LORNE COMMUNITY HOSPITAL
COMPREHENSIVE OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Parent Entity 2017 $	Parent Entity 2016 $	Consolidated 2017 $	Consolidated 2016 $
Revenue from Operating Activities	2.1	6,927,504	6,714,571	6,985,435	6,852,123
Revenue from Non-Operating Activities	2.1	168,054	254,064	247,705	300,497
Employee Expenses	3.1	(4,611,935)	(4,610,937)	(4,728,195)	(4,720,841)
Non Salary Labour Costs	3.1	(576,498)	(366,610)	(576,498)	(366,610)
Supplies and Consumables	3.1	(203,999)	(199,812)	(204,044)	(199,812)
Information Technology & Communications	3.1	(801,601)	(542,736)	(802,681)	(542,736)
Repairs & Maintenance	3.1	(147,454)	(193,292)	(153,490)	(216,940)
Food Services	3.1	(90,336)	(84,773)	(90,556)	(85,503)
Other Expenses	3.1	(510,391)	(664,687)	(529,823)	(708,475)
Net Result Before Capital and Specific Items		153,344	305,788	147,853	311,703
Capital Purpose Income	2.1	447,474	621,453	447,474	621,453
Depreciation	4.4	(641,891)	(592,102)	(645,390)	(598,186)
Finance Costs	3.2	(20,096)	(9,481)	(20,096)	(9,482)
Expenditure for capital purposes	3.1	(4,690)	-	(4,690)	-
Net Result after capital and specific items		(65,859)	325,658	(74,849)	325,488
Other economic flows included in net result					
Net gain/(loss) on non-financial assets	2.1	(453,635)	(8,170)	(453,635)	(8,170)
Revaluation of Long Service Leave		4,797	2,042	4,797	2,042
Total other economic flows included in net result		(448,838)	(6,128)	(448,838)	(6,128)
NET RESULT FOR THE YEAR		(514,697)	319,530	(523,687)	319,360
Other Comprehensive Income					
Items that will not be reclassified to net result					
Changes in physical asset revaluation surplus	8.1(a)	-	-	-	-
Total other comprehensive income		-	-	-	-
COMPREHENSIVE RESULT		(514,697)	319,530	(523,687)	319,360

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

LORNE COMMUNITY HOSPITAL
BALANCE SHEET
AS AT 30 JUNE 2017

	Note	Parent Entity 2017 $	Parent Entity 2016 $	Consolidated 2017 $	Consolidated 2016 $
Current Assets					
Cash and Cash Equivalents	6.2	2,842,401	3,132,899	2,963,564	3,198,988
Receivables	5.1	558,358	618,837	558,488	549,394
Investments and Other Financial Assets	4.1	1,370,972	1,356,823	1,370,972	1,356,823
Prepayments and Other Assets	5.3	46,584	78,085	47,384	78,085
Total Current Assets		4,818,315	5,186,644	4,940,408	5,183,290
Non-Current Assets					
Receivables	5.1	91,026	127,882	91,026	127,882
Property, Plant and Equipment	4.3	17,001,172	16,158,718	17,003,422	16,164,467
Intangible assets	4.5	118,171	118,171	118,171	118,171
Total Non-Current Assets		17,210,369	16,404,771	17,212,619	16,410,520
TOTAL ASSETS		22,028,684	21,591,415	22,153,027	21,593,810
Current Liabilities					
Payables	5.4	658,134	673,572	789,071	673,572
Borrowings	6.1	67,246	69,782	67,246	69,782
Provisions	3.3	1,145,048	1,058,769	1,145,048	1,058,769
Other Liabilities	5.2	1,675,117	769,000	1,675,117	769,000
Total Current Liabilities		3,545,545	2,571,123	3,676,482	2,571,123
Non-Current Liabilities					
Borrowings	6.1	81,565	94,992	81,565	94,992
Provisions	3.3	129,786	138,814	129,786	138,814
Total Non-Current Liabilities		211,351	233,806	211,351	233,806
TOTAL LIABILITIES		3,756,896	2,804,929	3,887,833	2,804,929
NET ASSETS		18,271,788	18,786,486	18,265,194	18,788,881
EQUITY					
Property, Plant and Equipment Revaluation Surplus	8.1(a)	7,770,016	7,770,016	7,770,016	7,770,016
Contributed Capital	8.1(b)	2,475,050	2,475,050	2,475,050	2,475,050
Accumulated Surpluses	8.1(c)	8,026,722	8,541,419	8,020,128	8,543,815
TOTAL EQUITY		18,271,788	18,786,485	18,265,194	18,788,881
Commitments	6.3				
Contingent Assets and Contingent Liabilities	7.3				

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

LORNE COMMUNITY HOSPITAL
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Parent Entity 2017 $	Parent Entity 2016 $	Consolidated 2017 $	Consolidated 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)	Inflows / (Outflows)
Operating Grants from Government		4,358,167	4,449,572	4,416,098	4,567,512
Capital Grants from Government		157,968	564,375	157,968	564,375
Patient and Resident Fees Received		1,640,397	1,449,120	1,640,397	1,635,832
Interest Received		73,274	91,086	73,274	91,250
GST (received from)/paid to the ATO		24,407	(26,616)	24,407	(26,616)
Capital Donations and Bequests Received		250,242	-	250,242	-
Other Receipts		992,767	411,933	1,072,418	478,302
Total Receipts		***7,497,222***	***6,939,470***	***7,634,804***	***7,310,655***
Employee Expenses Paid		(4,646,147)	(4,185,817)	(4,646,147)	(4,412,991)
Non Salary Labour Costs		(576,498)	(366,610)	(576,498)	(366,610)
Payments for Supplies & Consumables		(204,044)	(237,370)	(204,044)	(237,370)
Finance Costs		(20,096)	(169)	(20,096)	(169)
Other Payments		(1,348,960)	(1,060,845)	(1,431,468)	(1,126,991)
Total Payments		***(6,795,745)***	***(5,850,811)***	***(6,878,253)***	***(6,144,131)***
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.2	701,477	1,088,659	756,551	1,166,524
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Properties, Plant & Equipment		(1,967,480)	(470,185)	(1,967,480)	(484,527)
Purchase of Medical Practice		-	(118,171)	-	(118,171)
Proceeds from Sale of Properties, Plant & Equipment		29,500	17,255	29,500	17,255
Purchase of Investments		657,823	2,342,177	657,823	2,342,177
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(1,280,157)	1,771,076	(1,280,157)	1,756,734
CASH FLOWS FROM FINANCING ACTIVITIES					
Net movement in borrowings		(15,963)	-	(15,963)	-
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(15,963)	-	(15,963)	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(594,643)	2,859,735	(539,569)	2,923,258
Cash and cash equivalents at beginning of financial year		3,132,899	273,164	3,198,988	275,730
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	2,538,256	3,132,899	2,659,419	3,198,988

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 2017

Consolidated	Note	Property, Plant and Equipment Revaluation Surplus $	Contributed Capital $	Accumulated Surpluses (Deficits) $	Total $
Balance at 1 July 2015		7,770,016	2,475,050	8,224,455	18,469,521
Net result for the year	8.1(c)	-	-	319,360	319,360
Balance at 30 June 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 2015		7,770,016	2,475,050	8,221,889	18,466,955
Net result for the year	8.1(c)	-	-	319,530	319,530
Balance at 30 June 2016		**7,770,016**	**2,475,050**	**8,541,419**	**18,786,485**
Net result for the year	8.1(c)	-	-	(514,697)	(514,697)
Balance at 30 June 2017		**7,770,016**	**2,475,050**	**8,026,722**	**18,271,788**

BASIS OF PRESENTATION

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 the preparation of 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 (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.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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 2017. 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 28th August 2017

(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.

Objectives and funding

Lorne Community Hospital's overall objective is to provide quality health care and support services that meets the needs of their community in a safe and friendly environment for all clients and staff, as well as improve the quality of life for all Victorians

Lorne Community Hospital is predominately funded by accrual based grant funding for the provision of outputs

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of accounting preparation and measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented in these financial statements for the year ended 30 June 2016

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

These financial statements are presented in Australian Dollars, the functional and presentation currency of the Lorne Community Hospital

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

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

- Non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are reassessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values

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

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

(d) Principles of Consolidation

These statements are presented on a consolidated basis 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 include;

- The Lorne Figtree Community House Inc.

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.

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

The hospital's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

To enable the hospital to fulfil its objective it receives income based on parliamentary appropriations. 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 2017 $	RAC 2017 $	Aged Care 2017 $	Primary Health 2017 $	Other 2017 $	TOTAL 2017 $
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**

	Admitted Patients 2016 $	RAC 2016 $	Aged Care 2016 $	Primary Health 2016 $	Other 2016 $	TOTAL 2016 $
Government Grants	2,365,225	1,685,103	291,692	107,083	2,850	4,451,953
Indirect Contributions by Department of Health and Human Services	47,091	41,325	6,727	961	-	96,105
Patient & Resident Fees	128,417	551,218	61,835	23	733,204	1,474,697
Other Revenue from Operating Activities	72,165	119,844	71,241	56,652	509,466	829,368
Total Revenue from Operating Activities	**2,612,898**	**2,397,490**	**431,495**	**164,719**	**1,245,520**	**6,852,123**
Interest	27,930	24,508	3,990	571	2,357	59,356
Other Revenue from Non-Operating Activities	74,421	68,136	10,632	47,952	40,000	241,141
Total Revenue from Non-Operating Activities	**102,351**	**92,644**	**14,622**	**48,523**	**42,357**	**300,497**
Capital Purpose Income	-	-	-	-	600,911	600,911
Capital Interest	-	-	-	-	20,542	20,542
Total Capital Purpose Income	**-**	**-**	**-**	**-**	**621,453**	**621,453**
Net gain/(loss) on non-financial assets	-	-	-	-	(8,170)	(8,170)
TOTAL REVENUE	**2,715,249**	**2,490,134**	**446,117**	**213,242**	**1,901,160**	**7,765,903**

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.

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE (Continued)

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 at the time invoices are raised.

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

Revenue from commercial activities
Revenue from commercial activities such as provision of meals to external users is recognised at the time the invoices are raised.

Donations and Other Bequests
Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a 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.

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 Section 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 Analysis of expense and revenue by internally managed and restricted specific purpose funds
3.3 Provisions
3.4 Superannuation

NOTE 3.1: ANALYSIS OF EXPENSE BY SOURCE

	Admitted Patients 2017 $	RAC 2017 $	Aged Care 2017 $	Primary Health 2017 $	Other 2017 $	TOTAL 2017 $
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**

	Admitted Patients 2016 $	RAC 2016 $	Aged Care 2016 $	Primary Health 2016 $	Other 2016 $	TOTAL 2016 $
Employee Expenses	1,976,221	1,870,324	430,895	14,090	429,311	4,720,841
Other Operating Expenses						
Non Salary Labour Costs	119,739	-	-	-	246,871	366,610
Supplies and Consumables	67,516	91,452	27,372	254	13,218	199,812
Information Technology & Communications	264,066	231,732	37,724	2,545	6,669	542,736
Repairs & Maintenance	105,682	92,735	16,246	2,116	161	216,940
Food Services	9,434	75,172	562	63	272	85,503
Other Expenses	377,323	271,548	38,952	4,501	16,151	708,475
Total Expenditure from Operating Activities	**2,919,981**	**2,632,963**	**551,751**	**23,569**	**712,653**	**6,840,917**
Depreciation & Amortisation (refer note 4.4)	293,111	257,220	41,873	5,982	-	598,186
Finance Costs (refer note 3.2)	-	-	-	-	9,482	9,482
Total Other Expenses	**293,111**	**257,220**	**41,873**	**5,982**	**9,482**	**607,668**
TOTAL EXPENSES	**3,213,092**	**2,890,183**	**593,624**	**29,551**	**722,135**	**7,448,585**

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

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

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 which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

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

Other operating expenses
Other operating expenses generally represent the day-to-day running costs incurred in normal operating 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 expenses when distributed.

Bad and Doubtful Debts
Refer to Note 4.1 *Investments and other financial assets.*

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

Other economic flows included in net result
Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions.

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

Revaluation gains/(losses) of non-financial physical assets.
Refer to Note 4.3 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 and is the difference between proceeds and the carrying value of the asset at the time.

Net gain/ (loss) on financial instruments
Net gain/ (loss) on financial instruments includes:
- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 Investments and other financial assets; and
- disposals of financial assets and derecognition of financial liabilities

Impairment of Non-Financial Assets
Goodwill and intangible assets with indefinite useful lives (and intangible assets not available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Refer to Note 4.1 *Investments and other* financial assets.

Revaluations of financial instrument at fair value
Refer to Note 7.1 *Financial instruments.*

NOTE 3.1: ANALYSIS OF EXPENSE BY SOURCE (Continued)

Other gains/(losses) from other economic flows
Other gains/(losses) include:

a. 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
b. 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.

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

NOTE 3.2: FINANCE COSTS	Consol'd 2017 $	Consol'd 2016 $
Finance Charges on Finance Leases	20,096	9,481
TOTAL FINANCE COSTS	20,096	9,481

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: EMPLOYEE BENEFITS IN THE BALANCE SHEET	Consol'd 2017 $	Consol'd 2016 $
Current Provisions		
Employee Benefits (i)		
Accrued salaries & wages and accrued days off		
- unconditional and expected to be settled wholly within 12 months (ii)	199,446	154,435
Annual Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	288,377	318,024
- unconditional and expected to be settled wholly after 12 months (iii)	48,161	52,799
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)	412,298	397,115
	998,282	972,373
Provisions related to employee benefit on-costs		
- unconditional and expected to be settled wholly within 12 months (ii)	105,564	57,097
- unconditional and expected to be settled wholly after 12 months (iii)	41,202	29,299
	146,766	86,396
Total Current Provisions	**1,145,048**	**1,058,769**
Non-Current Provisions		
Employee Benefits (i)	117,676	125,058
Provisions related to employee benefit on-costs	12,110	13,756
Total Non-Current Provisions	**129,786**	**138,814**
Total Provisions	**1,274,834**	**1,197,583**

(a) Employee Benefits and Related On-Costs	Consol'd 2017 $	Consol'd 2016 $
Current Employee Benefits and Related On-Costs		
Annual Leave Entitlements	432,452	411,614
Accrued Salaries and Wages	147,950	105,064
Accrued Days Off	7,836	8,363
Unconditional Long Service Leave Entitlements	513,150	492,720
Other - SWARH	43,660	41,008
Non-Current Employee Benefits and Related On-Costs		
Conditional Long Service Leave Entitlements (ii)	122,203	130,805
Other - SWARH	7,583	8,009
Total Employee Benefits and Related On-Costs	**1,274,834**	**1,197,583**

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 3.3: EMPLOYEE BENEFITS IN THE BALANCE SHEET (Continued)

Movements in provisions	Consol'd 2017	Consol'd 2016
Movement in Long Service Leave:	$	$
Balance at start of year	623,525	471,065
Provision made during the year		
- Revaluations	(4,797)	(2,042)
- Expense Recognising Employee Service	62,690	186,413
Settlement made during the year	(46,065)	(31,911)
Balance at end of year	635,353	623,525

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

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

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

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

Wages and Salaries, Annual Leave and Accrued Days Off
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave 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 sick leave 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; or
- Present value – where the entity does not expect to settle a component of this current liability within 12 months.

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

Any gain or loss followed 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 flow.

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

The health service recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

On-Costs related to employee expense
Provision for on-costs, such as payroll tax, workers compensation and superannuation are recognised together with provisions for employee benefits.

NOTE 3.4: SUPERANNUATION

Fund		Paid Contributions for the year		Outstanding Contributions at Year End	
		2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Defined Benefit Plans:	HESTA	3,132	4,000	-	-
Defined Contribution Plans:	Health Super / HESTA / Other	393,823	391,000	-	-
Total		396,955	395,000	-	-

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.

The Health service 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 terms.

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

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.

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

The name and details of the major employee superannuation funds and contributions made by Lorne Community Hospital are disclosed in Note 3.4: Superannuation.

Superannuation Liabilities

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

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 Jointly Controlled Operations and Assets
4.3 Property, plant & equipment
4.4 Depreciation and amortisation

NOTE 4.1: INVESTMENTS AND OTHER FINANCIAL ASSETS	Consol'd 2017 $	Consol'd 2016 $
CURRENT		
Loans and Receivables		
Term Deposit		
Aust. Dollar Term Deposits > 90 days (i)	1,370,972	1,356,823
TOTAL CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS	1,370,972	1,356,823
Represented by:		
Hospital Investments	-	657,823
Refundable Accommodation Deposits	1,370,972	699,000
TOTAL OTHER ASSETS	1,370,972	1,356,823

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

(a) Ageing analysis of investments and other financial assets
Please refer to Note 7.1 for the ageing analysis of investments and other financial assets

(b) Nature and extent of risk arising from Investments and other financial assets
Please refer to Note 7.1 for the nature and extent of credit risk arising from investments and other financial assets

Hospital investments must be in accordance with Standing Direction 3.7.2 – Treasury and Investment Risk Management. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:
- Held-to-maturity; and
- Loans and receivables.

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

Lorne Community Hospital assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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 Department 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.

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 4.2: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Principal Activity	Ownership Interest 2017 %	Ownership Interest 2016 %
South West Alliance of Rural Health (SWARH)	Information Technology	2.55	2.28

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:

	2017	2016
Summarised Balance Sheet:	**$**	**$**
Current Assets		
Cash and Cash Equivalents	133,436	47,567
Receivables	469,338	340,440
Prepayment and other assets	-	6,554
Inventories	474	1,641
Total Current Assets	603,248	396,202
Non Current Assets		
Property, Plant and Equipment	13,312	2,190
Leased Assets	138,679	164,774
Intangible Assets	720	2,901
Total Non Current Assets	152,711	169,865
Total Assets	755,959	566,067

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

	2017	2016
Revenues		
Operating Activities	576,074	511,824
Total Revenue	576,074	511,824
Expenses		
Employee Benefits	164,689	139,472
Maintenance Contract and IT Support	200,549	269,211
Operating Lease Costs	11,671	-
Other Expenses from Ordinary Activities	90,077	15,172
Total Expenses	466,986	423,855
Net Result Before Capital and Specific Items	109,088	87,969
Capital Purpose Income	12,646	-
Finance Costs	(20,096)	(9,481)
Impairment of Non Financial Assets	(1,708)	-
Depreciation	(93,543)	(78,214)
Net Result	6,387	274

Contingent Liabilities and Capital Commitments
There are no known contingent assets or liabilities for South West Alliance of Rural Health (SWARH) as at the date of this report.

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

Jointly controlled assets or operations
Interests in jointly controlled assets or operations are not consolidated by Lorne Community Hospital, but are accounted for in accordance with the policy outlined in Section 4.

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. Joint ventures are joint arrangements whereby Lorne Community Hospital, via its joint control of the arrangement, has rights to the net assets of the arrangements.

Interests in joint ventures are accounted for in the financial statements using the equity method, as applied to investments in associates and are disclosed as required by AASB 12.

Investments in joint operations
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.

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT

(a) Gross carrying amount and accumulated depreciation

	Consol'd 2017 $	Consol'd 2016 $
Land		
- Land at Fair Value	5,405,000	5,405,000
Total Land	5,405,000	5,405,000
Buildings		
- Buildings Under Construction at Cost	2,500	154,991
- Buildings at Cost	2,622,764	766,017
- Buildings at Fair Value	9,531,125	10,050,000
Less Accumulated Depreciation	(1,217,909)	(838,681)
Total Buildings	10,938,480	10,132,327
Plant and Equipment		
- Plant and Equipment at Fair Value	1,879,884	1,788,609
Less Accumulated Depreciation	(1,462,322)	(1,410,628)
Total Plant and Equipment	417,562	377,981
Medical Equipment		
- Medical Equipment at Fair Value	786,458	739,211
Less Accumulated Depreciation	(682,757)	(654,826)
Total Medical Equipment	103,701	84,385
Leased Assets		
- Computers and Communication	317,860	250,412
Less Accumulated Depreciation	(179,181)	(85,638)
Total Leased Assets	138,679	164,774
TOTAL PROPERTY, PLANT AND EQUIPMENT	17,003,422	16,164,467

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

	Land $	Buildings $	Plant and Equipment $	Medical Equipment $	Leased Assets $	Consol'd $
Balance at 1 July 2015	5,405,000	10,331,040	279,511	44,339	146,422	16,206,312
Additions	-	225,789	200,966	60,785	90,403	577,943
Disposals	-	-	(21,603)	-	-	(21,603)
Depreciation Expense (Note 4)	-	(424,502)	(80,893)	(20,739)	(72,051)	(598,185)
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 30 June 2017	5,405,000	10,938,480	417,562	103,701	138,679	17,003,422

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.

Plant and Equipment carried at fair value

A valuation of the Hospital's plant and equipment was undertaken by management to determine the fair value of the plant and equipment. The effective date of the valuation is 30 June 2014.

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT

(c) Fair value measurement hierarchy for assets

	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

(i) Classified in accordance with the fair value hierarchy, see Note 1
There have been no transfers between levels during the period.

	Carrying amount as at 30 June 2016	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	10,132,327	-	-	10,132,327
Total of building at fair value	10,132,327	-	-	10,132,327
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	190,136	-	-	190,136
- Motor Vehicles	187,845	-	-	187,845
Total of plant, equipment and vehicles at fair value	377,981	-	-	377,981
Medical equipment at fair value				
- Medical Equipment	84,385	-	-	84,385
Total medical equipment at fair value	84,385	-	-	84,385
Leased assets at fair value				
- Leased Assets	164,774	-	-	164,774
Total leased assets at fair value	164,774	-	-	164,774
	16,164,467	-	-	16,164,467

Note
(i) Classified in accordance with the fair value hierarchy, see Note 1
There have been no transfers between levels during the period.

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT (Continued)
(c) Fair value measurement hierarchy for assets (Continued)
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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, infrastructure, plant and equipment, (refer to Note 4.3);
- Superannuation expense (refer to Note 3.4);
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3); and
- Equities and management investment schemes classified at level 3 of the fair value hierarchy.

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

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

In addition, Lorne Community Hospital 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.

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

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. The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the Health Service at the measurement date;
- that the Health Service uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 considering the HBU for non-financial physical assets, valuers are probably best placed to determine highest and best use (HBU) in consultation with Health Services. Health Services and their valuers therefore need to have a shared understanding of the circumstances of the assets. A Health Service has to form its own view about a valuer's determination, as it is ultimately responsible for what is presented in its audited financial statements.

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.

In addition, Health Services need to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103F Non-financial physical assets and FRD 107B Investment properties.

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT (Continued)

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. It is based on the lowest level input that is significant to the fair value measurement as a whole:

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

(d) Reconciliation of Level 3 fair value

30 June 2017	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)	-	1,704,256	148,528	47,248	67,448
Transfers in (out) of Level 3	-	(447,984)	(35,151)	-	-
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.

30 June 2016	Land $	Buildings $	Plant and equipment $	Medical equipment $	Leased assets $
Opening Balance	5,405,000	10,331,040	279,511	44,339	146,422
Purchases (sales)	-	225,789	200,966	60,785	90,403
Transfers in (out) of Level 3	-	-	(21,603)	-	-
Gains or losses recognised in net result					
- Depreciation	-	(424,502)	(80,893)	(20,739)	(72,051)
	5,405,000	10,132,327	377,981	84,385	164,774

There have been no transfers between levels during the period.

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.

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.

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

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 year to 30 June 2017.

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

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT (Continued)
(e) Description of significant unobservable inputs to Level 3 valuations:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land	Market Approach	Community Service Obligation (CSO) adjustment	0 - 20%	A Significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised buildings	Depreciated replacement cost	Direct cost per square metre	$610-$1912 psm	A significant increase or decrease in direct cost per square meter adjustment would result in a significantly higher or lower fair value
		Useful life of specialised buildings	25 - 60 years	A significant increase or decrease in the estimated useful life of the asset would
Plant & Equipment at fair value	Depreciated replacement cost	Useful life of PPE.	5-15 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Useful life of vehicles.	5-7 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Medical Equipment at fair value	Depreciated replacement cost	Useful life of medical equipment.	5-15 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Leased Assets at fair value	Depreciated replacement cost	Useful life of medical equipment.	10 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Refer to Note 7.4 for guidance on fair value measurement indicative expectations.

NOTE 4.3: PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment

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

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 4.3 *Property, plant and equipment* .

Crown Land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or 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 restriction will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

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

Revaluations of Non-current Physical Assets

Non-Current physical assets are measured at fair value and are revalued in accordance with FRD 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 the 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. This assessment did not identify any significant movements that would require a revaluation.

NOTE 4.4: DEPRECIATION

	Consol'd 2017 $	Consol'd 2016 $
Depreciation		
Buildings	450,119	429,178
Plant and Equipment	73,796	70,055
Medical Equipment	27,932	20,739
Leased Assets	93,543	78,214
Total Depreciation	645,390	598,185
TOTAL DEPRECIATION	645,390	598,185

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 begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

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

	2017	2016
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 4.5: INTANGIBLE ASSETS

	Consol'd 2017 $	Consol'd 2016 $
Goodwill - Medical Practice	118,171	118,171
Total Intangible Assets	118,171	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.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

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

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

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

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 Inventories
5.3 Other liabilities
5.4 Prepayments and other assets
5.5 Payables

NOTE 5.1: RECEIVABLES

	Consol'd 2017 $	Consol'd 2016 $
CURRENT		
Contractual		
Patient Fees	40,840	52,807
Other Debtors	483,162	434,089
Accrued Investment Income	2,307	7,459
Less Allowance for Doubtful Debts		
Trade Debtors	(10,000)	(10,000)
	516,309	484,355
Statutory		
GST Receivable	42,179	65,039
	42,179	65,039
TOTAL CURRENT RECEIVABLES	558,488	549,394
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	91,026	127,882
TOTAL NON-CURRENT RECEIVABLES	91,026	127,882
TOTAL RECEIVABLES	649,514	677,276

(a) Movement in the allowance for doubtful debts

	2017	2016
Balance at beginning of year	(10,000)	(5,000)
Amounts written off during the year	-	-
Increase/(Decrease) in allowance recognised in net result	-	(5,000)
Balance at end of year	(10,000)	(10,000)

(b) Ageing analysis of receivables
Please refer to Note 7.1 for the ageing analysis of contractual receivables.
(c) Nature and extent of risk arising from receivables
Please refer to Note 7.1 for the nature and extent of credit risk arising from contractual receivables.

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.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

NOTE 5.2: OTHER LIABILITIES

	Consol'd 2017 $	Consol'd 2016 $
CURRENT		
Monies Held in Trust*		
- Refundable Accommodation Deposits	1,675,117	699,000
Income in advance	-	70,000
TOTAL CURRENT	1,675,117	769,000
*** Total Monies Held in Trust**		
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	304,145	-
Investments and other Financial Assets (refer to Note 4.1)	1,370,972	699,000
TOTAL OTHER LIABILITIES	1,675,117	699,000

NOTE 5.3: PREPAYMENTS AND OTHER NON-FINANCIAL ASSETS

	Consol'd 2017 $	Consol'd 2016 $
CURRENT		
Prepayments	46,910	69,888
Other - SWARH	474	8,197
TOTAL OTHER ASSETS	47,384	78,085

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

	Consol'd 2017 $	Consol'd 2016 $
CURRENT		
Contractual		
Trade Creditors	86,947	153,431
Accrued Expenses	54,232	28,542
Other Payables	642,293	487,547
	783,472	669,520
Statutory		
GST Payable	5,599	4,052
	5,599	4,052
TOTAL PAYABLES	789,071	673,572

(a) Maturity analysis of payables
Please refer to Note 7.1 for the ageing analysis of contractual payables.

(b) Nature and extent of risk arising from payables
Please refer to Note 7.1 for the nature and extent of risks arising from contractual payables.

Payables consist of:

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

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

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

	Consol'd 2017 $	Consol'd 2016 $
Current		
Australian Dollar Borrowings		
– Finance Lease Liability (i)	67,246	69,782
Total Australian Dollar Borrowings		
Total Current	67,246	69,782
Non-Current		
Australian Dollar Borrowings		
– Finance Lease Liability	81,565	94,992
Total Australian Dollar Borrowings		
Total Non-Current	81,565	94,992
Total Borrowings	148,811	164,774

(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.

	Consol'd 2017 $	Consol'd 2016 $
Finance costs of the Health Service incurred during the year are accounted for as follows:		
Amount of finance costs recognised as expenses	20,096	9,481
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 7.1 for the ageing analysis of borrowings.
(b) Nature and extent of risk arising from borrowings
Please refer to Note 7.1 for the nature and extent of risks arising from borrowings.
(c) Defaults and breaches
During the current and prior year, there were no defaults and breaches of any of the borrowings.

(d) Finance lease liabilities	**Minimum future lease payments (i)**		**Present value of minimum future lease payments**	
	Consol'd 2017 $	Consol'd 2016 $	Consol'd 2017 $	Consol'd 2016 $
Other finance lease liabilities payable (ii)				
Not longer than one year	71,113	75,950	71,113	75,950
Longer than one year but not longer than five years	86,255	97,548	86,255	97,548
Longer than five years	-	-	-	-
Minimum future lease payments	157,368	173,498	157,368	173,498
Less future finance charges	8,557	9,465	8,557	9,465
Present value of minimum lease payments	148,811	164,033	148,811	164,033
Included in the financial statements as:				
Current borrowings lease liabilities	67,246	69,782	67,246	69,782
Non-current borrowings lease liabilities	81,565	94,992	81,565	94,992
	148,811	164,774	148,811	164,774

(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 18.
The weighted average interest rate implicit in leases is 5.75% (2016 5.75%)

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

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

NOTE 6.1: BORROWINGS (Continued)
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. If there is certainty that the health service will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Lorne Community Hospital has previously recognised the leasing arrangements for local area network equipment, workstations and peripherals (purchased through group buying arrangements with SWARH) as operating leases. These are now correctly reported as finance leases. Finance leases are regarded as a financial accommodation, and under the Section 30 of Health Services Act 1988, the Minister for Health and the Treasurer must declare a registered funded agency to be an approved borrower for the purposes of this section. The Minister and the Treasurer have approved the financial accommodation and Lorne Community Hospital's approved borrowing limit is $298,004.

All other leases are classified as operating leases.

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

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 the 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.

The classification depends on the nature and purpose of the borrowing. The Health Service determines the classification of it's borrowing at initial recognition.

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.

	Consol'd 2017 $	Consol'd 2016 $
Cash on Hand	2,093	2,950
Cash at Bank	2,961,471	3,196,038
TOTAL CASH AND CASH EQUIVALENTS	2,963,564	3,198,988
Represented by:		
Cash for Health Service Operations (as per cash flow statement)	2,659,419	3,198,988
Monies Held in Trust	304,145	-
TOTAL CASH AND CASH EQUIVALENTS	2,963,564	3,198,988

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

	Consol'd 2017 $	Consol'd 2016 $
Capital expenditure commitments		
Buildings	-	604,032
Infrastructure Systems	-	989,120
Total capital expenditure commitments	**-**	**1,593,152**
Capital Expenditure		
Not later than one year	-	702,944
Total	**-**	**702,944**
Finance Leases		
Commitments in relation to finance leases are payable as follows:		
Current	71,113	75,950
Non-current	86,255	97,548
Minimum Lease Payments	157,368	173,498
Less Future Finance Charges	8,557	9,465
Total finance lease commitments	**148,811**	**164,033**
Total lease commitments	**148,811**	**164,033**
Total Commitments for Expenditure (inclusive of GST)	**148,811**	**1,757,185**

All amounts shown in the commitments note are nominal amounts inclusive of GST.

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

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

NOTE 7.1: FINANCIAL INSTRUMENTS
Financial Risk Management Objectives and Policies
The Lorne Community Hospital's principal financial instruments comprise of:
- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- Payables (excluding statutory receivables)
- Finance lease payables
- Refundable Accommodation Deposits

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

The Lorne Community Hospital's main financial risks include credit risk, liquidity risk and interest rate risk. The Lorne Community Hopsital manages these financial risks in accordance with its financial risk management policy.

The Lorne Community Hospital uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Lorne Community Hospital.

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

Categorisation of financial instruments

2017	Contractual financial assets/liabilities designated at fair value through profit/loss $	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss $	Contractual financial assets - loans and receivables $	Contractual financial assets - available for sale $	Contractual financial liabilities at amortised cost $	Total $
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

2016	Contractual financial assets/liabilities designated at fair value through profit/loss $	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss $	Contractual financial assets - loans and receivables $	Contractual financial assets - available for sale $	Contractual financial liabilities at amortised cost $	Total $
Contractual Financial Assets						
Cash and cash equivalents	-	-	3,198,988	-	-	3,198,988
Receivables						
- Trade Debtors	-	-	52,807	-	-	52,807
- Other Receivables	-	-	441,548	-	-	441,548
Other Financial Assets						
- Term Deposits	-	-	1,356,823	-	-	1,356,823
Total Financial Assets (i)	-	-	5,050,166	-	-	5,050,166
Financial Liabilities						
Payables	-	-	-	-	669,520	669,520
Borrowings					164,774	164,774
Other Liabilities	-	-	-	-	769,000	769,000
Total Financial Liabilities(ii)	-	-	-	-	1,603,294	1,603,294

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit receivable).
(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payable).

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

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

2017	Financial Institutions (AA2 credit rating) $	Financial Institutions (min BBB rating) $	Government agencies (AAA credit rating) $	Other $	Total $
Financial Assets					
Cash and Cash Equivalents	2,961,471	-	-	2,093	2,963,564
Loans and Receivables					
- Trade Debtors	-	-	-	40,840	40,840
- Other Receivables (i)	-	-	-	485,469	485,469
- Term Deposits	-	370,972	1,000,000	-	1,370,972
Total Financial Assets	2,961,471	370,972	1,000,000	528,402	4,860,845
2016					
Financial Assets					
Cash and Cash Equivalents	3,196,038	-	-	2,950	3,198,988
Loans and Receivables					
- Trade Debtors	-	-	-	52,807	52,807
- Other Receivables (i)	7,459	-	-	434,089	441,548
- Term Deposits	-	356,823	1,000,000	-	1,356,823
Total Financial Assets	3,203,497	356,823	1,000,000	489,846	5,050,166

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

Ageing analysis of financial assets as at 30 June

			Past Due But Not Impaired				
2017	Consol'd Carrying Amount $	Not Past due and not impaired $	Less than 1 Month $	1 - 3 Months $	3 Months - 1 Year $	1 - 5 Years $	Impaired Financial Assets $
Financial Assets							
Cash and Cash Equivalents	2,963,564	2,963,564	-	-	-	-	-
Loans and Receivables							
- Trade Debtors	40,840	40,840	-	-	-	-	-
- Other Receivables	485,469	485,469	-	-	-	-	-
Other Financial Assets	1,370,972	1,370,972	-	-	-	-	-
Total Financial Assets	4,860,845	4,860,845	-	-	-	-	-
2016							
Financial Assets							
Cash and Cash Equivalents	3,198,988	3,198,988	-	-	-	-	-
Loans and Receivables							
- Trade Debtors	52,807	44,219		8,588	-	-	
- Other Receivables	441,548	441,548	-	-	-	-	
Other Financial Assets	1,356,823	1,356,823	-	-	-	-	-
Total Financial Assets	5,050,166	5,041,578	-	8,588	-	-	-

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

Contractual financial assets that are neither past due or impaired

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

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

(c) Liquidity Risk

Liquidity risk is the risk that the Lorne Community Hospital would be unable to meet its financial obligations as and when they fall due. The Lorne Community Hospital operates under the Government's fair payments policy of setting financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Lorne Community Hospital's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Lorne Community Hospital manages its liquidity risk as follows:

- Term Deposits and cash held at financial institutions are managed with variable maturity dates and take into consideration cash flow requirements of the Lorne Community Hospital from month to month.

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

Maturity analysis of Financial Liabilities as at 30 June

	Consol'd Carrying Amount	Nominal Amount	Maturity Dates			
			Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years
2017	$	$	$	$	$	$
Financial Liabilities						
At amortised cost						
Payables	783,472	783,472	783,472	-	-	-
Borrowings	148,811	148,811	-	-	67,246	81,565
Other Financial Liabilities	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
2016						
Financial Liabilities						
At amortised cost						
Payables	669,520	669,520	669,520	-	-	-
Borrowings	164,774	164,774	-	-	69,782	94,992
Other Financial Liabilities (i)	769,000	769,000	70,000	-	699,000	
Total Financial Liabilities	1,603,294	1,603,294	739,520	-	768,782	94,992

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

(d) Market Risk

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

Currency Risk

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

Interest Rate Risk

Exposure to interest rate risks arise primarily through the Lorne Community Hospital's other financial assets. Minimisation of risk is achieved by mainly holding fixed rate or non-interest bearing financial instruments. For financial assets the Lorne Community Hospital mainly holds financial assets with relatively even maturity profiles.

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

The Lorne Community Hospital has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Lorne Community Hospital manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Lorne Community Hospital to significant bad risk, management monitors movements in interest rates on a daily basis.

Other Price Risk

The Lorne Community Hospital is exposed to normal price fluctuations from time to time through market forces. Where adequate notice is provided by suppliers, additional purchases are made for long term goods. Supplier contracts are also in place for major product lines purchased by the Lorne Community Hospital on a monthly basis. These contracts have set price arrangements and are reviewed on a regular basis.

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

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

2017	Weighted Average Effective Interest Rate (%)	Carrying Amount $	Interest Rate Exposure Fixed Interest Rate $	Variable Interest Rate $	Non - Interest Bearing $
Financial Assets					
Cash and Cash Equivalents	1.15	2,963,564	-	2,961,471	2,093
Loans and Receivables (i)	-	526,309	-	-	526,309
Other Financial Assets	2.03	1,370,972	1,370,972	-	-
Total Financial Assets		4,860,845	1,370,972	2,961,471	528,402
Financial Liabilities					
Payables	-	783,472	-	-	783,472
Borrowings	5.75	148,811	-	148,811	-
Accommodation Bonds	-	1,675,117	-	-	1,675,117
Total Financial Liabilities		2,607,400	-	148,811	2,458,589
2016					
Financial Assets					
Cash and Cash Equivalents	1.68	3,198,988	-	3,196,038	2,950
Loans and Receivables (i)	-	494,355	-	-	494,355
Other Financial Assets	2.30	1,356,823	1,356,823	-	-
Total Financial Assets		5,050,166	1,356,823	3,196,038	497,305
Financial Liabilities					
Payables	-	669,520	-	-	669,520
Borrowings	5.50	164,774	-	164,774	-
Accommodation Bonds	-	769,000	-	-	769,000
Total Financial Liabilities		1,603,294	-	164,774	1,438,520

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e GST input tax credit and GST payable)

Sensitivity Disclosure Analysis
Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Lorne Community Hospital believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).
- A shift of 100 basis points up and down in market interest rates (AUD) from year-end rates of 3.38%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 3%

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

	Carrying Amount	Interest Rate Risk -1% Profit	-1% Equity	+1% Profit	+1% Equity
2017					
Financial Assets					
Cash and Cash Equivalents	2,963,564	(29,636)	(29,636)	29,636	29,636
Loans and Receivables (i)	526,309	-	-	-	-
Other Financial Assets	1,370,972	(13,710)	(13,710)	13,710	13,710
Financial Liabilities					
At amortised cost					
Payables	783,472	-	-	-	-
Borrowings	148,811	-	-	-	-
Other Financial Liabilities	1,675,117				
		(43,345)	(43,345)	43,345	43,345
2016					
Financial Assets					
Cash and Cash Equivalents	3,198,988	(31,990)	(31,990)	31,990	31,990
Loans and Receivables (i)	494,355	-	-	-	-
Other Financial Assets	1,356,823	(13,568)	(13,568)	13,568	13,568
Financial Liabilities					
At amortised cost					
Payables	669,520	-	-	-	-
Borrowings	164,774	-	-	-	-
Other Financial Liabilities (i)	769,000	-	-	-	-
		(45,558)	(45,558)	45,558	45,558

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

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

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

The Lorne Community Hospital considers that the carrying amount of financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

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

Comparison between carrying amount and fair value

	Total Carrying Amount 2017 $	Fair Value 2017 $	Total Carrying Amount 2016 $	Fair Value 2016 $
Financial Assets				
Cash and Cash Equivalents	2,963,564	2,963,564	3,198,988	3,198,988
Loans and Receivables (i)	526,309	526,309	494,355	494,355
Trade Debtors	1,370,972	1,370,972	1,356,823	1,356,823
Total Financial Assets	**4,860,845**	**4,860,845**	**5,050,166**	**5,050,166**
Financial Liabilities				
At amortised cost				
Payables	783,472	783,472	669,520	669,520
Borrowings	148,811	148,811	164,774	164,774
Other Financial Liabilities (i)	1,675,117	1,675,117	769,000	769,000
Total Financial Liabilities	**2,607,400**	**2,607,400**	**1,603,294**	**1,603,294**

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

All financial assets held by Lorne Community Hospital are classified as Level 1.

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. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

The following refers to financial instruments unless otherwise stated.

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)
Categories of non-derivative financial instruments

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

Loans and receivables 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.

Held-to-maturity investments

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

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

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

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

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

NOTE 7.2: NET GAIN/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS	Consol'd 2017 $	Consol'd 2016 $
Proceeds from Disposal of Non-Current Assets		
- Motor Vehicles	29,500	17,255
Total Proceeds from Disposal of Non-Current Assets	29,500	17,255
Less: Written Down Value of Non-Current Assets Disposed		
- Buildings	(447,984)	-
- Motor Vehicles	(35,151)	(25,425)
Total Written Down Value of Non-Current Assets Disposed	(483,135)	(25,425)
NET GAIN/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS	(453,635)	(8,170)

Disposal of Non-Financial Assets
Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

Impairment of Non-Financial Assets
Goodwill and intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other non-financial assets are assessed annually for indications of impairment, except for:
- inventories;
- financial assets;
- investment properties that are measured at fair value;
- non-current physical assets held for sale; and
- assets arising from construction contracts.

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

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

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

NOTE 7.3: 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 2017 Lorne Community Hospital has no knowledge of any contingent assets or liabilities.
(Nil for 30 June 2016).

NOTE 7.4: FAIR VALUE DETERMINATION

Asset Class	Examples of types of assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	In areas where there is an active market: - vacant land - land not subject to restrictions as to use or sale	Level 2	Market approach	N/A
Specialised land	Land subject to restrictions as to use and/or sale Land in areas where there is not an active market	Level 3	Market approach	CSO adjustments
Non-specialised buildings	For general/commercial buildings that are just built	Level 2	Market approach	N/A
Specialised buildings [(i)]	Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hospitals, and schools	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Plant and equipment [(i)]	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Vehicles	If there is an active resale market available;	Level 2	Market approach	N/A

[(i)] Newly built / acquired assets could be categorised as Level 2 assets as depreciation would not be a significant unobservable input (based on the 10% materiality threshold)

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 Operating segments
8.4 Responsible persons disclosures
8.5 Executive officer disclosures
8.6 Related parties
8.7 Remuneration of auditors
8.8 AASBs issued that are not yet effective
8.9 Controlled Entities
8.10 Economic Dependency
8.11 Alternative presentation of comprehensive operating statement

NOTE 8.1: EQUITY

	Consol'd 2017 $	Consol'd 2016 $
(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	-	-
- Buildings	-	-
Balance at the end of the reporting period	7,770,016	7,770,016
Represented by:		
- Land	5,102,700	5,102,700
- Buildings	2,667,316	2,667,316
	7,770,016	7,770,016

(1) The property, plant and equipment asset revaluation surplus arises on the revaluation of property, plant and equipment.

	Consol'd 2017 $	Consol'd 2016 $
(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	8,543,815	8,224,455
Net Result for the Year	(523,687)	319,360
Balance at the end of the reporting period	8,020,128	8,543,815
Total Equity at end of financial year	18,265,194	18,788,881

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

	Consol'd 2017 $	Consol'd 2016 $
NET RESULT FOR THE YEAR	(523,687)	319,360
Non-cash movements:		
Depreciation	645,390	519,971
Provision for Doubtful Debts	-	5,000
Movements included in Investing and Financing activities:		
Net (Gain)/Loss from disposal of Non Financial Physical Assets	453,635	8,170
Movements in Assets and Liabilities:		
Change in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	29,309	(144,699)
(Increase)/Decrease in Other Assets	30,701	(41,183)
Increase/(Decrease) in Payables	113,952	190,332
Increase/(Decrease) in Employee Benefits	77,251	239,573
Increase/(Decrease) in Other Liabilities	(70,000)	70,000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	756,551	1,166,524

NOTE 8.3: OPERATING SEGMENTS

	RACS		ADMITTED PATIENTS		AGED CARE		OTHER PROGRAMS		CONSOL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$	$	$	$	$
REVENUE										
External Segment Revenue	2,144,801	2,715,249	2,672,295	2,490,134	493,878	446,117	1,916,005	213,242	7,226,979	5,864,743
Total Revenue	2,144,801	2,715,249	2,672,295	2,490,134	493,878	446,117	1,916,005	213,242	7,226,979	5,864,743
EXPENSES										
External Segment Expenses	2,290,412	2,917,939	2,437,759	2,632,963	749,490	551,751	1,627,615	23,569	7,105,276	6,126,222
Depreciation	316,241	293,111	277,518	257,220	45,177	41,873	6,454	5,982	645,390	598,186
Total Expenses	2,606,653	3,211,050	2,715,277	2,890,183	794,667	593,624	1,634,069	29,551	7,750,666	6,724,408
Net Result for Year	(461,852)	(495,801)	(42,982)	(400,049)	(300,789)	(147,507)	281,936	183,691.00	(523,687)	(859,665)
OTHER INFORMATION										
Segment Assets	10,854,983	10,580,967	9,525,802	9,285,338	1,550,712	1,511,567	221,530	215,938	22,153,027	21,593,810
Total Assets	10,854,983	10,580,967	9,525,802	9,285,338	1,550,712	1,511,567	221,530	215,938	22,153,027	21,593,810
Segment Liabilities	1,905,038	1,905,038	1,671,768	1,671,768	272,148	272,148	38,878	38,878	3,887,833	3,887,833
Total Liabilities	1,905,038	1,905,038	1,671,768	1,671,768	272,148	272,148	38,878	38,878	3,887,833	3,887,833

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

Business Segments	**Services**
Residential Aged Care Services (RAC)	Acute Care
Hospital	High Level Aged Care
Aged Care	HACC services including district nursing
Community Health	Primary Health

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

NOTE 8.4: 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	1/7/2016 - 30/6/2017
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	1/7/2016 - 30/6/2017
Governing Boards	
Dr Damien Smith	1/7/2016 - 30/6/2017
Dri Ian Brown	1/7/2016 - 30/6/2017
Mr Gary Allen	1/7/2016 - 30/6/2017
Mr Greg Aimers	1/7/2016 - 30/6/2017
Mr Ray Jacobson	1/7/2016 - 30/6/2017
Ms Deborah McSephney	1/7/2016 - 30/6/2017
Ms Julia Cookson	1/7/2016 - 30/6/2017
Ms Kelli Nicola-Richmond	1/7/2016 - 30/6/2017
Ms Margaret Cartledge	1/7/2016 - 30/6/2017
Ms Megan Clark	1/7/2016 - 30/6/2017
Ms Sue Guinness	1/7/2016 - 30/6/2017
Ms Vicki Hammond	1/7/2016 - 30/6/2017
Accountable Officers	
Ms Kate Gillan	1/7/2016 - 30/6/2017

Remuneration of Responsible Persons
Remuneration received or receivable by responsible persons was in the range: $180,000 - $189,999 ($140,000 - 149,999 in 2015-16).

Effective 12th May,2017 Ms Kate Gillan has been contracted to Otway Health to provide Chief Executive Officer services for a six month period. Ms Gillan remains a full time employee of Lorne Coummunity Hospital and Otway Health reimburse the Health Service for these services.

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

Refer to Note 8.6 for further analysis of remuneration and transactions with Key Management Personnel.

NOTE 8.5: EXECUTIVE OFFICER DISCLOSURES
Remuneration of executive officers

There were no executive officers who received remuneration in excess of $100,000.

NOTE 8.6: 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
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. 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.

Key management personnel consist of Ministers, the board of management and accountable officers as detailed in Note 8.4.

COMPENSATION	2017 $
Short term employee benefits	161,628
Post-employment benefits	15,191
Other long-term benefits	5,010
Termination benefits	0
Share based payments	0
Total	**181,829**

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, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Other Transactions of Responsible Persons and their Related Parties

During the year there were no other transactions with responsible persons or their related parties. (2016: Nil)

Significant transactions with government-related entities

Lorne Community Hospital received funding from the Department of Health and Human Services of $3,390,938 (2016: $3,469,691).

During the year, Lorne Community Hospital had the following other government-related entity transactions:
- Commonwealth Government funding received for health related programs totalling $1,220,389 (2016 $1,079,397).

NOTE 8.6: REMUNERATION OF AUDITORS

	Consol'd 2017 $	Consol'd 2016 $
Victorian Auditor-General's Office		
Audit or review of financial statement	8,500	8,500
	8,500	8,500

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 2017 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 2017, 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.

Standard / Interpretation	**Summary**	**Applicable for reporting periods beginning on**	**Impact on Health Service's Annual Statements**
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: - The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and - Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.
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.	1 January 2018	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. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014-1 *Amendments to* Australian Accounting Standards *[Part E Financial Instruments]*	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 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

NOTE 8.8: AASBs ISSUED THAT ARE NOT YET EFFECTIVE (Continued)

Standard / Interpretation	**Summary**	**Applicable for reporting periods beginning on**	**Impact on Health Service's Annual Statements**
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	The assessment has indicated there will be no significant impact for the public sector.
AASB 2016-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15	This standards defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.
AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period.
AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019	1 January 2019	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period.
AASB 1058 Income of Not-for-Profit Entities	This Standard will replace AASB 1004 *Contributions* and 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 objectives	1 January 2019	The impact of this Standard is yet to be fully assessed.

NOTE 8.8: CONTROLLED ENTITIES

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

NOTE 8.9: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events occurred after the reporting date.

NOTE 8.10: ALTERNATIVE PRESENTATION OF COMPREHENSIVE OPERATING STATEMENT

	2017 $	2016 $
Grants		
Operating	4,454,361	4,548,058
Capital	157,968	-
Interest	68,122	59,356
Sales of goods and services	1,628,430	1,474,697
Other	1,371,733	1,691,962
Revenue from Transactions	**7,680,614**	**7,774,073**
Employee expenses	4,728,195	4,720,841
Depreciation	645,390	598,186
Other operating expenses	2,361,782	2,120,076
Finance Costs - Other	20,096	9,482
Expenses from Transactions	**7,755,463**	**7,448,585**
Net result from transactions - Net Operating Balance	**(74,849)**	**325,488**
Other economic flows included in net result		
Net gain/ (loss) on sale of non-financial assets	(453,635)	(8,170)
Other gains/ (losses) from other economic flows included in net result	4,797	2,042
Total Other Economic flows included in Net Result	**(448,838)**	**(6,128)**
NET RESULT FOR THE YEAR	**(523,687)**	**319,360**