



Financial Statements 2008-09

TURNING SCIENCE INTO HEALTH

Austin Health

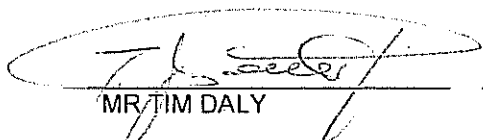
Chairperson's, Chief Executive Officer's and Executive Director, Finance's Declaration

We certify that the attached financial report for Austin Health have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes forming part of the financial report, presents fairly the financial transactions during the year ended 30 June 2009 and financial position of Austin Health as at 30 June 2009.

We are not aware of any circumstance, which would render any particulars included in the financial report to be misleading or inaccurate.

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



MR TIM DALY

Chairperson



DR BRENDAN MURPHY

Chief Executive Officer



MR IAN BROADWAY

Executive Director, Finance

Heidelberg, Victoria

19 / 8 / 2009

Heidelberg, Victoria

19 / 8 / 2009

Heidelberg, Victoria

19 / 8 / 2009

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Austin Health

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of Austin Health which comprises the operating statement, balance sheet, statement of changes in equity and cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the chairperson's, chief executive officer's and executive director, finance's declaration, has been audited.

The Members of the Board's Responsibility for the Financial Report

The Members of the Board of Austin Health are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Austin Health for the year ended 30 June 2009. The Members of the Board of Austin Health are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Austin Health website.

Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Austin Health as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
19 August 2009


D D R Pearson
Auditor-General

Austin Health

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Total 2009 \$000 | Total 2008 \$000 |
|---|------|------------------------|------------------------|
| Revenue from Operating Activities | 2 | 606,108 | 547,844 |
| Revenue from Non-Operating Activities | 2 | 2,529 | 2,475 |
| Employee Benefits | 3 | (443,363) | (399,006) |
| Non Salary Labour costs | 3 | (8,248) | (9,169) |
| Supplies and Consumables | 3 | (95,472) | (88,220) |
| Other Expenses from Continuing Operations | 3(a) | (57,033) | (53,852) |
| Net Result Before Capital & Specific Items | | 4,521 | 72 |
| Capital Purpose Income | 2 | 50,055 | 29,768 |
| Depreciation and Amortisation | 4 | (32,933) | (33,679) |
| Expenditure Using Capital Purpose Income | 3(a) | (5,266) | (6,107) |
| Net Result for the Year | | 16,377 | (9,946) |

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

Austin Health

BALANCE SHEET AS AT 30 JUNE 2009

| | Note | Total 2009 \$000 | Total 2008 \$000 |
|---|-------|------------------------|------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 6 | 33,619 | 32,396 |
| Receivables | 7 | 27,840 | 35,183 |
| Other Financial Assets | 8 | 29,595 | 14,955 |
| Inventories | 9 | 6,713 | 5,702 |
| Other Current Assets | 10 | 2,007 | 1,670 |
| Total Current Assets | | 99,774 | 89,906 |
| Non-Current Assets | | | |
| Receivables | 7 | 16,035 | 8,165 |
| Other Financial Assets | 8 | 154 | 154 |
| Property, Plant and Equipment | 11 | 1,072,978 | 667,313 |
| Intangible Assets | 12 | 1,573 | 700 |
| Total Non-Current Assets | | 1,090,740 | 676,332 |
| TOTAL ASSETS | | 1,190,514 | 766,238 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 13 | 32,577 | 31,559 |
| Interest Bearing Liabilities | 14 | 427 | 400 |
| Employee Benefits and Related On-Costs Provisions | 15 | 124,171 | 108,002 |
| Other Liabilities | 16 | 1,793 | 1,834 |
| Total Current Liabilities | | 158,968 | 141,795 |
| Non-Current Liabilities | | | |
| Interest Bearing Liabilities | 14 | 23,967 | 24,394 |
| Employee Benefits and Related On-Costs Provisions | 15 | 13,943 | 10,849 |
| Other Liabilities | 16 | 374 | 673 |
| Total Non-Current Liabilities | | 38,284 | 35,916 |
| TOTAL LIABILITIES | | 197,252 | 177,711 |
| NET ASSETS | | 993,262 | 588,527 |
| EQUITY | | | |
| Asset Revaluation Reserve | 17(a) | 532,717 | 144,359 |
| Restricted Specific Purpose Reserve | 17(a) | 5,442 | 2,275 |
| Contributed Capital | 17(b) | 529,927 | 529,927 |
| Accumulated Deficits | 17(c) | (74,824) | (88,034) |
| TOTAL EQUITY | | 993,262 | 588,527 |

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

Austin Health

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Total 2009 \$000 | Total 2008 \$000 |
|---|------|------------------------|------------------------|
| Total Equity at Beginning of Financial Year | | 588,527 | 563,326 |
| Effects of Changes in Accounting Policy | | | |
| Accumulated Deficits | | - | - |
| Restated Total Equity at Beginning of Financial Year | | 588,527 | 563,326 |
| Gain on Asset Revaluation | 17 | 388,358 | 23,540 |
| Net Income Recognised Directly in Equity | | 388,358 | 23,540 |
| Net Result for the Year | | 16,377 | (9,946) |
| Total Recognised Income and Expense for the Year | | 404,735 | 13,594 |
| Transactions with the State in its Capacity as Owner | 17 | - | 11,607 |
| Total Equity at the End of the Financial Year | | 993,262 | 588,527 |

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

Austin Health

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | Total 2009 \$000 | Total 2008 \$000 |
|--|------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Grants from Government | | 474,687 | 443,726 |
| Patient and Resident Fees Received | | 23,734 | 20,465 |
| Private Practice Fees Received | | 10,863 | 8,280 |
| Donations and Bequests Received | | 6,731 | 1,926 |
| GST Received from/(paid to) ATO | | (263) | 9,944 |
| Recoupment from private practice for use of Hospital Facilities | | 24,711 | 24,161 |
| Interest Received | | 2,438 | 2,376 |
| Other Receipts | | 56,572 | 51,092 |
| Employee Benefits Paid | | (424,170) | (386,722) |
| Finance Costs | | (1,855) | (1,655) |
| Other Payments | | (155,301) | (162,160) |
| Cash Generated from Operations | | 18,147 | 11,433 |
| Capital Grants from Government | | 31,625 | 20,663 |
| Capital Donations and Bequests Received | | 3,536 | 2,965 |
| Other Capital Receipts | | 2,890 | 3,619 |
| Other Capital Payments | | (5,266) | (6,107) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 18 | 50,932 | 32,573 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | | (40,131) | (38,037) |
| Proceeds from Disposal of Property, Plant and Equipment | | 1,022 | 43 |
| Purchase of Investments | | (14,640) | (1,889) |
| (Payment)/receipts (to)/from Major Projects Victoria | | 5,094 | (9,612) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (48,655) | (49,495) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from Borrowings | | - | 20,901 |
| Repayment of Borrowings | | (1,068) | (366) |
| Contributed Capital from Government | | - | 8,060 |
| NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES | | (1,068) | 28,595 |
| NET INCREASE IN CASH HELD | | 1,209 | 11,673 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 6 | 32,367 | 20,694 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 6 | 33,576 | 32,367 |

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

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Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) and Australian Accounting Interpretation. AASs includes Australian equivalents to International Financial Reporting Standards.

(b) Basis of Preparation

The financial report is prepared in accordance with the historical cost convention, except for the revaluation of certain non-financial assets and financial instruments, as noted. Cost is based on the fair values of the consideration given in exchange for assets.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

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 report for the year ended 30 June 2009, and the comparative information presented in these financial statements for the year ended 30 June 2008.

(c) Reporting Entity

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

(d) Rounding Off

All amounts shown in the Financial Statements are expressed to the nearest \$1,000 unless otherwise indicated.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks and investments in money market instruments.

(f) Receivables

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debt is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where doubt as to collection exists. Bad debts are written off when identified.

(g) Inventories

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(g) Inventories (continued)

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

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

Cost is determined principally by the weighted average method.

(h) Other Financial Assets

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

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

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

Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

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

Available-for-sale financial assets

Other financial assets held by the entity are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value is determined in the manner described in Note 20.

(i) Intangible Assets

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

Intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortization 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.

Amortisation is allocated to intangible assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(i) Intangible Assets (continued)

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

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

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

Intangible assets with finite useful lives are amortised over 3 years (2008: 3 years).

(j) Property, Plant and Equipment

Crown Land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restriction will no longer apply.

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

Plant, Equipment and Vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation.

(k) Revaluations of Non-current Physical Assets

Non-current physical assets measured at fair value are revalued in accordance with FRD 103D. This revaluation process normally occurs 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. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net result, the increment is recognised as revenue in the net result.

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

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

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

In accordance with FRD 103D the Health Service non-current physical assets were subjected to a detailed valuation in the current financial year.

(l) Depreciation

Assets with a cost in excess of \$1,000 (2008: \$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 using the straight-line method. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Human Services.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(l) Depreciation (continued)

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

| | 2009 | 2008 |
|---------------------------|----------------|----------------|
| Buildings | Up to 40 years | Up to 40 years |
| Building Components: | | |
| - Fitout | Up to 20 years | Up to 20 years |
| Shell/Structure | Up to 60 years | Up to 60 years |
| - Services | Up to 28 years | Up to 28 years |
| - Siteworks/Site Services | Up to 30 years | Up to 30 years |
| Plant & Equipment | Up to 15 years | Up to 15 years |
| Furniture & Fittings | Up to 5 years | Up to 5 years |
| Communication | Up to 5 years | Up to 5 years |
| Transport | Up to 3 years | Up to 3 years |
| Linen | Up to 3 years | Up to 3 years |
| Other | Up to 5 years | Up to 5 years |

(m) Net Gain/(Loss) on Non-Financial Assets

Net gain/(loss) on non-financial assets includes realised and unrealised gains and losses from revaluations, impairments and disposals of all physical assets and intangible assets.

Disposal of Non-Financial Assets

Any gain or loss on sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Impairment of Non-Financial Assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for:

- inventories; and
- financial assets.

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

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated 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.

(n) Payables

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, then subsequently carried at amortised cost and represent liabilities for goods and services provided to the 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 these goods and services.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(n) Payables (continued)

The normal credit terms are Net 30 days after the end of month of date of invoice.

(o) Resources Provided and Received Free of Charge or for Nominal Consideration

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

(p) Interest Bearing Liabilities

Interest bearing liabilities in the Balance Sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method. Fair value is determined in the manner described in Note 20.

(q) Functional and Presentation Currency

The presentation currency of the Health Service is the Australian dollar, which has also been identified as the functional currency of the Health Service.

(r) Goods and Services Tax

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

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

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

Commitments and contingent liabilities are presented on a gross basis.

(s) Employee Benefits

Wages and Salaries, Annual Leave and Accrued Days Off

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

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

Long Service Leave

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(s) Employee Benefits (continued)

The components of this current LSL liability are measured at:

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

Non-Current Liability – conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until 10 years of service has been completed by an employee. Conditional LSL is required to be measured at present value.

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

Superannuation

Defined contribution plans - Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans- The amount charged to the Operating Statement in respect of defined benefit Superannuation plans represents the contributions made by the Health Service to the superannuation plan in respect to the current services of current Health Service staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Employees of the Health Service are entitled to receive superannuation benefits and the Health Service contributes to both the defined benefit and defined contribution plans. The defined benefit 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 the Health Service are as follows:

| Fund | Contributions Paid or Payable | |
|--|-------------------------------|---------------|
| | for the Year | |
| | 2009 | 2008 |
| | \$000 | \$000 |
| Defined Benefit Plans | | |
| Hospital Superannuation Board – Health Super | 22,893 | 21,622 |
| Commonwealth Superannuation Scheme | 3,556 | 3,546 |
| ESS (previously GSO) | 652 | 636 |
| Defined Contribution Plans | | |
| Hospital Superannuation Board – Health Super | 1,644 | 1,806 |
| HESTA | 6,947 | 5,273 |
| Other | 385 | 246 |
| Total | 36,077 | 33,129 |

The Health Service does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(s) Employee Benefits (continued)

Termination Benefits

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

On-Costs

Employee benefits on-costs (workers compensation and superannuation) are recognised separately from provision for employee benefits.

(t) Finance Costs

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

Finance costs include:

- amortisation of discounts or premiums relating to borrowings;
- bank charges; and
- interest on long term borrowings.

(u) Residential Aged Care Services

The Darley House Residential Aged Care Service operations are an integral part of the Health Service and shares its resources. An apportionment of land and buildings has been made based on floor space. The results of this operations have been segregated based on actual revenue earned and expenditure incurred.

(v) Intersegment Transactions

Transactions between segments within the Health Service have been eliminated to reflect the extent of the Health Service's operations as a group.

(w) Leases

Operating lease payments, including contingent rentals, are recognised as an expense in the 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.

(x) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent it is earned. Unearned income at reporting date is reported as income received in advance.

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

Government Grants

Grants are recognised as income when the Health Service gains control of the underlying assets in accordance with AASB 1004 *Contributions*. For reciprocal grants, the Health Service is deemed to have assumed control when the performance has occurred under the grant. For non-reciprocal grants, the Health Service is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Indirect Contributions

Insurance is recognised as revenue following advice from the Department of 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 34/2008.

Patient Fees

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(x) Income Recognition (continued)

Private Practice Fees

Private Practice fees are recognised as revenue at the time 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 transferred to a reserve, for example, restricted special purpose reserve.

Interest Revenue

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

(y) Fund Accounting

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

(z) Services Supported By Health Services Agreement and Services Supported By Hospital And Community Initiatives

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

(aa) Change in Accounting Policies

In accordance with Victorian Government Financial Reporting Direction FRD 103D "Non-Current Physical Assets", the Health Service measures plant and equipment, and medical equipment assets at fair value from 1 July 2008. Previously these assets were measured at cost. This change in accounting policy is required to ensure that Victoria's Whole of Government financial report, to which Austin Health is consolidated into, complies with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. As this change is the initial application of a policy to revalue assets in accordance with AASB 116 *Property, Plant and Equipment* the change is treated as a revaluation in the current year.

(ab) Comparative Information

There have been no changes to previous year's figures.

(ac) Property, Plant & Equipment Revaluation Reserve

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

(ad) Specific Restricted Purpose Reserve

A Specific Restricted Purpose Reserve is established where the Health Service has possession or title to funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(ae) Contributed Capital

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(af) Net Result Before Capital & Specific Items

The subtotal entitled "Net Result Before Capital & Specific Items" is included in the Operating Statement to enhance the understanding of the financial performance of the Health Service. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenue and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The Net Result Before Capital & Specific Items is used by the management of the Health Service, the Department of Human Services and the Victorian Government to measure the ongoing result of Health Service in operating hospital services.

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

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer note 1(o)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Specific income/expense, comprises the following items, where material:
 - Voluntary departure packages;
 - Write-down of inventories;
 - Non-current asset revaluation increments/decrements;
 - Diminution in investments;
 - Restructuring of operations (disaggregation/aggregation of health services);
 - Litigation settlements;
 - Non-current assets lost or found;
 - Forgiveness of loans;
 - Reversals of provisions; and
 - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board).
- Impairment of non current assets, includes all impairment losses (and reversal of previous impairment losses), related to non current assets only which have been recognised in accordance with note 1(m).
- Depreciation and amortisation, as described in note 1 (j) and (l).
- Assets provided free of charge, as described in note 1(o).
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold (note 1(i) and (j)), or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

(ag) Category Groups

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

Admitted Patient Services (Admitted Patients) comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals.

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

Outpatient Services (Outpatients) comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered in public hospital outpatient clinics.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(ag) Category Groups (continued)

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

Aged Care comprises revenue/expenditure from Home and Community Care (HACC) programs, allied health, Aged Care Assessment and support services.

Off Campus, Ambulatory Services (Ambulatory) comprises all recurrent health revenue/expenditure on public hospital type services including palliative care facilities and rehabilitation facilities, as well as services provided under the following agreements; Services that are provided or received by hospital but are delivered/received outside a hospital campus, services which have moved from a hospital to a community setting since June 1998.

Residential Aged Care comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DHS.

Other Services excluded from Australian Health Care Agreement (AHCA) (Other) comprises revenue/expenditure for services not separately classified above, including: public health services including laboratory testing, drugs services including drug withdrawal, disability services including aids and equipment and flexible support packages to people with a disability, community care programs including sexual assault support and various support services. Health and Community Initiatives also falls in this category group.

(ah) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. As at 30 June 2009, the following standards and interpretation had been issued but were not mandatory for financial year ended 30 June 2009. Austin Health has not and does not intend to adopt these standards early.

| Standard /Interpretation | Summary | Applicable for reporting periods beginning on or ending on | Impact on Health Service's Annual Statements |
|--|--|--|--|
| AASB 8 Operating Segments. | Supersedes AASB 114 Segment Reporting. | Beginning 1 January 2009 | Not applicable. |
| AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]. | An accompanying amending standard also introduced consequential amendments into other Standards. | Beginning 1 January 2009 | Impact expected to be insignificant. |
| AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 1038 and Interpretations 1 & 12]. | Option to expense borrowing costs related to a qualifying asset had been removed. Entities are now required to capitalize borrowing costs relevant to qualifying assets. | Beginning 1 January 2009 | All Australian government jurisdictions are currently still actively pursuing an exemption for government from capitalizing borrowing costs. |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 1: Statement of Significant Accounting Policies (continued)

(ah) New Accounting Standards and Interpretations (continued)

| Standard / Interpretation | Summary | Applicable for reporting periods beginning on or ending on | Impact on Health Service's Annual Statements |
|--|--|--|--|
| AASB 2008-3 Amendments to AAS arising from AASB 3 & AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138, & 139 and Interpretation 9 & 107] | This Standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127. The prefaces to those Standards summarise the main requirements of those standards. | Beginning 1 January 2009 | Impact expected to be insignificant. |
| AASB 2008-5 Amendments to AASs arising from Annual Improvements Project [AASBs 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 140, 141, 1023 & 1308] | A suite of amendments to existing standards following issuance of IASB Standard Improvements to IFRSs in May 2008. Some amendments result in accounting changes for presentation, recognition and measurement purposes. | Beginning 1 January 2009 | Impact is being evaluated. |
| AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements project [AASB 1 & AASB 5] | The amendments require all the assets and liabilities of a for-sale subsidiary's to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. | Beginning 1 January 2009 | Impact expected to be insignificant. |
| AASB 2008-7 Amendments to AAS Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, 118, 121, 127 & 136] | Changes mainly relate to treatment of dividends from subsidiaries or controlled entities. | Beginning 1 January 2009 | Impact expected to be insignificant. |
| AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] | The amendments to AASB 139 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item, should be applied in particular situations. | Beginning 1 January 2009 | Impact expected to be insignificant. |
| AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 | Amendments to AASB 1049 for consistency with AASB 101 (September 2007) version. | Beginning 1 January 2009 | Impact expected to be insignificant. |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

(ah) New Accounting Standards and Interpretations (continued)

| Standard /Interpretation | Summary | Applicable for reporting periods beginning on or ending on | Impact on Health Service's Annual Statements |
|---|--|--|--|
| AASB 2009-1 Amendments to Australian Accounting Standards – Borrowing Costs of Not-for Profit Public Sector Entities [AASB 1, AASB 111 & AASB 1213] | Amendments to Australian Accounting Standards to allow borrowing costs of Not-for Profit Public Sector Entities to be expensed. | Beginning 1 January 2009 | Impact expected to be insignificant. |
| AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038] | Amendments to AASB 7 to enhance disclosures about fair value measurements and liquidity risk. Editorial amendments to AASB 4, AASB 1023 and AASB 1038 resulting from the amendments to AASB 7. | Beginning 1 January 2009 | Impact expected to be insignificant. |

(ai) Going Concern

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

- A surplus from ordinary activities of \$16.4M for the year ended 30 June 2009 (\$10M deficit for the year ended 30 June 2008);
- Depreciation/Amortisation Expense of \$33M for the year ended 30 June 2009 (\$33.7M for the year ended 30 June 2008) which is not matched with recurrent funding;
- A working capital deficiency of \$59.1M as at 30 June 2009 (\$52M deficiency as at 30 June 2008);
- Net cash inflows of \$1.2M for the year ended 30 June 2009 (\$11.7M inflows for the year ended 30 June 2008); and
- Budgeted for a deficit from ordinary activities for 30 June 2010.

With respect to Austin Health's current financial position, the Board and Management of Austin Health have initiated various strategies which will be monitored throughout the 2009/10 financial year. On the basis of the advice and assurances received in writing from the Department of Human Services, the Directors of Austin Health are of the opinion that Austin Health will be able to pay its debts as and when they fall due.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 2: Revenue

| | HSA 2009 \$000 | HSA 2008 \$000 | Non HSA 2009 \$000 | Non HSA 2008 \$000 | Total 2009 \$000 | Total 2008 \$000 |
|---|----------------------|----------------------|--------------------------|--------------------------|------------------------|------------------------|
| Revenue from Operating Activities | | | | | | |
| Government Grants | | | | | | |
| - Department of Human Services | 445,551 | 407,644 | - | - | 445,551 | 407,644 |
| - Commonwealth Government | | | | | | |
| - Residential Aged Care Subsidy | 2,777 | 2,715 | - | - | 2,777 | 2,715 |
| - Other | 20,816 | 18,622 | - | - | 20,816 | 18,622 |
| Total Government Grants | 469,144 | 428,981 | - | - | 469,144 | 428,981 |
| Indirect Contributions by Department of Human Services | | | | | | |
| - Insurance | 5,556 | 5,590 | - | - | 5,556 | 5,590 |
| - Long Service Leave | 11,175 | 5,478 | - | - | 11,175 | 5,478 |
| Total Indirect Contributions by Department of Human Services | 16,731 | 11,068 | - | - | 16,731 | 11,068 |
| Patient and Resident Fees | | | | | | |
| - Patient and Resident Fees (Refer note 2b) | 21,027 | 21,644 | - | - | 21,027 | 21,644 |
| - Residential Aged Care (Refer note 2b) | 833 | 783 | - | - | 833 | 783 |
| Total Patient and Resident Fees | 21,860 | 22,427 | - | - | 21,860 | 22,427 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 2: Revenue (continued)

| | HSA 2009 \$000 | HSA 2008 \$000 | Non HSA 2009 \$000 | Non HSA 2008 \$000 | Total 2009 \$000 | Total 2008 \$000 |
|---|----------------------|----------------------|--------------------------|--------------------------|------------------------|------------------------|
| Business Unit and Specific Purpose Funds | | | | | | |
| - Private Practice and Other Patient Activities | - | - | 5,400 | 3,944 | 5,400 | 3,944 |
| - Laboratory Medicine | 185 | 284 | 15,158 | 13,912 | 15,343 | 14,196 |
| - Diagnostic Imaging | 317 | 424 | 3,121 | 2,671 | 3,438 | 3,095 |
| - Mental Health Services | - | - | 1,364 | 1,397 | 1,364 | 1,397 |
| - Pharmacy Services | 323 | 309 | 376 | 214 | 699 | 523 |
| - Affiliated Entities | - | - | 4,164 | 4,850 | 4,164 | 4,850 |
| - Retail Services | - | - | 709 | 661 | 709 | 661 |
| - Laundry | - | - | 3,697 | 3,978 | 3,697 | 3,978 |
| - Food Production Kitchen | - | - | 1,263 | 565 | 1,263 | 565 |
| - Car Park | - | - | 6,093 | 5,852 | 6,093 | 5,852 |
| - Research | - | - | 9,294 | 3,790 | 9,294 | 3,790 |
| - Cardiology | - | - | 1,075 | 482 | 1,075 | 482 |
| - Child Care | - | - | 979 | 927 | 979 | 927 |
| - Nuclear Medicine | - | - | 2,197 | 2,410 | 2,197 | 2,410 |
| - Fundraising | - | - | 1,544 | 1,498 | 1,544 | 1,498 |
| - Hospital Department Funds | - | - | 1,355 | 1,224 | 1,355 | 1,224 |
| - Salary Packaging | - | - | 1,998 | 637 | 1,998 | 637 |
| - Other | - | - | 919 | 539 | 919 | 539 |
| Total Business Unit and Specific Purpose Funds | 825 | 1,017 | 60,706 | 49,551 | 61,531 | 50,568 |
| Donations and Bequests | | | | | | |
| Recoupment from Private Practice for use of Hospital Facilities | 7 | 148 | - | - | 7 | 148 |
| Other Revenue from Operating Activities | 24,711 | 24,161 | - | - | 24,711 | 24,161 |
| | 12,124 | 10,491 | - | - | 12,124 | 10,491 |
| Sub-Total Revenue from Operating Activities | 545,402 | 498,293 | 60,706 | 49,551 | 606,108 | 547,844 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 2: Revenue (continued)

| | HSA 2009 \$000 | HSA 2008 \$000 | Non HSA 2009 \$000 | Non HSA 2008 \$000 | Total 2009 \$000 | Total 2008 \$000 |
|---|----------------------|----------------------|--------------------------|--------------------------|------------------------|------------------------|
| Revenue from Non-Operating Activities | | | | | | |
| Interest | 2,330 | 2,176 | - | - | 2,330 | 2,176 |
| Other Revenue from Non-Operating Activities | 199 | 299 | - | - | 199 | 299 |
| Sub-Total Revenue from Non-Operating Activities | 2,529 | 2,475 | - | - | 2,529 | 2,475 |
| Revenue from Capital Purpose Income | | | | | | |
| State Government Grants | | | | | | |
| - Targeted Capital Works & Equipment | 3,260 | 4,964 | - | - | 3,260 | 4,964 |
| - Other | - | - | 22,010 | 14,902 | 22,010 | 14,902 |
| - DHS Indirect Contribution | - | - | 11,574 | 2,488 | 11,574 | 2,488 |
| Commonwealth Government Capital Grants | 313 | 196 | 6,066 | 601 | 6,379 | 797 |
| Residential Accommodation Payments (refer note 2b) | 175 | 152 | - | - | 175 | 152 |
| Assets Received Free of Charge (refer note 2d) | - | - | 24 | - | 24 | - |
| Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2c) | - | - | 406 | 33 | 406 | 33 |
| Capital Interest | - | - | 1,158 | 1,095 | 1,158 | 1,095 |
| Donations and Bequests | - | - | 3,536 | 2,965 | 3,536 | 2,965 |
| Other Capital Purpose Income | - | - | 1,533 | 2,372 | 1,533 | 2,372 |
| Sub-Total Revenue from Capital Purpose Income | 3,748 | 5,312 | 46,307 | 24,456 | 50,055 | 29,768 |
| Total Revenue (Refer Note 2a) | 551,679 | 506,080 | 107,013 | 74,007 | 658,692 | 580,087 |

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 2a: Analysis of Revenue by Source

| | Admitted Patients | Outpatients | EDS | Ambulatory | Mental Health | RAC | Aged Care | Other | Total |
|--|-------------------|---------------|---------------|---------------|---------------|--------------|--------------|----------------|----------------|
| | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue from Services Supported by Health Services Agreement | | | | | | | | | |
| Government Grants | 284,850 | 59,369 | 17,645 | 54,580 | 42,769 | 3,773 | 3,281 | 2,876 | 469,143 |
| Indirect Contributions by Department of Human Services | 15,141 | 385 | 213 | 502 | 387 | 42 | 13 | 48 | 16,731 |
| Patient and Resident Fees (refer note 2b) | 15,588 | 520 | - | 4,020 | 837 | 833 | 62 | - | 21,860 |
| Recoupment from Private Practice for Use of Hospital Facilities | 11,048 | 10,487 | 1,478 | 433 | 63 | - | - | 1,202 | 24,711 |
| Business Units & Specific Purpose Funds | 536 | 171 | 41 | 10 | 10 | - | - | 57 | 825 |
| Donations and Bequests (non capital) | 3 | - | - | 4 | - | - | - | - | 7 |
| Other Revenue | 8,594 | 936 | 369 | 1,167 | 1,098 | 23 | 33 | 104 | 12,324 |
| Interest | 2,330 | - | - | - | - | - | - | - | 2,330 |
| Capital Purpose Income (refer note 2) | 3,260 | - | - | - | - | 488 | - | - | 3,748 |
| Sub-Total Revenue from Services Supported by Health Services Agreement | 341,350 | 71,868 | 19,746 | 60,716 | 45,164 | 5,159 | 3,389 | 4,287 | 551,679 |
| Revenue from Services Supported by Hospital and Community Initiatives | | | | | | | | | |
| Business Units & Specific Purpose Funds | - | - | - | - | - | - | - | 60,706 | 60,706 |
| Capital Purpose Income (refer note 2) | - | - | - | - | - | - | - | 46,307 | 46,307 |
| Sub-Total Revenue from Services Supported by Hospital and Community Initiatives | - | - | - | - | - | - | - | 107,013 | 107,013 |
| Total Revenue | 341,350 | 71,868 | 19,746 | 60,716 | 45,164 | 5,159 | 3,389 | 111,300 | 658,692 |

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

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

| | Admitted Patients | Outpatients | EDS | Ambulatory | Mental Health | RAC | Aged Care | Other | Total |
|--|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 |
| Revenue from Services Supported by Health Services Agreement | | | | | | | | | |
| Government Grants | 266,701 | 47,954 | 16,089 | 49,482 | 39,702 | 3,647 | 3,196 | 2,210 | 428,981 |
| Indirect Contributions by Department of Human Services | 10,118 | 239 | 113 | 308 | 244 | 26 | 10 | 9 | 11,068 |
| Patient and Resident Fees (refer note 2b) | 14,852 | 460 | 3 | 5,357 | 927 | 782 | 46 | - | 22,427 |
| Recoupment from Private Practice for Use of Hospital Facilities | 12,585 | 10,269 | 718 | 520 | 68 | - | 1 | - | 24,161 |
| Business Units & Specific Purpose Funds | 731 | 223 | 32 | 18 | 13 | - | - | - | 1,017 |
| Donations and Bequests (non capital) | 82 | 1 | 3 | 54 | 7 | - | 1 | - | 148 |
| Other Revenue | 7,266 | 916 | 350 | 1,267 | 878 | 28 | 50 | 35 | 10,790 |
| Interest | 2,176 | - | - | - | - | - | - | - | 2,176 |
| Capital Purpose Income (refer note 2) | 4,964 | - | - | - | - | 348 | - | - | 5,312 |
| Sub-Total Revenue from Services Supported by Health Services Agreement | 319,475 | 60,062 | 17,308 | 57,006 | 41,839 | 4,831 | 3,304 | 2,254 | 506,080 |
| Revenue from Services Supported by Hospital and Community Initiatives | | | | | | | | | |
| Business Units & Specific Purpose Funds | - | - | - | - | - | - | - | 49,551 | 49,551 |
| Capital Purpose Income (refer note 2) | - | - | - | - | - | - | - | 24,456 | 24,456 |
| Sub-Total Revenue from Services Supported by Hospital and Community Initiatives | - | - | - | - | - | - | - | 74,007 | 74,007 |
| Total Revenue | 319,475 | 60,062 | 17,308 | 57,006 | 41,839 | 4,831 | 3,304 | 76,261 | 580,087 |

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 2b: Patient and Resident Fees

| | Patient Fees Raised | |
|---|---------------------|---------------|
| | 2009 \$000 | 2008 \$000 |
| Patient and Resident Fees Raised (*) | | |
| Recurrent: | | |
| Acute | | |
| - Inpatients | 18,922 | 19,189 |
| - Outpatients | 891 | 1,172 |
| Residential Aged Care | | |
| - Generic | 833 | 783 |
| Mental Health | 837 | 927 |
| Prosthetics & Orthotics | 377 | 356 |
| Total Recurrent | 21,860 | 22,427 |
| Capital Purpose: | | |
| Residential Accommodation Payments (**) | 175 | 152 |
| Total Capital | 175 | 152 |

The Service charges fees in accordance with the Department of Human Services Victoria directives.

* Patient and Resident Fees exclude recoupment from private practice.

** This includes accommodation charges.

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

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| Proceeds from Disposal of Non-Current Assets | | |
| Plant & Equipment | - | - |
| Motor Vehicles | - | 43 |
| Major Medical | 22 | - |
| Computers and Communication | - | - |
| Buildings | 1,000 | - |
| Total Proceeds from Disposal of Non-Current Assets | 1,022 | 43 |
| Less: Written down value of Non-Current Assets Sold | | |
| Plant & Equipment | 14 | - |
| Motor Vehicles | - | - |
| Major Medical | 134 | 9 |
| Computers and Communication | 2 | 1 |
| Buildings | 466 | - |
| Total Written down value of Non-Current Assets Sold | 616 | 10 |
| Net Gains on Disposal of Non-Current Assets | 406 | 33 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

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

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| During the reporting period, the fair value of assets received free of charge, was as follows: | | |
| Motor Vehicles | 24 | - |
| Total | 24 | - |

Note 2e: Specific Income

There was no specific income recognised during the years ended 30 June 2009 and 30 June 2008.

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 3: Expenses

| | HSA | HSA | Non HSA | Non HSA | Total | Total |
|--|----------------|----------------|---------------|---------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Employee Benefits | | | | | | |
| Salaries and Wages | 355,560 | 324,289 | 27,588 | 25,031 | 383,148 | 349,320 |
| Workcover Premium | 4,482 | 4,428 | 271 | 252 | 4,753 | 4,680 |
| Superannuation | 34,072 | 31,212 | 1,968 | 1,878 | 36,040 | 33,090 |
| Long Service Leave | 17,680 | 11,380 | 353 | 336 | 18,033 | 11,716 |
| Departure Packages | 811 | 191 | 578 | 9 | 1,389 | 200 |
| Total Employee Benefits | 412,605 | 371,500 | 30,758 | 27,506 | 443,363 | 399,006 |
| Non Salary Labour Costs | | | | | | |
| Agency Costs - Nursing | 4,778 | 6,132 | 6 | 13 | 4,784 | 6,145 |
| Agency Costs - Other | 2,417 | 2,427 | 1,047 | 597 | 3,464 | 3,024 |
| Total Non Salary Labour Costs | 7,195 | 8,559 | 1,053 | 610 | 8,248 | 9,169 |
| Supplies & Consumables | | | | | | |
| Drug Supplies | 26,200 | 25,859 | 25 | 12 | 26,225 | 25,871 |
| S100 Drugs | 8,154 | 7,449 | - | - | 8,154 | 7,449 |
| Medical & Surgical Supplies and Prosthesis | 50,099 | 44,402 | 872 | 459 | 50,971 | 44,861 |
| Pathology Supplies | 3,981 | 5,012 | 3,365 | 1,918 | 7,346 | 6,930 |
| Food Supplies | 4,368 | 4,093 | (1,592) | (984) | 2,776 | 3,109 |
| Total Supplies & Consumables | 92,802 | 86,815 | 2,670 | 1,405 | 95,472 | 88,220 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 3: Expenses (continued)

| | HSA | HSA | Non HSA | Non HSA | Total | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 | 2009 \$000 | 2008 \$000 |
| Other Expenses from Continuing Operations | | | | | | |
| Domestic Services & Supplies | 4,999 | 4,563 | (1,112) | (1,898) | 3,887 | 2,665 |
| Fuel, Light, Power and Water | 5,981 | 5,724 | 527 | 575 | 6,508 | 6,299 |
| Insurance costs funded by DHS | 5,556 | 5,590 | - | - | 5,556 | 5,590 |
| Motor Vehicle Expenses | 667 | 653 | 41 | 52 | 708 | 705 |
| Repairs and Maintenance | 4,873 | 4,955 | 706 | 522 | 5,579 | 5,477 |
| Maintenance Contracts | 7,175 | 7,210 | 447 | 402 | 7,622 | 7,612 |
| Patient Transport | 1,282 | 1,249 | - | 1 | 1,282 | 1,250 |
| Other Administrative Expenses | 12,732 | 12,233 | 4,932 | 4,762 | 17,664 | 16,995 |
| Bad & Doubtful Debts | 144 | (132) | 28 | 0 | 172 | (132) |
| Lease Expenses | 2,259 | 2,633 | 2,190 | 2,002 | 4,449 | 4,635 |
| Other | 1,113 | 850 | 266 | 345 | 1,379 | 1,195 |
| Audit Fees | | | | | | |
| - VAGO - Audit of Financial Statements | 191 | 175 | - | - | 191 | 175 |
| - Other | 192 | 121 | - | - | 192 | 121 |
| Total Other Expenses from Continuing Operations | 47,164 | 45,824 | 8,025 | 6,763 | 55,189 | 52,587 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 3: Expenses (continued)

| | HSA | HSA | Non HSA | Non HSA | Total | Total |
|---|----------------|----------------|---------------|---------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Expenditure Using Capital Purpose Income | | | | | | |
| Employee Benefits | | | | | | |
| Salaries and Wages | - | - | 1,025 | 843 | 1,025 | 843 |
| Workcover | - | - | 5 | 6 | 5 | 6 |
| Superannuation | - | - | 37 | 39 | 37 | 39 |
| Long Service Leave | - | - | 7 | 7 | 7 | 7 |
| Total Employee Benefits | - | - | 1,074 | 895 | 1,074 | 895 |
| Supplies & Consumables | | | | | | |
| Medical & Surgical Supplies and Prosthesis | - | - | - | 184 | - | 184 |
| Total Supplies & Consumables | - | - | - | 184 | - | 184 |
| Other Expenses | | | | | | |
| Domestic Services & Supplies | - | - | 2 | 15 | 2 | 15 |
| Repairs and Maintenance | - | - | 518 | 543 | 518 | 543 |
| Other Administrative Expenses | - | - | 2,415 | 4,139 | 2,415 | 4,139 |
| Lease Expenses | - | - | 405 | 24 | 405 | 24 |
| Other | - | - | 848 | 290 | 848 | 290 |
| Total Other Expenses | - | - | 4,188 | 5,011 | 4,188 | 5,011 |
| Total Expenditure Using Capital Purpose Income | - | - | 5,262 | 6,090 | 5,262 | 6,090 |
| Depreciation and Amortisation (refer note 4) | | | | | | |
| Finance Costs (refer note 5) | 197 | 110 | 1,651 | 1,172 | 1,848 | 1,282 |
| Total | 197 | 110 | 34,584 | 34,851 | 34,781 | 34,961 |
| Total Expenses | 559,963 | 512,808 | 82,352 | 77,225 | 642,315 | 590,033 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 3a: Analysis of Expenses by Source

| | Admitted Patients | Outpatients | EDS | Ambulatory | Mental Health | RAC | Aged Care | Other | Total |
|---|-------------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|----------------|
| | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Services Supported by Health Services Agreement | | | | | | | | | |
| Employee Benefits | 246,689 | 40,988 | 21,849 | 53,031 | 40,193 | 4,369 | 1,323 | 4,163 | 412,605 |
| Non Salary Labour Costs | 3,944 | 779 | 659 | 877 | 772 | 140 | 4 | 20 | 7,195 |
| Supplies & Consumables | 58,452 | 22,905 | 1,577 | 5,244 | 1,185 | 368 | 1,415 | 1,656 | 92,802 |
| Other Expenses from Continuing Operations | 27,315 | 6,616 | 1,312 | 7,061 | 3,838 | 279 | 290 | 453 | 47,164 |
| Finance Costs (refer note 5) | 157 | 13 | 4 | 11 | 9 | 1 | 1 | 1 | 197 |
| Sub-Total Expenses from Services Supported by Health Services Agreement | 336,557 | 71,301 | 25,401 | 66,224 | 45,997 | 5,157 | 3,033 | 6,293 | 559,963 |
| Services Supported by Hospital & Community Initiatives | | | | | | | | | |
| Employee Benefits | - | - | - | - | - | - | - | 30,758 | 30,758 |
| Non Salary Labour Costs | - | - | - | - | - | - | - | 1,053 | 1,053 |
| Supplies & Consumables | - | - | - | - | - | - | - | 2,670 | 2,670 |
| Other Expenses from Continuing Operations | - | - | - | - | - | - | - | 8,025 | 8,025 |
| Depreciation & Amortisation (refer note 4) | - | - | - | - | - | - | - | 32,933 | 32,933 |
| Finance Costs (refer note 5) | - | - | - | - | - | - | - | 1,647 | 1,647 |
| Sub-Total Expenses from Services Supported by Hospital & Community Initiatives | - | - | - | - | - | - | - | 77,086 | 77,086 |
| Services Supported by Capital Sources | | | | | | | | | |
| Employee Benefits | - | - | - | - | - | - | - | 1,074 | 1,074 |
| Other Expenses | - | - | - | - | - | - | - | 4,188 | 4,188 |
| Finance Costs (refer note 5) | - | - | - | - | - | - | - | 4 | 4 |
| Sub-Total Expenses from Services Supported by Capital Sources | - | - | - | - | - | - | - | 5,266 | 5,266 |
| Total Expenses | 336,557 | 71,301 | 25,401 | 66,224 | 45,997 | 5,157 | 3,033 | 88,645 | 642,315 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

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

| | Admitted Patients | Outpatients | EDS | Ambulatory | Mental Health | RAC | Aged Care | Other | Total |
|---|-------------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|----------------|
| | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 | 2008 \$000 |
| Services Supported by Health Services Agreement | | | | | | | | | |
| Employee Benefits | 221,981 | 37,667 | 17,896 | 48,771 | 38,160 | 4,090 | 1,641 | 1,294 | 371,500 |
| Non Salary Labour Costs | 5,210 | 705 | 711 | 900 | 814 | 198 | 14 | 7 | 8,559 |
| Supplies & Consumables | 60,729 | 16,450 | 1,153 | 4,760 | 1,432 | 346 | 1,219 | 726 | 86,815 |
| Other Expenses from Continuing Operations | 26,876 | 7,162 | 1,001 | 6,131 | 3,697 | 204 | 475 | 278 | 45,824 |
| Finance Costs (refer note 5) | 75 | 10 | 2 | 10 | 10 | - | 2 | 1 | 110 |
| Sub-Total Expenses from Services Supported by Health Services Agreement | 314,871 | 61,994 | 20,763 | 60,572 | 44,113 | 4,838 | 3,351 | 2,306 | 512,808 |
| Services Supported by Hospital & Community Initiatives | | | | | | | | | |
| Employee Benefits | - | - | - | - | - | - | - | 27,506 | 27,506 |
| Non Salary Labour Costs | - | - | - | - | - | - | - | 610 | 610 |
| Supplies & Consumables | - | - | - | - | - | - | - | 1,405 | 1,405 |
| Other Expenses from Continuing Operations | - | - | - | - | - | - | - | 6,763 | 6,763 |
| Depreciation & Amortisation (refer note 4) | - | - | - | - | - | - | - | 33,679 | 33,679 |
| Finance Costs (refer note 5) | - | - | - | - | - | - | - | 1,155 | 1,155 |
| Sub-Total Expenses from Services Supported by Hospital & Community Initiatives | - | - | - | - | - | - | - | 71,118 | 71,118 |
| Services Supported by Capital Sources | | | | | | | | | |
| Supplies & Consumables | - | - | - | - | - | - | - | 184 | 184 |
| Employee Benefits | - | - | - | - | - | - | - | 895 | 895 |
| Other Expenses | - | - | - | - | - | - | - | 5,011 | 5,011 |
| Finance Costs (refer note 5) | - | - | - | - | - | - | - | 17 | 17 |
| Sub-Total Expenses from Services Supported by Capital Resources | - | - | - | - | - | - | - | 6,107 | 6,107 |
| Total Expenses | 314,871 | 61,994 | 20,763 | 60,572 | 44,113 | 4,838 | 3,351 | 79,531 | 590,033 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

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

| | Total 2009 \$000 | Total 2008 \$000 |
|---|---------------------------------|---------------------------------|
| - Private Practice and Other Patient Activities | 3,853 | 2,961 |
| - Laboratory Medicine | 15,801 | 12,954 |
| - Diagnostic Imaging | 1,326 | 1,188 |
| - Mental Health Services | 1,241 | 1,228 |
| - Pharmacy Services | 260 | 169 |
| - Affiliated Entities | 3,924 | 2,290 |
| - Retail Services | 52 | 47 |
| - Laundry | 2,756 | 5,483 |
| - Food Production Kitchen | 1,029 | 564 |
| - Car Park | 2,284 | 1,871 |
| - Research | 5,112 | 3,552 |
| - Cardiology | 805 | 466 |
| - Child Care | 902 | 856 |
| - Nuclear Medicine | 1,386 | 1,219 |
| - Fundraising | 604 | 829 |
| - Hospital Department Funds | 1,106 | 1,033 |
| - Salary Packaging | 791 | 740 |
| - Other | 921 | (11) |
| Total | 44,153 | 37,439 |

Note 3c: Specific Expenses

There were no specific expenses incurred during the years ended 30 June 2009 and 30 June 2008.

Note 4: Depreciation and Amortisation

| | Total 2009 \$000 | Total 2008 \$000 |
|--|---------------------------------|---------------------------------|
| Depreciation | | |
| Buildings | 20,645 | 20,819 |
| Plant | 902 | 976 |
| Transport | 54 | 79 |
| Major Medical | 8,241 | 8,484 |
| Computers and Communication | 690 | 984 |
| Other Equipment | 1,028 | 757 |
| Furniture and Fittings | 125 | 118 |
| Linen | 471 | 678 |
| Total Depreciation | 32,156 | 32,895 |
| Amortisation | | |
| Intangible Assets | 777 | 784 |
| | 777 | 784 |
| Total Depreciation & Amortisation | 32,933 | 33,679 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 5: Finance Costs

| | Total 2009 \$000 | Total 2008 \$000 |
|----------------------------------|---------------------------------|---------------------------------|
| Bank Charges | 114 | 117 |
| Interest on Long Term Borrowings | 1,734 | 1,165 |
| Total | 1,848 | 1,282 |

Note 6: Cash and Cash Equivalents

| | Total 2009 \$000 | Total 2008 \$000 |
|---|---------------------------------|---------------------------------|
| Cash on Hand | 70 | 64 |
| Cash at Bank | 13,461 | 5,832 |
| Deposits at Call | 20,088 | 26,500 |
| Total | 33,619 | 32,396 |
| Represented by: | | |
| Cash for Health Service Operations (as per Cash Flow Statement) | 33,576 | 32,367 |
| Cash for Monies Held in Trust | | |
| - Cash at Bank | 43 | 29 |
| | 43 | 29 |
| Total | 33,619 | 32,396 |

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

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 7: Receivables

| | Total 2009 \$000 | Total 2008 \$000 |
|---|------------------------|------------------------|
| CURRENT | | |
| Contractual | | |
| Inter Hospital Debtors | 2,521 | 2,252 |
| Trade Debtors | 8,806 | 8,816 |
| Other Debtors - Major Projects Victoria | 4,518 | 9,612 |
| Patient Fees | 9,059 | 10,691 |
| Accrued Investment Income | 211 | 319 |
| Accrued Revenue - Other | 1,877 | 2,913 |
| Less: Allowance for Doubtful Debts | | |
| Trade Debtors | (209) | (439) |
| Patient Fees | (590) | (519) |
| | <u>26,193</u> | <u>33,645</u> |
| Statutory | | |
| GST Receivable | 1,647 | 1,538 |
| | <u>1,647</u> | <u>1,538</u> |
| TOTAL CURRENT RECEIVABLES | <u>27,840</u> | <u>35,183</u> |
| NON CURRENT | | |
| Statutory | | |
| DHS - Long Service Leave | 16,035 | 8,165 |
| TOTAL NON-CURRENT RECEIVABLES | <u>16,035</u> | <u>8,165</u> |
| TOTAL RECEIVABLES | <u>43,875</u> | <u>43,348</u> |

(a) Movement in the Allowance for Doubtful Debts

| | Total 2009 \$000 | Total 2008 \$000 |
|---|------------------------|------------------------|
| Balance at beginning of Year | 958 | 1,312 |
| Amounts Written off during the Year | (247) | (222) |
| Increase/(decrease) in Allowance recognised in profit or loss | 88 | (132) |
| Balance at end of Year | <u>799</u> | <u>958</u> |

(b) Ageing analysis of receivables

Please refer to note 20(b) for the ageing analysis of receivables

(c) Nature and extent of risk arising from receivables

Please refer to note 20(b) for the nature and extent of credit risk arising from receivables

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 8: Other Financial Assets

| | Total 2009 \$000 | Total 2008 \$000 |
|---------------------------------------|------------------------|------------------------|
| Current | | |
| <i>Investments Available for Sale</i> | | |
| Term Deposits - Operating | 3,000 | - |
| Term Deposits - Special Purpose Funds | 4,323 | 35 |
| Term Deposits - Capital | 22,272 | 14,920 |
| Total Current | 29,595 | 14,955 |
| Non-Current | | |
| Shares - Special Purpose Fund | 154 | 154 |
| Total Non-Current | 154 | 154 |
| Total | 29,749 | 15,109 |
| Represented by: | | |
| Health Service Investments | 29,749 | 15,109 |

(a) Ageing analysis of other financial assets

Please refer to note 20(b) for the ageing analysis of other financial assets

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

Please refer to note 20(b) for the nature and extent of credit risk arising from other financial assets

Note 9: Inventory

| | Total 2009 \$000 | Total 2008 \$000 |
|----------------------------|------------------------|------------------------|
| Current - at cost | | |
| Pharmaceuticals | 2,681 | 2,553 |
| Catering Supplies | 110 | 99 |
| Housekeeping Supplies | 54 | 44 |
| Medical and Surgical Lines | 3,839 | 2,973 |
| Administrative Stores | 29 | 33 |
| Total | 6,713 | 5,702 |

Note 10: Other Assets

| | Total 2009 \$000 | Total 2008 \$000 |
|------------------------------|------------------------|------------------------|
| Current - Prepayments | 2,007 | 1,670 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 11: Property, Plant & Equipment

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| Land | | |
| - Land at fair value | 163,704 | 124,921 |
| Total Land | 163,704 | 124,921 |
| Buildings | | |
| - Buildings under Construction at cost | 39,001 | 12,882 |
| - Buildings at Cost | - | 357,368 |
| Less Accumulated Depreciation | - | (28,649) |
| | - | 328,720 |
| - Buildings at fair value | 831,844 | 187,065 |
| Less Accumulated Depreciation | - | (25,166) |
| | 831,844 | 161,899 |
| Total Buildings | 870,845 | 503,501 |
| Plant and Equipment at Cost | | |
| - Plant and Equipment | 20,890 | 20,877 |
| Less Accumulated Depreciation | (15,733) | (14,872) |
| Total Plant and Equipment | 5,157 | 6,005 |
| Transport at Cost | | |
| - Transport | 1,302 | 1,041 |
| Less Accumulated Depreciation | (1,084) | (1,030) |
| Total Transport | 218 | 11 |
| Major Medical at Cost | | |
| - Major Medical under Construction | 4,963 | 8,905 |
| - Major Medical | 76,630 | 65,307 |
| Less Accumulated Depreciation | (53,327) | (46,005) |
| Total Major Medical | 28,266 | 28,207 |
| Computers and Communication at Cost | | |
| - Computers and Communication | 9,288 | 8,613 |
| Less Accumulated Depreciation | (7,957) | (7,621) |
| Total Computers and Communication at Cost | 1,331 | 992 |
| Other Equipment at Cost | | |
| - Other Equipment | 5,956 | 4,756 |
| Less Accumulated Depreciation | (3,168) | (2,153) |
| Total Other Equipment | 2,788 | 2,603 |

Austin Health

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009

Note 11: Property, Plant & Equipment (continued)

| | Total 2009 \$000 | Total 2008 \$000 |
|---------------------------------------|------------------------|------------------------|
| Furniture and Fittings at Cost | | |
| - Furniture and Fittings | 948 | 908 |
| Less Accumulated Depreciation | (697) | (572) |
| Total Furniture and Fittings | 251 | 336 |
| Linen at Cost | | |
| - Linen | 3,373 | 3,823 |
| Less Accumulated Depreciation | (2,955) | (3,086) |
| Total Linen | 418 | 737 |
| Total | 1,072,978 | 667,313 |

Land and buildings carried at valuation - 2009

An independent valuation of the Health Service's property 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 is 30 June 2009.

Land and buildings carried at valuation - 2008

Management completed a Land Fair Value Assessment using the VGV indices as at 30 June 2008. This resulted in a Revaluation of Land - increase \$23,540,798.

Austin Health's property portfolio was re-valued as at 30 June 2005 by URBIS/JHD, property valuers. This revaluation covered all properties of Austin Health's three main campuses as well as associated properties but excluded properties, plant and equipment which have been transferred to Austin Health at cost and in the form of Contributed Capital at 30 June 2005 by the Minister for Health. These assets were transferred as part of the redevelopment of the Austin Hospital, which was completed in May 2005.

Plant and Equipment carried at fair value - 2009

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

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 11: Property, Plant & Equipment (continued)

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

| | Land | Buildings | Plant & Equipment | Transport | Major Medical | Computers & Comm'n's | Other Equipment | Furniture & Fittings | Linen | Total |
|---|----------------|----------------|-------------------|------------|---------------|----------------------|-----------------|----------------------|------------|------------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Balance at 1 July 2007 | 101,381 | 496,628 | 6,929 | 90 | 26,240 | 1,226 | 2,368 | 429 | 965 | 636,256 |
| Additions | - | 24,145 | 52 | - | 10,460 | 751 | 992 | 25 | 450 | 36,875 |
| Assets Transferred as Capital Contributions | - | 3,547 | - | - | - | - | - | - | - | 3,547 |
| Disposals | - | - | - | - | (9) | (1) | - | - | - | (10) |
| Revaluation Increment* | 23,540 | - | - | - | - | - | - | - | - | 23,540 |
| Depreciation Expense (refer Note 4) | - | (20,819) | (976) | (79) | (8,484) | (984) | (757) | (118) | (678) | (32,895) |
| Balance at 1 July 2008 | 124,921 | 503,501 | 6,005 | 11 | 28,207 | 992 | 2,603 | 336 | 737 | 667,313 |
| Additions | - | 38,880 | 68 | 261 | 8,434 | 1,031 | 1,213 | 40 | 152 | 50,079 |
| Assets Transferred as Capital Contributions | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | (466) | (14) | - | (134) | (2) | - | - | - | (616) |
| Revaluation Increment** | 38,783 | 349,575 | - | - | - | - | - | - | - | 388,358 |
| Depreciation Expense (refer Note 4) | - | (20,645) | (902) | (54) | (8,241) | (690) | (1,028) | (125) | (471) | (32,156) |
| Balance at 30 June 2009 | 163,704 | 870,845 | 5,157 | 218 | 28,266 | 1,331 | 2,788 | 251 | 418 | 1,072,978 |

* Management has completed a Land Fair Value Assessment using the VGV indices as at 30 June 2008. This has resulted in a Revaluation of Land - increase \$23,540,798.

** Land and buildings carried at valuation
An independent valuation of the Health Service's property 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 is 30 June 2009.

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 12: Intangible Assets

| | Total 2009 \$000 | Total 2008 \$000 |
|-------------------------------|---------------------------------|---------------------------------|
| Software | 7,736 | 6,086 |
| Less Accumulated Amortisation | (6,163) | (5,386) |
| Total | 1,573 | 700 |

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

| | Software \$000 | Total \$000 |
|-------------------------------------|---------------------------|------------------------|
| Balance at 1 July 2007 | 1,271 | 1,271 |
| Additions | 213 | 213 |
| Disposals | - | - |
| Amortisation Expense (refer Note 4) | (784) | (784) |
| Balance at 1 July 2008 | 700 | 700 |
| Additions | 1,650 | 1,650 |
| Disposals | - | - |
| Amortisation Expense (refer Note 4) | (777) | (777) |
| Balance at 30 June 2009 | 1,573 | 1,573 |

Note 13: Payables

| | Total 2009 \$000 | Total 2008 \$000 |
|---------------------------|---------------------------------|---------------------------------|
| CURRENT | | |
| Contractual | | |
| Trade Creditors | 7,324 | 6,027 |
| Accrued Interest | 409 | 415 |
| Accrued Expenses | 12,247 | 14,346 |
| Salary Packaging | 3,277 | 3,341 |
| Other | 252 | 299 |
| | 23,509 | 24,429 |
| Statutory | | |
| GST Payable | 451 | 606 |
| DHS | 3,388 | 1,324 |
| Pay As You Go Withholding | 1,163 | 1,220 |
| Superannuation Payable | 4,066 | 3,981 |
| | 9,068 | 7,131 |
| Total | 32,577 | 31,559 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 13: Payables (continued)

(a) Maturity analysis of payables

Please refer to note 20(c) for the ageing analysis of payables

(b) Nature and extent of risk arising from payables

Please refer to note 20(c) for the nature and extent of risks arising from payables

Note 14: Interest Bearing Liabilities

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| Current - Secured | | |
| Australian Dollar Borrowings - Treasury Corporation Victoria | 427 | 400 |
| Non-Current - Secured | | |
| Australian Dollar Borrowings - Treasury Corporation Victoria | 23,967 | 24,394 |

Terms and conditions of Interest Bearing Liabilities - Treasury Corporation Victoria

- i) Repayments are quarterly with the final instalment due 25 years from date of the last draw down in April 2008.
- ii) Average interest rate applied during 2008/09 was 6.79% (2007/08: 6.7%).
- iii) The loan is secured by a Statutory Guarantee from the Government of Victoria in favour of Treasury Corporation Victoria under Section 30 of the Health Services Act.
- iv) Total approved value of borrowings is \$25M.

(a) Maturity analysis of interest bearing liabilities

Please refer to note 20(c) for the ageing analysis of interest bearing liabilities

(b) Nature and extent of risk arising from interest bearing liabilities

Please refer to note 20(c) for the nature and extent of risks arising from interest bearing liabilities

(c) Defaults and breaches

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

Note 15: Provisions

| | Total 2009 \$000 | Total 2008 \$000 |
|---|------------------------|------------------------|
| Current | | |
| Employee Benefits (Refer Note 15a) | | |
| - Unconditional and expected to be settled within 12 months | 54,840 | 49,447 |
| - Unconditional and expected to be settled after 12 months | 59,171 | 49,687 |
| Provision related to employee benefit on-costs | | |
| - Unconditional and expected to be settled within 12 months | 3,947 | 3,644 |
| - Unconditional and expected to be settled after 12 months | 6,213 | 5,224 |
| Total | 124,171 | 108,002 |
| Non-Current | | |
| Employee Benefits (Refer Note 15a) | 12,618 | 9,713 |
| Provision related to employee benefit on-costs | 1,325 | 1,136 |
| Total | 13,943 | 10,849 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 15: Provisions (continued)

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| Movement in Provisions - Employee Benefits: | | |
| Carrying amount at start of year | 118,851 | 106,047 |
| Additional provisions recognised | 79,169 | 60,281 |
| Amounts incurred during the year | (59,906) | (47,477) |
| Carrying amount at end of year | 138,114 | 118,851 |

Note 15a: Employee Benefits

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| Current (refer note 1s) | | |
| Unconditional Long Service Leave Entitlements ** | 62,401 | 53,846 |
| Annual Leave Entitlements | 42,681 | 38,548 |
| Accrued Salaries and Wages | 17,247 | 13,564 |
| Accrued Days Off | 1,842 | 2,044 |
| Total * | 124,171 | 108,002 |
| * Current Employee Benefits that: | | |
| Expected to be utilised within 12 months (nominal value) | 58,787 | 53,091 |
| Expected to be utilised after 12 months (present value) | 65,384 | 54,911 |
| | 124,171 | 108,002 |
| Non-Current (refer note 1s) | | |
| Conditional Long Service Leave Entitlements (present value) ** | 13,943 | 10,849 |
| Total | 13,943 | 10,849 |
| Movement in Long Service Leave: | | |
| Balance at start of year | 64,695 | 58,581 |
| Provision made during the year | 18,040 | 11,723 |
| Settlement made during the year | (6,392) | (5,609) |
| Balance at end of year | 76,343 | 64,695 |

** As explained in note 1(s), the amount for long service leave is measured at its present value. The following assumptions were adopted in measuring present values:

| | | |
|-----------------------------------|-------|-------|
| - Weighted Average Discount Rates | 5.48% | 6.55% |
| - Wage Inflation Rate | 4.45% | 4.75% |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 16: Other Liabilities

| | Total 2009 \$000 | Total 2008 \$000 |
|--|---------------------------------|---------------------------------|
| Current | | |
| Patient Monies Held in Trust (represented by Cash Assets - refer note 6) | 43 | 29 |
| Borrowings - Department of Human Services* | 557 | 837 |
| Other | 1,193 | 968 |
| Total | 1,793 | 1,834 |
| Non-Current | | |
| Borrowings - Department of Human Services* | 374 | 673 |

* Borrowings - Department of Human Services

- a) Austin Health has three loans repayable to the Department of Human Services.
- b) - Repayments on the first loan are monthly with the final instalment due on 31 December 2013.
 - Repayments on the second loan are annually with the final instalment due on 30 June 2011.
 - Repayments on the third loan are half yearly with the final instalment due on 31 December 2009.
- c) These are interest free loans, however a present value calculation has applied an interest rate of 4.13% as at 30 June 2009 (30 June 2008: 6.68%).

Note 17: Equity & Reserves

| | Total 2009 \$000 | Total 2008 \$000 |
|---|---------------------------------|---------------------------------|
| (a) Reserves | | |
| Asset Revaluation Reserve * | | |
| Balance at the Beginning of the Reporting Period | 144,359 | 120,819 |
| Revaluation Increments/(Decrements): | | |
| - Land | 38,783 | 23,540 |
| - Buildings | 349,575 | - |
| Balance at the end of the Reporting Period | 532,717 | 144,359 |
| Represented by: | | |
| - Land | 134,152 | 95,369 |
| - Buildings | 398,565 | 48,990 |
| | 532,717 | 144,359 |
| Restricted Specific Purpose Reserve | | |
| Balance at the Beginning of the Reporting Period | 2,275 | 2,688 |
| Transfers to/(from) Restricted Specific Purpose Reserve | 3,167 | (413) |
| Balance at the end of the Reporting Period | 5,442 | 2,275 |
| Total Reserves | 538,159 | 146,634 |

* The Asset Revaluation Reserve arises on the revaluation of property, plant and equipment.

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 17: Equity & Reserves (continued)

| | Total 2009 \$000 | Total 2008 \$000 |
|--|---------------------------------|---------------------------------|
| (b) Contributed Capital | | |
| Balance at the Beginning of the Reporting Period | 529,927 | 518,320 |
| Capital Contributions Received from Victorian Government | - | 11,607 |
| Balance at the end of the Reporting Period | 529,927 | 529,927 |
| (c) Accumulated Deficits | | |
| Balance at the Beginning of the Reporting Period | (88,034) | (78,501) |
| Net Result for the Year | 16,377 | (9,946) |
| Transfers (to)/from Restricted Specific Purpose Reserve | (3,167) | 413 |
| Balance at the end of the Reporting Period | (74,824) | (88,034) |
| (d) Total Equity at the end of Financial Year | 993,262 | 588,527 |

Note 18: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

| | Total 2009 \$000 | Total 2008 \$000 |
|--|---------------------------------|---------------------------------|
| Net Result for the Year | 16,377 | (9,946) |
| Assets Received Free of Charge | (24) | - |
| Depreciation and Amortisation | 32,933 | 33,679 |
| Provision for Doubtful Debts | (159) | (354) |
| Interest on Loan | 92 | 13 |
| Net Gain from Sale of Plant and Equipment | (406) | (33) |
| DHS Capital Grant - Indirect Contribution | (11,574) | (2,488) |
| GST on Capital Purchases | - | 3,437 |
| Change in Operating Assets & Liabilities: | | |
| Increase/(Decrease) in Payables | 1,017 | (8,671) |
| Increase in Employee Benefits | 19,263 | 12,805 |
| Increase in Other Liabilities | 224 | 871 |
| (Increase)/Decrease in Receivables | (5,462) | 4,294 |
| Increase in Inventories | (1,012) | (691) |
| Increase in Prepayments | (337) | (343) |
| Net Cash Inflow from Operating Activities | 50,932 | 32,573 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 19: Non-Cash Financing and Investing Activities

| | Total 2009 \$000 | Total 2008 \$000 |
|--|------------------------|------------------------|
| Assets Received Free of Charge | 24 | - |
| Acquisition of Assets through DHS Indirect Contributions | 11,574 | 2,488 |
| Acquisition of Assets through Contributed Capital | - | 3,547 |
| Total | 11,598 | 6,035 |

Note 20: Financial Instruments

(a) Financial Risk management Objectives and Policies

The Austin Health's principal financial instruments comprise of:

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

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

Categorisation of financial Instruments

| | Note | Category | Carrying Amount 2009 \$000 | Carrying Amount 2008 \$000 |
|------------------------------------|------|---|-------------------------------------|-------------------------------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 6 | N/A | 33,619 | 32,396 |
| Receivables | 7 | Loans and Receivables | 43,028 | 42,767 |
| Other Financial Assets | 8 | Available for Sale Financial Assets (at fair value) | 29,749 | 15,109 |
| Total Financial Assets | | | 106,396 | 90,272 |
| Financial Liabilities | | | | |
| Payables | 13 | Financial Liabilities measured at amortised cost | 23,509 | 24,429 |
| Interest Bearing Liabilities | 14 | Financial Liabilities measured at amortised cost | 24,394 | 24,794 |
| Other Liabilities | 16 | Financial Liabilities measured at amortised cost | 2,167 | 2,507 |
| Total Financial Liabilities | | | 50,070 | 51,730 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 20: Financial Instruments (continued)

(b) Credit Risk

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

Interest rate exposure and aging analysis of financial assets as at 30 June 2009

| | Carrying Amount \$000 | Not past Due & Not Impaired \$000 | Past Due But not Impaired | | | Impaired Financial \$000 |
|--------------------------------|--------------------------|--------------------------------------|---------------------------|----------------------------|-----------------------|-----------------------------|
| | | | 1 - 3 Months \$000 | 3 months - 1 Year \$000 | Over 5 Years \$000 | |
| 2009 - Financial Assets | | | | | | |
| Cash and Cash Equivalents | 33,619 | 33,619 | - | - | - | - |
| Receivables: - | | | | | | |
| - Trade Debtors | 11,327 | 6,670 | 2,164 | 2,493 | - | - |
| - Other Receivables | 31,701 | 6,450 | 2,656 | 6,560 | 16,035 | - |
| Other Financial Assets | | | | | | |
| - Term Deposits | 29,595 | 29,595 | - | - | - | - |
| - Unlisted Shares | 154 | 154 | - | - | - | - |
| Total Financial Assets | 106,396 | 76,488 | 4,820 | 9,053 | 16,035 | - |
| 2008 - Financial Assets | | | | | | |
| Cash and Cash Equivalents | 32,396 | 32,396 | - | - | - | - |
| Receivables: - | | | | | | |
| - Trade Debtors | 11,068 | 4,402 | 4,225 | 2,441 | - | - |
| - Other Receivables | 31,699 | 7,297 | 3,756 | 12,481 | 8,165 | - |
| Other Financial Assets | | | | | | |
| - Term Deposits | 14,955 | 14,955 | - | - | - | - |
| - Unlisted Shares | 154 | 154 | - | - | - | - |
| Total Financial Assets | 90,272 | 59,204 | 7,981 | 14,922 | 8,165 | - |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 20: Financial Instruments (continued)

(b) Credit Risk (continued)

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

(c) Liquidity Risk

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

Interest rate exposure and maturity analysis of financial liabilities as at 30 June 2009

| | Carrying Amount \$000 | Contractual Cash Flows \$000 | Maturity Dates | | | | |
|-------------------------------------|--------------------------|---------------------------------|-------------------------------|--------------------------|-------------------------------|-------------------------|--------------------------|
| | | | Less than 1 month \$000 | 1 - 3 Months \$000 | 3 months - 1 Year \$000 | 1 - 5 Years \$000 | Over 5 Years \$000 |
| 2009 - Financial Liabilities | | | | | | | |
| Payables | 23,509 | - | 23,415 | 94 | - | - | - |
| Interest Bearing Liabilities | 24,394 | 24,394 | 104 | 106 | 217 | 2,022 | 21,945 |
| Other Liabilities | 1,236 | - | 767 | 469 | - | - | - |
| Borrowings - DHS | 931 | 931 | - | 225 | 332 | 374 | - |
| Total Financial Liabilities | 50,070 | 25,325 | 24,286 | 894 | 549 | 2,396 | 21,945 |
| 2008 - Financial Liabilities | | | | | | | |
| Payables | 24,429 | 24,362 | 67 | - | - | - | - |
| Interest Bearing Liabilities | 24,794 | 24,794 | 98 | 99 | 203 | 1,892 | 22,502 |
| Other Liabilities | 997 | - | 601 | 396 | - | - | - |
| Borrowings - DHS | 1,510 | 1,510 | 194 | - | 643 | 638 | 35 |
| Total Financial Liabilities | 51,730 | 50,666 | 960 | 495 | 846 | 2,530 | 22,537 |

Ageing analysis of financial liabilities must exclude the types of statutory financial liabilities (i.e GST payable, PAYG payable and Superannuation owing).

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 20: Financial Instruments (continued)

(d) Market Risk

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

Currency Risk

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

Interest Rate Risk

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

Other Price Risk

Austin Health does not have any material other price risks.

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 20: Financial Instruments (continued)

(d) Market Risk (continued)

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

| | Weighted Average Effective Interest Rates (%) | Carrying Amount \$000 | Interest Rate Exposure | | |
|-------------------------------------|---|-----------------------------|------------------------------------|---------------------------------------|-------------------------------------|
| | | | Fixed Interest Rate \$000 | Variable Interest Rate \$000 | Non Interest Bearing \$000 |
| 2009 - Financial Assets | | | | | |
| Cash and Cash Equivalents | 3.30 | 33,619 | - | 33,549 | 70 |
| Receivables: - | | | | | |
| - Trade Debtors | 4.45 | 11,327 | - | - | 11,327 |
| - Other Receivables | 4.45 | 31,701 | - | - | 31,701 |
| Other Financial Assets | | | | | |
| - Term Deposits | 4.04 | 29,595 | 29,595 | - | - |
| - Unlisted Shares | - | 154 | - | - | 154 |
| | | 106,396 | 29,595 | 33,549 | 43,252 |
| 2009 - Financial Liabilities | | | | | |
| Payables | 4.45 | 23,509 | - | - | 23,509 |
| Interest Bearing Liabilities | 6.70 | 24,394 | 24,394 | - | - |
| Other Liabilities | 4.45 | 1,236 | - | - | 1,236 |
| Borrowings - DHS | - | 931 | - | - | 931 |
| | 16 | 50,070 | 24,394 | - | 25,676 |
| 2008 - Financial Assets | | | | | |
| Cash and Cash Equivalents | 7.98 | 32,396 | - | 32,332 | 64 |
| Receivables: - | | | | | |
| - Trade Debtors | 4.75 | 11,068 | - | - | 11,068 |
| - Other Receivables | 4.75 | 31,699 | - | - | 31,699 |
| Other Financial Assets | | | | | |
| - Term Deposits | 7.79 | 14,955 | 14,955 | - | - |
| - Unlisted Shares | - | 154 | - | - | 154 |
| | | 90,272 | 14,955 | 32,332 | 42,985 |
| 2008 - Financial Liabilities | | | | | |
| Payables | 4.75 | 24,429 | - | - | 24,429 |
| Interest Bearing Liabilities | 6.70 | 24,794 | 24,794 | - | - |
| Other Liabilities | 4.75 | 997 | - | - | 997 |
| Borrowings - DHS | - | 1,510 | - | - | 1,510 |
| | 17 | 51,730 | 24,794 | - | 26,936 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 20: Financial Instruments (continued)

(d) Market Risk (continued)

Sensitivity Disclosure Analysis

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

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

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

| 2009 | Carrying Amount \$000 | Interest Rate Risk | | | | Other Price Risk | | | |
|------------------------------|--------------------------|--------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| | | -1% | | +1% | | -1% | | +1% | |
| | | Profit \$000 | Equity \$000 | Profit \$000 | Equity \$000 | Profit \$000 | Equity \$000 | Profit \$000 | Equity \$000 |
| Financial Assets | | | | | | | | | |
| Cash and Cash Equivalents | 33,619 | (336) | (336) | 336 | 336 | - | - | - | - |
| Receivables: - | | | | | | | | | |
| - Trade Debtors | 11,327 | - | - | - | - | - | - | - | - |
| - Other Receivables | 31,701 | - | - | - | - | - | - | - | - |
| Other Financial Assets | | | | | | | | | |
| - Term Deposits | 29,595 | - | - | - | - | - | - | - | - |
| - Unlisted Shares | 154 | - | - | - | - | - | - | - | - |
| | 106,396 | (336) | (336) | 336 | 336 | - | - | - | - |
| Financial Liabilities | | | | | | | | | |
| Payables | 23,509 | - | - | - | - | - | - | - | - |
| Interest Bearing Liabilities | 24,394 | - | - | - | - | - | - | - | - |
| Other Liabilities | 1,236 | - | - | - | - | - | - | - | - |
| Borrowings - DHS | 931 | - | - | - | - | - | - | - | - |
| | 50,070 | - | - | - | - | - | - | - | - |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 20: Financial Instruments (continued)

(d) Market Risk (continued)

Sensitivity Disclosure Analysis (continued)

| 2008 | Carrying Amount \$000 | Interest Rate Risk | | | Other Price Risk | | |
|------------------------------------|--------------------------|--------------------|-----------------|-----------------|------------------|-----------------|-----------------|
| | | -1% | | +1% | -1% | | +1% |
| | | Profit \$000 | Equity \$000 | Profit \$000 | Equity \$000 | Profit \$000 | Equity \$000 |
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | 32,396 | (324) | (324) | 324 | 324 | - | - |
| Receivables: - | | | | | | | |
| - Trade Debtors | 11,068 | - | - | - | - | - | - |
| - Other Receivables | 31,699 | - | - | - | - | - | - |
| Other Financial Assets | | | | | | | |
| - Term Deposits | 14,955 | - | - | - | - | - | - |
| - Unlisted Shares | 154 | - | - | - | - | - | - |
| Total Financial Assets | 90,272 | (324) | (324) | 324 | 324 | - | - |
| Financial Liabilities | | | | | | | |
| Payables | 24,429 | - | - | - | - | - | - |
| Interest Bearing Liabilities | 24,794 | - | - | - | - | - | - |
| Other Liabilities | 997 | - | - | - | - | - | - |
| Borrowings - DHS | 1,510 | - | - | - | - | - | - |
| Total Financial Liabilities | 51,730 | - | - | - | - | - | - |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 21: Commitments for Expenditure

| | Total 2009 \$000 | Total 2008 \$000 |
|---|------------------------|------------------------|
| Capital Commitments | | |
| Land and Buildings | 32,014 | 18,996 |
| Plant and Equipment | 10,115 | 8,505 |
| Total Capital Commitments | 42,129 | 27,501 |
| Not later than one year | 37,751 | 22,257 |
| Later than one year and not later than five years | 4,378 | 5,244 |
| Later than five years | - | - |
| Total | 42,129 | 27,501 |
| Lease Commitments | | |
| Commitments in relation to leases contracted for at the reporting date: | | |
| Operating Leases | 5,409 | 6,340 |
| Operating Leases - Non-Cancellable: | | |
| Not later than one year | 1,950 | 2,667 |
| Later than one year and not later than five years | 3,352 | 3,673 |
| Later than five years | 107 | - |
| Total | 5,409 | 6,340 |

Austin Health has entered into Operating Lease arrangements with various financial organisations mainly to lease Assets in the Medical Equipment class. The average lease term is over five (5) years and the commitments represent payments due under non-cancellable operating leases. The lease payments are recognised as an expense during the year and the total payment made in 2009 financial year was \$4,854,000 (2008: \$4,659,000) – Note 3.

Note 22: Contingent Liabilities

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

| | Total 2009 \$000 | Total 2008 \$000 |
|---------------------------------------|------------------------|------------------------|
| Contingent Liabilities | | |
| Quantifiable | | |
| Other - Recallable Capital Grant | 2,960 | - |
| Total Quantifiable Liabilities | 2,960 | 0 |

Austin Health obtained a Recallable Capital Grant during 2008/09 financial year from the Department of Human Services to assist with the financing of the Medical Scanning project. This grant is included in State Government Capital Grants in Note 2. As per advice from the Department of Human Services:

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

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 23: Events Occurring after Report Date

There were no events occurring after Report Date.

Note 24a: Responsible Persons Disclosures

| (a) Responsible Persons | Period |
|-------------------------|-------------------------|
| The Hon. Daniel Andrews | 01/07/2008 – 30/06/2009 |

The Austin Health Board

| | |
|------------------------|-------------------------|
| Mr Tim Daly (Chairman) | 01/07/2008 – 30/06/2009 |
| Ms Joanna Betteridge | 01/07/2008 – 30/06/2009 |
| Ms Suzanne Evans | 01/07/2008 – 30/06/2009 |
| Ms Joe Manton | 01/07/2008 – 30/06/2009 |
| Mr Robert Webster | 01/07/2008 – 30/06/2009 |
| Ms Barbara Hingston | 01/07/2008 – 30/06/2009 |
| Ms Josie Rizza | 01/07/2008 – 30/06/2009 |
| Professor David Scott | 01/07/2008 – 30/06/2009 |
| Mr Stephen Kerr | 01/07/2008 – 30/06/2009 |

Accountable Officer

| | |
|-------------------|-------------------------|
| Dr Brendan Murphy | 01/07/2008 – 30/06/2009 |
|-------------------|-------------------------|

(b) Remuneration of Responsible Persons

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

| | 2009 No. | 2008 No. |
|-----------------------|-------------|-------------|
| \$20,000 - \$29,999 | - | 7 |
| \$30,000 - \$39,999 | 8 | 1 |
| \$60,000 - \$69,999 | 1 | 1 |
| \$320,000 - \$329,999 | - | 1 |
| \$350,000 - \$359,999 | 1 | |
| | 10 | 10 |

Total remuneration received or due and receivable by Responsible Persons from Austin Health amounted to:

| 2009 | 2008 |
|---------|---------|
| \$ | \$ |
| 695,712 | 613,840 |

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

(c) Retirement Benefits of Responsible Person

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

(d) Other Transactions of Responsible Persons and their Related Parties.

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

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 24b: Executive Officer Disclosures

Executive Officer Remuneration

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

| | | | Total Remuneration | Base Remuneration |
|-----------------------|---|--|---------------------------|--------------------------|
| | | | 2009 | 2008 |
| | | | No | No |
| \$0 - \$99,999 | - | | - | - |
| \$100,000 - \$109,999 | - | | - | - |
| \$110,000 - \$119,999 | - | | - | 1 |
| \$140,000 - \$149,999 | - | | 1 | - |
| \$150,000 - \$159,999 | - | | 1 | - |
| \$160,000 - \$169,999 | - | | 2 | - |
| \$170,000 - \$179,999 | - | | - | 1 |
| \$180,000 - \$189,999 | - | | 1 | 1 |
| \$190,000 - \$199,999 | - | | - | 1 |
| \$200,000 - \$209,999 | - | | 1 | - |
| \$220,000 - \$229,999 | - | | 1 | - |
| \$230,000 - \$239,999 | - | | 1 | 2 |
| \$240,000 - \$249,999 | - | | 1 | - |
| \$250,000 - \$259,999 | - | | 1 | 1 |
| | | | 10 | 8 |

Total remuneration for the reporting period for Executive Officers included above amounted to:

| Total Remuneration | Base Remuneration |
|---------------------------|--------------------------|
| 2009 | 2008 |
| \$ | \$ |
| 1,985,774 | 1,642,465 |
| 1,767,332 | 1,528,867 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 25: Segment Reporting

| | RACS | RACS | Acute Services | | Acute Services | | Other | Other | Total | Total |
|--|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | | | | | | |
| External Segment Revenue | 5,159 | 4,831 | 491,350 | 451,675 | - | - | - | - | 496,509 | 456,506 |
| Inter-segment Revenue | - | - | - | - | - | - | - | - | - | - |
| Unallocated Revenue | - | - | - | - | 158,695 | 120,310 | 158,695 | 120,310 | 158,695 | 120,310 |
| Total Revenue | 5,159 | 4,831 | 491,350 | 451,675 | 158,695 | 120,310 | 158,695 | 120,310 | 655,204 | 576,816 |
| Expenses | | | | | | | | | | |
| External Segment Expense | 5,157 | 4,838 | 499,483 | 458,200 | - | - | - | - | 504,640 | 463,038 |
| Inter-segment Expense | - | - | - | - | - | - | - | - | - | - |
| Unallocated Expense | - | - | - | - | 135,941 | 125,830 | 135,941 | 125,830 | 135,941 | 125,830 |
| Total Expenses | 5,157 | 4,838 | 499,483 | 458,200 | 135,941 | 125,830 | 135,941 | 125,830 | 640,581 | 588,868 |
| Net Result from Ordinary Activities | 2 | (7) | (8,133) | (6,525) | 22,754 | (5,520) | 22,754 | (5,520) | 14,623 | (12,052) |
| Interest Expense | | | | | | | | | | |
| Interest Expense | - | - | - | - | (1,734) | (1,165) | (1,734) | (1,165) | (1,734) | (1,165) |
| Interest Income | - | - | 2,330 | 2,176 | 1,158 | 1,095 | 1,158 | 1,095 | 3,488 | 3,271 |
| Net Result for the Year | 2 | (7) | (5,803) | (4,349) | 22,178 | (5,590) | 22,178 | (5,590) | 16,377 | (9,946) |
| Other Information | | | | | | | | | | |
| Segment Assets | 3,666 | 2,466 | 794,195 | 512,910 | - | - | - | - | 797,861 | 515,376 |
| Unallocated Assets | - | - | - | - | 392,653 | 250,862 | 392,653 | 250,862 | 392,653 | 250,862 |
| Total Assets | 3,666 | 2,466 | 794,195 | 512,910 | 392,653 | 250,862 | 392,653 | 250,862 | 1,190,514 | 766,238 |
| Segment Liabilities | 1,468 | 1,256 | 124,652 | 104,471 | - | - | - | - | 126,120 | 105,727 |
| Unallocated Liabilities | - | - | - | - | 71,132 | 71,984 | 71,132 | 71,984 | 71,132 | 71,984 |
| Total Liabilities | 1,468 | 1,256 | 124,652 | 104,471 | 71,132 | 71,984 | 71,132 | 71,984 | 197,252 | 177,711 |
| Acquisition of Property, Plant, Equipment and Intangible Assets | | | | | | | | | | |
| Depreciation & Amortisation Expense | 14 | 19 | 37,996 | 30,314 | 12,069 | 10,089 | 12,069 | 10,089 | 50,079 | 40,422 |
| | 506 | 517 | 22,784 | 23,300 | 9,644 | 9,862 | 9,644 | 9,862 | 32,933 | 33,679 |

Austin Health

Notes to and forming part of the Financial Statements for Year Ended 30 June 2009

Note 25: Segment Reporting (continued)

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

Business Segments

Residential Aged Care Services (RACS)

Acute Services

Services

Residential Aged Care Nursing Home Services

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

All inter-segment transfers are based on cost.

Geographical Segment

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