets written down book value as at 30 June 2018 to determine the change in their fair values. The Department of Health and Human Services approved a managerial revaluation of land (\$871,664).

There was no material financial impact on change in fair value of buildings for the year ended 30 June 2018.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

(c) Fair value measurement hierarchy for assets

	Parent			
	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
Land at fair value				
Specialised land	6,420,664	-	-	6,420,664
Total of land at fair value	6,420,664	-	-	6,420,664
Buildings at fair value				
Specialised buildings	10,829,132	-	-	10,829,132
Total of building at fair value	10,829,132	-	-	10,829,132
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	218,332	-	-	218,332
- Motor Vehicles	181,568	-	-	181,568
Total of plant, equipment and vehicles at fair value	399,900	-	-	399,900
Medical equipment at fair value				
- Medical Equipment	108,273	-	-	108,273
Total medical equipment at fair value	108,273	-	-	108,273
Leased assets at fair value				
- Leased Assets	46,927	-	-	46,927
Total leased assets at fair value	46,927	-	-	46,927
	17,804,896	-	-	17,804,896

(i) Classified in accordance with the fair value hierarchy, see Note 4.2(d)
There have been no transfers between levels during the period.

	Consolidated			
	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
Land at fair value				
Specialised land	5,405,000	-	-	5,405,000
Total of land at fair value	5,405,000	-	-	5,405,000
Buildings at fair value				
Specialised buildings	10,938,480	-	-	10,938,480
Total of building at fair value	10,938,480	-	-	10,938,480
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	235,994	-	-	235,994
- Motor Vehicles	181,568	-	-	181,568
Total of plant, equipment and vehicles at fair value	417,562	-	-	417,562
Medical equipment at fair value				
- Medical Equipment	103,701	-	-	103,701
Total medical equipment at fair value	103,701	-	-	103,701
Leased assets at fair value				
- Leased Assets	138,679	-	-	138,679
Total leased assets at fair value	138,679	-	-	138,679
	17,003,422	-	-	17,003,422

Note

(i) Classified in accordance with the fair value hierarchy, see Note 4.2(d)
There have been no transfers between levels during the period.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Reconciliation of Level 3 fair value

30 June 2018

Parent

Opening Balance

Purchases (sales)

Transfers in (out) of Level 3

Gains or losses recognised in net result

- Depreciation

Items recognised in other comprehensive income

- Revaluation

	Land \$	Buildings \$	Plant and equipment \$	Medical equipment \$	Leased assets \$
Opening Balance	5,405,000	10,938,480	417,562	103,701	138,679
Purchases (sales)	144,000	370,318	69,882	40,552	(54,438)
Transfers in (out) of Level 3	-	-	-	-	-
Gains or losses recognised in net result					
- Depreciation	-	(479,666)	(87,544)	(35,980)	(37,314)
Items recognised in other comprehensive income					
- Revaluation	871,664	-	-	-	-
	6,420,664	10,829,132	399,900	108,273	46,927

There have been no transfers between levels during the period.

30 June 2017

Consolidated

Opening Balance

Purchases (sales)

Transfers in (out) of Level 3

Gains or losses recognised in net result

- Depreciation

	Land \$	Buildings \$	Plant and equipment \$	Medical equipment \$	Leased assets \$
Opening Balance	5,405,000	10,132,327	377,981	84,385	164,774
Purchases (sales)	-	1,256,272	113,377	47,248	67,448
Transfers in (out) of Level 3	-	-	-	-	-
Gains or losses recognised in net result					
- Depreciation	-	(450,119)	(73,796)	(27,932)	(93,543)
	5,405,000	10,938,480	417,562	103,701	138,679

There have been no transfers between levels during the period.

(e) Fair Value Determination

Asset Class	Examples of types assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Crown/Freehold)	- Land subject to restriction as to use and/or sale - Land in areas where there is not an active market	Level 3	Market approach	Community Service Obligation Adjustments
Specialised Buildings (a)	Specialised buildings with limited alternative uses and/or substantial customisation eg. Hospitals	Level 3	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	If there is no active resale market	Level 3	Market approach	n.a.
Plant and equipment	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Depreciated replacement cost approach	- Cost per unit - Useful life

(a) AASB 13 Fair Value Measurement provides an exemption for not for profit public sector entities from disclosing the sensitivity analysis relating to 'unrealised gains/(losses) on non-financial assets' if the assets are held primarily for their current service potential rather than to generate net cash inflows.

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. 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 change are transferred at their carrying amounts.

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

The initial cost for non-financial physical assets under finance lease (refer to Note 6.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Crown land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset.

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

Subsequent Measure

Consistent with AASB 13 Fair Value Measurement, Lorne Community Hospital determines the policies and procedures for both recurring property, plant and equipment fair value measurements, in accordance with the requirements of AASB 13 and the relevant FRDs.

All property, plant and equipment for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

For the purpose of fair value disclosures, Lorne Community Hospital has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Consideration of highest and best use (HBU) for non-financial physical assets

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with paragraph AASB 13.29, Health Services can assume the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, Health Services are required to engage with VGV or other independent valuers for formal HBU assessment.

These indicators, as a minimum, include:

External factors:

- Changed acts, regulations, local law or such instrument which affects or may affect the use or development of the asset;
- Changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the asset's use from its past use;
- Evidence that suggest the current use of an asset is no longer core to requirements to deliver a Health Service's service obligation;
- Evidence that suggests that the asset might be sold or demolished at reaching the late stage of an asset's life cycle.

Valuation hierarchy

Health Services need to use valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

Identifying unobservable inputs (level 3) fair value measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability or similar assets or liabilities, and the Health Service has determined that the transaction price or quoted price does not represent fair value.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

Identifying unobservable inputs (level 3) fair value measurements (Continued)

A Health Service shall develop unobservable inputs using the best information available in the circumstances, which might include the Health Service's own data. In developing unobservable inputs, a Health Service may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to the Health Service that is not available to other market participants. A Health Service need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, a Health Service shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

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 Health Service'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.

In 2018 a managerial valuation was carried out in accordance with FRD 103F to revalue land and buildings to its fair value.

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 carrying value.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

Revaluations 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 Lorne Community Hospital's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

NOTE 4.3: DEPRECIATION AND AMORTISATION

	Parent 2018	Consol'd 2017
	\$	\$
Depreciation		
Buildings	479,666	450,119
Plant and Equipment	87,544	73,796
Medical Equipment	35,980	27,932
Leased Assets	37,314	93,543
Total Depreciation	640,504	645,390
 TOTAL DEPRECIATION	 640,504	 645,390

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life (refer AASB 116 *Property, Plant and Equipment*).

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life. If a Health Service has items such as patents, trademarks, computer software or development expenses that are being capitalised, these should be included under 'Intangible Assets' (refer AASB 138 *Intangible Assets*) and amortised.

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

	2018	2017
Buildings		
- Structure Shell Building Fabric	Up to 60 years	Up to 60 years
- Site Engineering Services and Central Plant	Up to 40 years	Up to 40 years
Central Plant		
- Fit Out	Up to 25 years	Up to 25 years
- Trunk Reticulated Building Systems	Up to 40 years	Up to 40 years
Plant and Equipment	Up to 15 years	Up to 15 years
Medical Equipment	Up to 15 years	Up to 15 years
Computers and Communication	Up to 15 years	Up to 15 years
Furniture and Fittings	Up to 15 years	Up to 15 years
Motor Vehicles	Up to 7 years	Up to 7 years
Leasehold Improvements	Up to 10 years	Up to 10 years

As part of the buildings valuation, building values were separated into components 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.

NOTE 4.4: INTANGIBLE ASSETS

	Parent 2018	Consol'd 2017
	\$	\$
Goodwill - Medical Practice	-	118,171
Total Intangible Assets	-	118,171

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, and 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.

NOTE 5: OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the hospital's operations.

Structure

- 5.1 Receivables
- 5.2 Other liabilities
- 5.3 Prepayments and other assets
- 5.4 Payables

NOTE 5.1: RECEIVABLES

	Parent 2018	Consol'd 2017
	\$	\$
CURRENT		
Contractual		
Patient Fees	48,584	40,840
Other Debtors	194,815	483,162
Accrued Investment Income	4,731	2,307
<i>Less Allowance for Doubtful Debts</i>		
Other Debtors	(5,000)	(10,000)
	243,130	516,309
Statutory		
GST Receivable	97,248	42,179
Grants Receivable - Department of Health and Human Services	6,325	-
	103,573	42,179
TOTAL CURRENT RECEIVABLES	346,703	558,488
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	69,995	91,026
TOTAL NON-CURRENT RECEIVABLES	69,995	91,026
TOTAL RECEIVABLES	416,698	649,514
(a) Movement in the allowance for doubtful debts		
Balance at beginning of year	(10,000)	(10,000)
Amounts written off during the year	-	-
Increase/(Decrease) in allowance recognised in net result	5,000	-
Balance at end of year	(5,000)	(10,000)

Receivables consist of:

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

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

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

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.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as other economic flows in the net result.

NOTE 5.2: OTHER LIABILITIES

	Parent 2018	Consol'd 2017
	\$	\$
CURRENT		
Monies Held in Trust*		
- Refundable Accommodation Deposits	2,834,088	1,675,117
TOTAL CURRENT	2,834,088	1,675,117
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	1,456,804	304,145
Investments and other Financial Assets (refer to Note 4.1)	1,377,284	1,370,972
TOTAL OTHER LIABILITIES	2,834,088	1,675,117

NOTE 5.3: PREPAYMENTS AND OTHER NON-FINANCIAL ASSETS

	Parent 2018 \$	Consol'd 2017 \$
CURRENT		
Prepayments	55,718	46,910
Other - SWARH	2,290	474
TOTAL OTHER ASSETS	58,008	47,384

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

NOTE 5.4: PAYABLES

	Parent 2018 \$	Consol'd 2017 \$
CURRENT		
Contractual		
Trade Creditors	186,981	86,947
Accrued Expenses	30,064	54,232
Other Payables	228,006	642,293
	445,051	783,472
Statutory		
GST Payable	38,335	5,599
PAYG Payable	59,604	-
Department of Health and Human Services	10,000	-
	107,939	5,599
TOTAL PAYABLES	552,990	789,071

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represents liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid; and
- statutory payables, that 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 contracts.

Note 5.4 (a): Maturity analysis of financial liabilities as at 30 June

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

	Carrying Amount \$	Nominal Amount \$	Maturity Dates			
			Less than 1 Month \$	1 - 3 Months \$	3 Months - 1 Year \$	1 - 5 Years \$
2018 - Parent						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	445,051	445,051	445,051	-	-	-
Borrowings	51,716	51,716	-	-	51,716	-
Other Financial Liabilities	2,834,088	2,834,088	-	-	2,834,088	-
Total Financial Liabilities	3,330,855	3,330,855	445,051	-	2,885,804	-
2017 - Consolidated						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	783,472	783,472	783,472	-	-	-
Borrowings	148,811	148,811	-	-	67,246	81,565
Other Financial Liabilities (i)	1,675,117	1,675,117	-	-	1,675,117	-
Total Financial Liabilities	2,607,400	2,607,400	783,472	-	1,742,363	81,565

(i) Ageing analysis of financial liabilities excludes the types of statutory financial liabilities (i.e. GST payable)

NOTE 6: HOW WE FINANCE OUR OPERATIONS

This section provides information on the sources of finance utilised by the hospital during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the hospital.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note: 7.1 provides additional, specific financial instrument disclosures.

Structure

- 6.1 Borrowings
- 6.2 Cash and cash equivalents
- 6.3 Commitments for expenditure

NOTE 6.1: BORROWINGS

	Parent 2018 \$	Consol'd 2017 \$
Current		
Australian Dollar Borrowings		
– Finance Lease Liability (i)	51,716	67,246
Total Australian Dollar Borrowings		
Total Current	51,716	67,246
Non-Current		
Australian Dollar Borrowings		
– Finance Lease Liability	-	81,565
Total Australian Dollar Borrowings		
Total Non-Current	-	81,565
Total Borrowings	51,716	148,811

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Finance costs of the Health Service incurred during the year are accounted for as follows:

Amount of finance costs recognised as expenses	2,931	20,096
Amount of investment revenue earned on borrowed funds that has been deducted from the finance costs incurred	Nil	Nil

(a) Maturity analysis of borrowings

Please refer to Note 5.4 for the ageing analysis of borrowings.

(b) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the borrowings.

(c) Finance lease liabilities

Other finance lease liabilities payable (ii)

Not longer than one year
Longer than one year but not longer than five years
Longer than five years

Minimum future lease payments

Less future finance charges

Present value of minimum lease payments

Minimum future lease payments (i)		
	Parent 2018 \$	Consol'd 2017 \$
Not longer than one year	54,690	71,113
Longer than one year but not longer than five years	-	86,255
Longer than five years	-	-
Minimum future lease payments	54,690	157,368
Less future finance charges	2,974	8,557
Present value of minimum lease payments	51,716	148,811

Included in the financial statements as:

Current borrowings lease liabilities	51,716	67,246
Non-current borrowings lease liabilities	-	81,565
	51,716	148,811

(i) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

(ii) Other finance lease liabilities include obligations that are recognised on the balance sheet; the future payments related to operating and lease commitments are disclosed in Note 6.3.

The weighted average interest rate implicit in leases is 5.75% (2017 5.75%)

Finance leases

Entity as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement.

Lorne Community Hospital has received such approval prior to 30 June 2018, in a joint letter for all Health Services impacted by finance leases either directly or via a Jointly Controlled entity. The specific values approved for Lorne Community Hospital total \$594,991.

Borrowings

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

NOTE 6.2: CASH AND CASH EQUIVALENTS

For the purposes 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.

	Parent 2018 \$	Consol'd 2017 \$
Cash on Hand	3,239	2,093
Cash at Bank	3,861,530	2,961,471
TOTAL CASH AND CASH EQUIVALENTS	3,864,769	2,963,564
Represented by:		
Cash for Health Service Operations (as per cash flow statement)	2,407,965	2,659,419
Monies Held in Trust	1,456,804	304,145
TOTAL CASH AND CASH EQUIVALENTS	3,864,769	2,963,564

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.

NOTE 6.3: COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments

There are no capital expenditure commitments at the end of the financial year

NOTE 7: RISKS, CONTINGENCIES & VALUATION UNCERTAINTIES

The hospital is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the hospital is related mainly to fair value determination.

Structure

7.1 Financial instruments

7.2 Contingent assets and contingent liabilities

NOTE 7.1: FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Lorne Community Hospital's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

(a) Financial instruments: categorisation

	Contractual financial assets - loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
2018 - Parent			
Contractual Financial Assets			
Cash and cash equivalents	3,864,769	-	3,864,769
Receivables			
- Trade Debtors	48,584	-	48,584
- Other Receivables	199,546	-	199,546
Other Financial Assets			
- Term Deposits	1,377,284	-	1,377,284
Total Financial Assets (i)	5,490,183	-	5,490,183
Financial Liabilities			
Payables	-	445,051	445,051
Borrowings	-	51,716	51,716
Other Liabilities	-	2,834,088	2,834,088
Total Financial Liabilities(ii)	-	3,330,855	3,330,855

	Contractual financial assets - loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
2017 - Consolidated			
Contractual Financial Assets			
Cash and cash equivalents	2,963,564	-	2,963,564
Receivables			
- Trade Debtors	40,840	-	40,840
- Other Receivables	485,469	-	485,469
Other Financial Assets			
- Term Deposits	1,370,972	-	1,370,972
Total Financial Assets (i)	4,860,845	-	4,860,845
Financial Liabilities			
Payables	-	783,472	783,472
Borrowings	-	148,811	148,811
Other Liabilities	-	1,675,117	1,675,117
Total Financial Liabilities(ii)	-	2,607,400	2,607,400

(i) The carrying amount excludes statutory receivables (i.e. GST Receivable and DHHS Receivable) and statutory payables (i.e. Revenue in advance and DHHS payable).

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

Categories of 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 category includes cash and deposits (refer to Note 6.2), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Financial Liabilities at Amortised Cost

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. The Health Service recognises the following liabilities in this category:

- payables (excluding statutory payables);
- borrowings (including finance lease liabilities).

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:
 - has transferred substantially all the risks and rewards of the asset; or
 - 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 assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

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. 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*.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for sale financial instrument assets that meet the definition of loans and receivables may be classified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

Derecognition of financial liabilities

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

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

NOTE 7.2: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

As at 30 June 2018 Lorne Community Hospital has no knowledge of any contingent assets or liabilities.
(Nil for 30 June 2017).

NOTE 8: OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 8.1 Equity
- 8.2 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities
- 8.3 Responsible persons disclosures
- 8.4 Remuneration of Executives
- 8.5 Related parties
- 8.6 Remuneration of auditors
- 8.7 AASBs issued that are not yet effective
- 8.8 Controlled Entities
- 8.9 Events occurring after balance sheet date
- 8.10 Jointly Controlled Operations
- 8.11 Alternative presentation of comprehensive operating statement
- 8.12 Economic Dependency

NOTE 8.1: EQUITY

	Parent 2018	Consol'd 2017
	\$	\$
(a) Surpluses		
Property, Plant and Equipment Revaluation Surplus ⁽¹⁾		
Balance at beginning of the reporting period	7,770,016	7,770,016
Revaluation Increment/(Decrement)		
- Land	871,664	-
- Buildings	-	-
Balance at the end of the reporting period	8,641,680	7,770,016
Represented by:		
- Land	5,974,364	5,102,700
- Buildings	2,667,316	2,667,316
	8,641,680	7,770,016
<i>(1) The property, plant and equipment asset revaluation surplus arises on the revaluation of property, plant and equipment.</i>		
(b) Contributed Capital		
Balance at the beginning of the reporting period	2,475,050	2,475,050
Capital Contribution received from Victorian Government	-	-
Balance at the end of the reporting period	2,475,050	2,475,050
(c) Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	8,020,128	8,543,815
Net Result for the Year	(410,730)	(523,687)
Balance at the end of the reporting period	7,609,398	8,020,128
Total Equity at end of financial year	18,726,128	18,265,194

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 and equipment revaluation surplus

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

NOTE 8.2: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	Parent 2018	Consol'd 2017
	\$	\$
NET RESULT FOR THE YEAR	(410,730)	(523,687)
Non-cash movements:		
Depreciation	640,504	645,390
Debt Forgiveness from Controlled Entity	6,594	-
Impairment of Intangible Assets	118,171	-
Provision for Doubtful Debts	(5,000)	-
Movements included in Investing and Financing activities:		
Net (Gain)/Loss from disposal of Non Financial Physical Assets	(16,529)	453,635
Movements in Assets and Liabilities:		
Change in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	237,816	29,309
(Increase)/Decrease in Other Assets	(10,624)	30,701
Increase/(Decrease) in Payables	(236,081)	113,952
Increase/(Decrease) in Employee Benefits	75,305	77,251
Increase/(Decrease) in Other Liabilities	-	(70,000)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	399,426	756,551

NOTE 8.3: RESPONSIBLE PERSON DISCLOSURES

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

	Period	
Responsible Ministers:		
The Honourable Jill Hennessy MLA Minister for Health, Minister for Ambulance Services	1/7/2017 - 30/6/2018	
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	1/7/2017 - 30/6/2018	
 Governing Boards		
Dr Damien Smith	1/7/2017 - 30/6/2018	
Dr Ian Brown	1/7/2017 - 30/6/2018	
Mr Gary Allen	1/7/2017 - 30/6/2018	
Mr Greg Aimers	1/7/2017 - 30/6/2018	
Mr Ray Jacobson	1/7/2017 - 30/6/2018	
Ms Deborah McSephney	1/7/2017 - 30/6/2018	
Ms Kelli Nicola-Richmond	1/7/2017 - 30/6/2018	
Ms Margaret Cartledge	1/7/2017 - 30/6/2018	
Ms Megan Clark	1/7/2017 - 30/6/2018	
Ms Sue Guinness	1/7/2017 - 30/6/2018	
Ms Vicki Hammond	1/7/2017 - 30/6/2018	
 Accountable Officers		
Ms Kate Gillan	1/7/2017 - 30/6/2018	
 Remuneration of Responsible Persons		
The number of Responsible Persons are shown in their relevant income bands:		
	2018	2017
Income Band	\$	\$
\$0 - \$9,999	11	12
\$180,000 - \$189,999	0	1
\$260,000 - \$269,999	1	0
Total Numbers	12	13
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	\$260,153	\$181,829

Ms Kate Gillan has been contracted to Otway Health to provide Chief Executive Officer services during the reporting period.

Ms Gillan remains a full time employee of Lorne Community Hospital and Otway Health reimbursed the Hospital \$127,273 for these services.

Amounts relating to Governing Board Members and Accountable Officer are disclosed in the Health Service's controlled entities financial statements. Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report as disclosed in Note 8.5.

NOTE 8.4: REMUNERATION OF EXECUTIVES

Remuneration of executive officers

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Share-based payments are cash or other assets paid or payable as agreed between the health service and the employee, provided specific vesting conditions, if any, are met.

Remuneration of executive officers

	Total Remuneration	
	2018	2017
	\$	\$
Short-term employee benefits	131,585	-
Post-employment benefits	11,196	-
Other long-term benefits	4,185	-
Termination benefits	-	-
Share-based payments	-	-
Total Remuneration	146,966	-
Total Number of executives	1	-
Total annualised employee equivalent (AEE)	0.95	-

Notes:

- (i) The total number of executive officers includes persons, other than Ministers and Accountable Officers, who may meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures. The Health Service does not consider any executive officers meet the definition of KMP.
- (ii) Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

NOTE 8.5: RELATED PARTIES

The hospital is a wholly owned and controlled entity of the State of Victoria. Related parties of the hospital include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- Jointly Controlled Operation - A member of the Southwest Alliance of Rural Health; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of the Health Service and its controlled entities, directly or indirectly.

The Board of Directors and the Accountable Officer of Lorne Community Hospital and its controlled entities are deemed to be KMPs.

Entity	KMPs	Position Title
Lorne Community Hospital	Dr Damien Smith	Chair of the Board
Lorne Community Hospital	Dr Ian Brown	Board Member
Lorne Community Hospital	Mr Gary Allen	Board Member
Lorne Community Hospital	Mr Greg Aimers	Board Member
Lorne Community Hospital	Mr Ray Jacobson	Board Member
Lorne Community Hospital	Ms Deborah McSephney	Board Member
Lorne Community Hospital	Ms Kelli Nicola-Richmond	Board Member
Lorne Community Hospital	Ms Margaret Cartledge	Board Member
Lorne Community Hospital	Ms Megan Clark	Board Member
Lorne Community Hospital	Ms Sue Guinness	Board Member
Lorne Community Hospital	Ms Vicki Hammond	Board Member
Lorne Community Hospital	Ms Kate Gillan	Chief Executive Officer

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

	Parent 2018	Consol'd 2017
COMPENSATION	\$	\$
Short term employee benefits	233,185	161,628
Post-employment benefits	19,661	15,191
Other long-term benefits	7,306	5,010
Termination benefits	0	0
Total	260,152	181,829

(i) Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short-term employee benefits.

(ii) KMPs are also reported in Note 8.3 Responsible Persons or Note 8.4 Remuneration of Executives.

Significant transactions with government-related entities

Lorne Community Hospital received funding from the Department of Health and Human Services of \$3,270,233 (2017: \$3,390,938).

Expenses incurred by the Health Service in delivering services and outputs are in accordance with Health Purchasing Victoria requirements. Goods and services including procurement, diagnostics, patient meals and multi-site operational support are provided by other Victorian Health Service Providers on commercial terms.

Professional medical indemnity insurance and other insurance products are obtained from a Victorian Public Financial Corporation.

Treasury Risk Management Directions require the Health Service to hold cash (in excess of working capital) and investments, and source all borrowings from Victorian Public Financial Corporations.

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Department of Health and Human Services, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scarce resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in 2018.

There were no related party transactions required to be disclosed for Lorne Community Hospital Board of Directors and Executive Directors in 2018.

NOTE 8.6: REMUNERATION OF AUDITORS

Victorian Auditor-General's Office
Audit or review of financial statement

	Parent 2018	Consol'd 2017
	\$	\$
	9,000	8,500
	<u>9,000</u>	<u>8,500</u>

NOTE 8.7: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises the Lorne Community Hospital of their applicability and early adoption where applicable.

As at 30 June 2018, 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. Lorne Community Hospital has not and does not intend to adopt these standards early.

Topic	Key Requirements	Effective date	Impact on financial statements
AASB 9 Financial Instruments	The key changes introduced by AASB 9 include simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	01-Jan-18	The assessment has identified the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure	01-Jan-18	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AAS's to incorporate the consequential amendments arising from the issuance of AASB 9.	01-Jan-18	The assessment has indicated there will be no significant impact for the public sector.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	01-Jan-18	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends as follows: - Trade receivables that do not have a significant financing component, are to be measured at their transaction price at initial recognition. - Dividends are recognised in the profit and loss only when: * the entity's right to receive payment of the dividend is established; * it is probable the economic benefits associated with the dividend will flow to the entity; and * the amount can be measured reliably.	01/01/2018 except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated there will be no significant impact for the public sector.
AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2108	01-Jan-18	The amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.

NOTE 8.7: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (Continued)

Topic	Key Requirements	Effective date	Impact on financial statements
AASB 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: - A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; - For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and - For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	01-Jan-18	The assessment has indicated there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 <i>Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit-Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit-entities from 1 January 2018 to 1 January 2109.	01-Jan-19	The amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit-Entities</i>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	01-Jan-19	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: AASB 9 - Statutory receivables are recognised and measured similarly to financial assets. AASB 15 - The "customer" does not need to be the recipient of goods and/or services; - The "contract" could include an arrangement entered into under the direction of another party; - Contracts are enforceable if they are enforceable by legal or "equivalent means"; - Contracts do not have to have commercial substance, only economic substance; and - Performance obligations need to be "sufficiently specific" to be able to apply AASB 15 to these transactions.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	01-Jan-19	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged.

NOTE 8.7: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (Continued)

Topic	Key Requirements	Effective date	Impact on financial statements
AASB 1058 <i>Income of Not-for-Profit-Entities</i>	<p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i>.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context.</p> <p>AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	01-Jan-19	<p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p> <p>The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p>

The following accounting pronouncements are also issued but not effective for the 2017 -18 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement

NOTE 8.8: CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity Holding	
		2018	2017
The Lorne Figtree Community House Inc.	Australia	0%	100%

The Lorne Figtree Community House Inc., was wound up effective 21st May, 2018. All assets and liabilities were transferred to Lorne Community Hospital as at 1 July 2017.

NOTE 8.9: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. 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 that are considered to be of material interest.

There have been no material events which have occurred subsequent to the reporting date which require further disclosure.

NOTE 8.10: JOINTLY CONTROLLED OPERATIONS

Name of Entity	Principal Activity	Ownership Interest	
		2018	2017
		%	%
South West Alliance of Rural Health (SWARH)	Information Technology	1.39	2.55

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

	2018	2017
	\$	\$
Summarised Balance Sheet:		
Current Assets		
Cash and Cash Equivalents	101,656	133,436
Receivables	26,026	469,338
Prepayment and other assets	1,145	-
Inventories	1,145	474
Total Current Assets	<u>129,972</u>	<u>603,248</u>
Non Current Assets		
Property, Plant and Equipment	7,071	13,312
Leased Assets	46,927	138,679
Intangible Assets	260	720
Total Non Current Assets	<u>54,258</u>	<u>152,711</u>
Total Assets	<u>184,230</u>	<u>755,959</u>
Current Liabilities		
Payables	83,128	537,342
Borrowings	51,717	67,246
Employee Provisions	21,769	43,660
Total Current Liabilities	<u>156,614</u>	<u>648,248</u>
Non Current Liabilities		
Borrowings	0	81,564
Employee Provisions	4,020	7,583
Total Non Current Liabilities	<u>4,020</u>	<u>89,147</u>
Total Liabilities	<u>160,634</u>	<u>737,395</u>
Net Assets	<u>23,596</u>	<u>18,564</u>

Lorne Community Hospital's interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

Revenues		
Operating Activities	324,444	576,074
Non Operating Activities	2,036	-
Total Revenue	<u>326,480</u>	<u>576,074</u>
Expenses		
Employee Benefits	109,156	164,689
Maintenance Contract and IT Support	70,249	200,549
Operating Lease Costs	2,231	11,671
Other Expenses from Ordinary Activities	99,463	90,077
Total Expenses	<u>281,099</u>	<u>466,986</u>
Net Result Before Capital and Specific Items	<u>45,381</u>	<u>109,088</u>
Capital Purpose Income	8,419	12,646
Finance Costs	(2,935)	(20,096)
Impairment of Non Financial Assets	-	(1,708)
Depreciation	(37,370)	(93,543)
	<u>13,495</u>	<u>6,387</u>
Other Economic Flows included in the result		
Revaluation of Long Service Leave	74	980
Net Result	<u>13,569</u>	<u>7,367</u>

Contingent Liabilities and Capital Commitments

There are no known contingent assets or liabilities for South West Alliance of Rural Health as at the date of this report.

The financial results included for SWARH are unaudited at the date of signing the financial statements.

NOTE 8.11: ALTERNATIVE PRESENTATION OF COMPREHENSIVE OPERATING STATEMENT

	Parent 2018 \$	Consol'd 2017 \$
Grants		
Operating	4,598,758	4,454,361
Capital	31,270	157,968
Interest	76,010	68,122
Sales of goods and services	1,767,219	1,628,430
Other	1,547,199	1,371,733
Revenue from Transactions	8,020,456	7,680,614
Employee expenses	5,074,897	4,728,195
Depreciation	640,504	645,390
Other operating expenses	2,729,932	2,361,782
Finance Costs - Other	2,931	20,096
Expenses from Transactions	8,448,264	7,755,463
Net result from transactions - Net Operating Balance	(427,808)	(74,849)
Other economic flows included in net result		
Net gain/ (loss) on sale of non-financial assets	16,529	(453,635)
Other gains/ (losses) from other economic flows included in net result	549	4,797
Total Other Economic flows included in Net Result	17,078	(448,838)
NET RESULT FOR THE YEAR	(410,730)	(523,687)

This alternative presentation reflects the format required for reporting to the Department of Treasury and Finance, which differs to the disclosures of certain transactions, in particular revenue and expenses, in the hospital's annual report.

NOTE 8.12: ECONOMIC DEPENDENCY

The Health Service is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support the Health Service.