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# Annual Report

## 2010-11

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## **VISION**

Austin Health will be renowned for excellence and outstanding leadership in healthcare, research and education.

## **VALUES**

Integrity – We exercise honesty, candour and sincerity.

Accountability – We are transparent, responsible and answerable.

Respect – We treat others with dignity, consideration, equality and value.

Excellence – We continually strive for excellence.

## **OVERVIEW**

Austin Health is the major provider of tertiary health services, health professional education and research in the north-east of Melbourne. Austin Health is world renowned for its research and specialist work in cancer; liver transplantation; spinal cord injuries; neurology; endocrinology; mental health; and rehabilitation.

Austin Health comprises Austin Hospital, Heidelberg Repatriation Hospital and Royal Talbot Rehabilitation Centre.

During 2010-11, Austin Health completed 99,363 inpatient admissions; 170,497 outpatient attendances; and 69,923 emergency attendances.

# Report of Operations

## CHAIRMAN AND CEO'S REPORT

Mr Tim Daly AM, Chairman of the Board of Directors and Dr Brendan Murphy, Chief Executive Officer

2010-2011 has been the busiest year on record for Austin Health with substantial growth and development in both our community based services and the many highly specialised services uniquely provided by Austin Health for Victoria and the nation.

Performance has been strong, despite the challenge of continued growth in demand for services. This year Austin Health completed a record number of inpatient admissions (99,363) and outpatient attendances (170,497). Emergency presentations (69,923) were also at a record level.

Outstanding outcomes were achieved in elective surgery and in mental health; new state-of-the-art facilities were opened; a new electronic clinical information system (Cerner) was introduced; and organisation-wide initiatives were implemented to improve access to emergency care and elective services.

Notwithstanding the continuing growth in demand for services and improvements in the access to services, Austin Health again achieved an outstanding financial outcome for the year with a \$1.259 million operating surplus.

## PERFORMANCE TARGETS

Once again, The Surgery Centre at the Heidelberg Repatriation Hospital played a significant role in improving access to elective surgery. For the first time, The Surgery Centre completed more surgery cases than the main Austin Hospital operating theatres. Our elective surgery waiting times have continued to improve with nearly all surgical targets being met. This is an exceptional result.

We are very pleased to be in a position to now expand The Surgery Centre with Commonwealth funding announced this year. This exciting expansion will allow us to deliver even better access to elective surgery in the future.

On the other hand, our Emergency Department (ED) has been challenged by continued growth in presentations. Treating 69,923 patients in 2010-11 made it one of the busiest EDs in Victoria. There has been an 8.3 per cent increase in overnight admissions through the ED and a strong growth in paediatric work, which has been very challenging. We are very proud that the Austin ED has an excellent reputation for quality care but the sustained growth in demand over the last five years has presented significant issues for the ED and the whole health service.

## STRATEGIC PRIORITIES

The implementation of *Orthopaedic Surgery by Design* project has dramatically improved care for elderly patients with hip fractures. All patients now access surgery within the benchmark 48 hours of arrival and overall hospital length of stay has been reduced with quicker access to rehabilitation programs.

Austin Health's, Mental Health Service is now one of the top three performing mental health services in Victoria, as measured by the Department of Health *Performance Framework*. We now have one of the lowest seclusion rates in the state both for child, adolescent and adult mental health, reflecting a marked change in the overall model of care.

The scale and diversity of the building program at Austin Health over the past ten years has been extraordinary. Two state-of-the-art new facilities were opened as strategic priorities at the Heidelberg Repatriation Hospital in 2010-11; they will provide modern facilities for patients and help to attract world-class clinicians and researchers.

The Coral-Balmoral building is a 20-bed inpatient facility and an outpatient wing for the Psychological Trauma Recovery Service. The building brings the Veterans' Psychiatry Unit and Post Trauma Victoria under one roof in a purpose-built facility, integrating care for people who experience mental health conditions arising from exposure to traumatic events.

The Health and Rehabilitation Centre (HRC) replaces outdated facilities and consolidates outpatient rehabilitation and specialist ambulatory services into a flexibly designed building to form a 'one stop shop' to access rehabilitation services. This streamlines the patient journey and ensures better continuity of care. The HRC includes consulting rooms; a hydrotherapy pool; a Community Rehabilitation Centre treatment room; and the Kokoda Gym.

We were thrilled and proud that on 15 June, 2011, Austin Health successfully introduced a new clinical information technology system across the entire organisation. This revolutionary system will transform the way we deliver healthcare. Portable devices travel with clinicians to the patient so that medical staff have access to patient information reliably and quickly. The system enables the use of electronic pathology and radiology tests; printed medication scripts; and electronic discharge summaries. To support this ambitious, new computer system, Austin Health implemented a new wireless network and deployed 220 mobile computers to allow clinical staff to order and review results at the bedside.

## INNOVATION AND RESEARCH

The Liver Transplant Unit successfully conducted Australia's first full intestinal transplant. This groundbreaking 12-hour operation involved replacing the small intestine; liver; pancreas; and duodenum in an operation regarded as the most complex and risky of all transplant procedures. This was a tremendous achievement and we are very proud of the dedicated medical team.

There has been major growth in the renal transplant program in 2010-11 with a record 41 transplants conducted, compared with 31 the year before. The Liver Transplant Unit completed 56 liver transplants, compared with 54 in 2009-10 and 43 in 2008-09.

Austin Hospital's ED once again proved it is a leading research centre producing some of the most prolific emergency research in Australia. Thirty five articles by ED staff were published in 2010 or have been accepted for publication in esteemed national and international journals.

Clinically based research into epilepsy and stroke will be strengthened by the location of the new Melbourne Brain Centre, which was opened in June, 2011 on the Austin Hospital site. Three institutions – the Florey Neuroscience Institute (incorporating the National Stroke Research Institute and the Brain Research Institute), the Mental Health Research Institute and The University of Melbourne will work in collaboration with Austin Health staff in this new facility; sharing skills and techniques and transferring knowledge in order to advance our understanding of brain disorders.

Following the great success of the *Health Assistant Nursing (HAN) pilot program*, introduced in June 2009, Austin Health employed an additional 24 new trainees in April, 2011 to provide assistance to 10 wards. HAN positions assist registered and enrolled nurses by undertaking personal care and activities for patients.

Efforts to integrate volunteers more closely into the hospital have seen the volunteer program grow strongly, particularly at the Austin Hospital. New uniformed guides and a volunteer-run mobile retail service for patients have been introduced. Our total number of volunteers has grown to approximately 750 compared with 295 in February, 2009.

Under the leadership of a new Executive Director, Paula Jeffs, the Human Resources team has set about transforming the way we utilise our human resources. Our aims are to deliver best practice human resource management to improve the workplace for staff; to be more effective at managing organisational change; to deliver a better strategy in order to deal with an ageing workforce; and succession planning.

## FINANCIAL RESULTS AND CAPITAL FUNDING

We were delighted to receive \$44.8 million from the Victorian Government for the completion of the Olivia Newton-John Cancer and Wellness Centre, which will ensure full fit-out of this state-of-the-art facility. A comprehensive range of cancer services will be delivered in the Centre including cancer treatment; education; training and research; supportive care and complementary therapies. Ambulatory cancer services and Ludwig research laboratories in the Centre are due to open in mid-2012.

We thank the Victorian Government, Olivia Newton-John, the Appeal Committee, chaired by Mr Andrew Hagger, and Appeal Ambassadors for their ongoing support. A big thank you also to all our donors who generously support Austin Health every year: individual donors; philanthropists; philanthropic trusts; and corporate donors.

The Victorian Government also allocated \$5.8 million in the 2011-12 State Budget for the refurbishment of the Mellor Ward at the Royal Talbot Rehabilitation Centre. The ward provides care for patients requiring rehabilitation following conditions such as stroke; hip and knee replacements; and amputations.

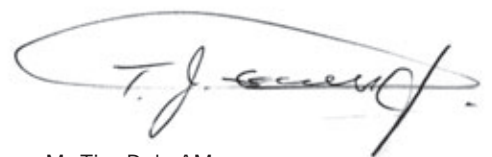
## THE BOARD

In June, 2011, two long standing Board members, Ms Josie Rizza and Ms Joanna Betteridge, finished their terms at Austin Health. Josie Rizza was, for 6 years, the Chair of the Finance committee and contributed immeasurably to the substantial improvement in financial performance over this time. Joanna Betteridge was Chair of the Audit Committee and was responsible for strong organisational and Board engagement in Audit. Both will be greatly missed by Board members and staff. We thank them for their service and also thank the continuing Board members for the many hours they dedicate to the very strong governance function of which we are very proud.

The Board extends its thanks to Dr Brendan Murphy's executive team and all staff for their contributions to the achievement of a record year for Austin Health.

Our thanks also to the Honourable David Davis MLC, Minister for Health and Ageing and the Department of Health for its ongoing support.

Finally, in accordance with the *Financial Management Act 1994*, we are pleased to present the following Report of Operations for Austin Health for the year ending 30 June, 2011.



Mr Tim Daly AM  
Chairman



Dr Brendan Murphy  
Chief Executive Officer

19 August, 2011

# Board of Directors

(AS AT 30 JUNE, 2011)

Austin Health's Board consists of nine directors, appointed by the Victorian Government. The Board leads the strategic direction for the management, administration and control of Austin Health, its funds and its facilities. Directors are elected for a term of up to three years and may be re-elected to serve for up to nine years.

## BOARD MEMBERS

Mr Tim Daly AM (Chair)

Ms Joanna Betteridge

Ms Miranda Douglas-Crane

Ms Barbara Hingston

Ms Suzanne Evans

Mr Stephen Kerr

Professor John McNeil AM

Ms Josie Rizza

Professor David Scott AM

## AUDIT COMMITTEE MEMBERS

Ms Joanna Betteridge (Chair)

Mr Tim Daly AM

Ms Suzanne Evans

Ms Miranda Douglas-Crane

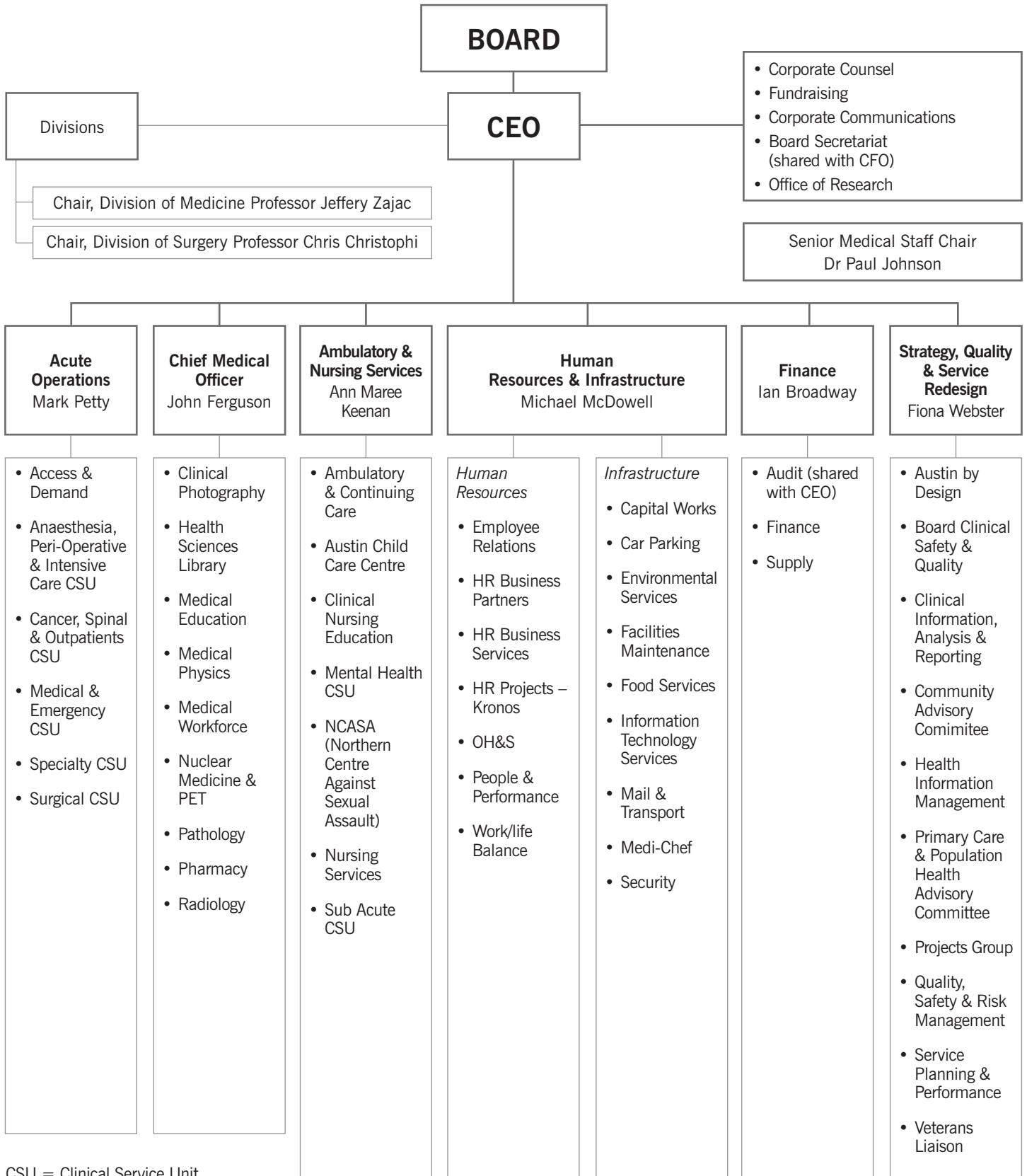
Ms Josie Rizza

## CHIEF EXECUTIVE OFFICER

Dr Brendan Murphy

# Organisational Structure

(AS AT 30 JUNE, 2011)



CSU = Clinical Service Unit

# Human Resources

The Human Resources team aims to deliver operational excellence and help prepare the organisation to meet its workforce challenges more effectively. In order to do this, in 2010-11, the team reviewed its own performance and undertook a new strategy to achieve greater efficiency and transparency.

## ORGANISATIONAL DEVELOPMENT

The Organisational Development team focused on building a performance driven workforce by delivering leadership programs; performance training; specialist consulting for team building; and strategic planning.

The Performance Review and Development (PRD) process has continued to improve. By the end of the PRD cycle in October 2010, 4,160 staff had participated in formal PRD discussions compared with the previous year's participation rate of 2,210. The PRD process was supported by the launch of the *Crucial Conversations* program, designed to provide managers with the skills and framework to hold challenging conversations.

A best-practice mid-level leadership development program was introduced based on extensive research, complementing the existing emerging leader development strategies. The program runs over 15 days and the modules have been facilitated by a number of external experts.

## HEALTH, SAFETY AND WELLNESS

### Staff Injuries

A number of strategic health and safety initiatives introduced in 2009-10 to reduce staff injuries have yielded positive outcomes for Austin Health.

Manual handling injury claims have decreased by 20 per cent this year. The reduction in injury claims can be attributed to a CEO-led initiative to improve awareness with targeted and updated training; the development of better processes; and the review of policies and procedures.

There has been a focused effort to train staff in how to better manage occupational violence and aggression. This has resulted in increased staff awareness and consequently, there has been a steady increase in reported incidents in this area. These reported incidents have not translated into an increase in workers compensation claims related to occupational violence.

Standard workcover claims increased from 94 in 2009-10 to 99 in 2010-11, mainly due to an increase in slip/trips and bullying claims. Implementation of an early intervention program over the next 12 months will assist in driving injury reduction and ensuring effective return to work rates.

With the introduction of state-wide RiskMan software for incident reporting, the Health, Safety and Wellness Department has been able to better capture staff incident and injury information and use it for reporting and for developing initiatives.

Working within the framework of the Victorian Government's, *Building Better Partnerships* program, Austin Health

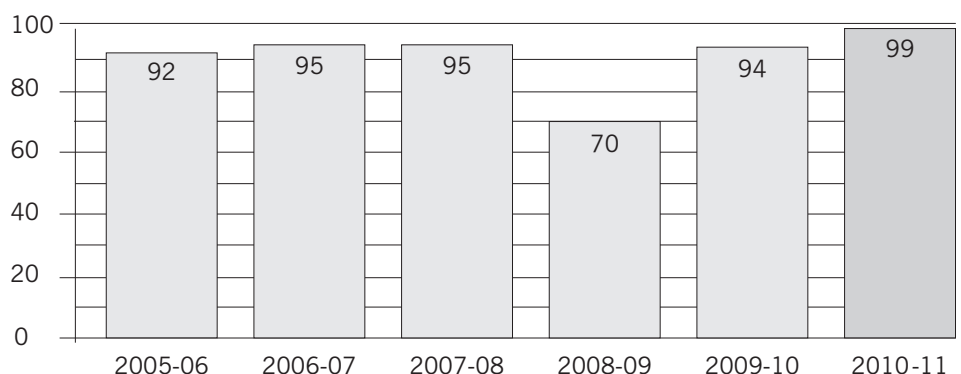
has built relationships with local law enforcement agencies and other hospitals to develop weapons and drugs policies. Staff health and safety awareness was strengthened with the introduction of e-learning training programs for bullying, harassment and aggression management along with new classroom based and e-learning training packages for the prevention and management of occupation violence.

### Staff Wellness

As part of the Human Resources new strategy, staff safety has broadened to include staff wellness. The Health, Safety and Wellness Department is responsible for delivering a healthy work environment, encouraging wellness and promoting safety activity.

A range of new strategies have been implemented including identifying and addressing particular needs of mature age employees; trialling a practical stress management program; Employee Assistance Program promotion and the introduction of on-site exercise classes. Existing wellness activities such as a staff walking challenge; meditation classes; ride to work days and the provision of new cycle cage facilities have complemented activities and services to support staff.

## STANDARD WORKCOVER CLAIMS BY YEAR



# Infrastructure

The Infrastructure team supports and facilitates the delivery of healthcare by continually improving facilities for patients and staff.

2010-11 has been a busy year with the completion of many major projects, refurbishments and upgrades. Three new state-of-the art facilities were opened and ambitious maintenance targets were achieved: reducing waste and energy consumption.

A strategic masterplan is underway which will set the direction for Austin Health to meet its services needs for the next 10 years in line with the Strategic Services Plan.

## CAPITAL WORKS

- The Olivia Newton-John Cancer & Wellness Centre Stage 1 construction is progressing and construction funding for Stages 2a and 2b received;
- The Health and Rehabilitation Centre and the Coral-Balmoral Building at the Heidelberg Repatriation Hospital were both completed in December, 2010 and February, 2011 respectively;
- The Melbourne Brain Centre was completed in February, 2011;
- Construction funding has been approved for a 22-bed Community Care Unit at the Heidelberg Repatriation Hospital site and design is well underway;
- Fire safety upgrades have been completed across all three sites;
- The expansion of the Martin Street Car park is in design phase;

- Mellor Ward funding of \$5.8m approved in the May, 2011 State Budget;
- Funding for The Surgery Centre expansion (\$15m) at Heidelberg Repatriation Hospital; Emergency Department triage reconfiguration (\$1m) and the ICU third pod fit-out (\$2m) at the Austin Hospital received in 2011;
- The refurbishment of the Marian Drummond Adolescent Unit and the upgrade of the Marian Drummond Child Unit;
- The Stage 1 refurbishment of Pathology.

## ENVIRONMENTAL SERVICES

### Waste

Austin Health significantly increased the amount of waste being recycled during 2010-11. Initiatives implemented to achieve this included the installation of a commingled recycling compactor at the Austin Hospital and the segregation of organics waste produced in the Central Production Unit. There has also been a strong focus on staff education with regard to waste minimisation.

### Energy

Despite an increase in patient activity, gas and electricity consumption across all three Austin Health sites decreased during 2010-11. One initiative that contributed to this reduction was the implementation of a preventative maintenance and cleaning program for air handling units. This is a device used to condition and circulate air as part of the heating, ventilating and air conditioning system. Regular maintenance results in improved airflow and better air quality, as well as improved heat transfer efficiency and less energy consumption.

### Water

Austin Health reviewed the regular fire testing schedule and wherever possible, decreased the frequency from weekly to monthly testing, whilst maintaining compliance with Australian Standard 1851-2005. This initiative is expected to significantly decrease water consumption.

### Greening

A Gardens and Grounds Masterplan for the Austin Hospital and Heidelberg Repatriation Hospital was developed and approved by Austin Health Executive. The aim of the masterplan is to increase therapeutic healing garden spaces for patients, relatives and staff. Priority areas for each site were identified and work has commenced on garden design and installation.

# Strategy, Quality and Service Redesign

Strategy, Quality and Service Redesign (SQSR) brings together key business functions including: strategy and service planning; health information; analysis and performance reporting; the integration of quality, safety and risk management; veteran liaison; service improvement and redesign. The directorate supports continuous improvement by providing clear strategic direction; access to performance information; and service improvement.

## SERVICE PLANNING AND PERFORMANCE

Service plans are an important way we review our services to anticipate future demand; trends in service delivery; and to continuously improve the quality of our care. Two significant service plans were completed during the year.

The *Renal Dialysis Satellite Services* plan sought to determine the optimum number and distribution of dialysis chairs (and other dialysis infrastructure) to meet the needs of our community. The plan considered how we will:

- Meet projected future demand (in 5-10 years);
- Support the proposed model of care;
- Provide patient-focused and evidence-based care.

The *Endoscopy Services Plan* considered:

- Current services and projected demand for services;
- Key policy directions and emerging health technology;
- Opportunities for improvement;
- Care pathways that facilitate patient-focused, evidence-based, efficient and cost-effective practice.

## QUALITY, SAFETY AND RISK MANAGEMENT

The Quality, Safety and Risk Management Unit consists of Quality Systems, Medico-Legal, Risk Management and Patient Representative. A key focus was the *Year of Patient Safety* where a number of projects were undertaken to improve awareness of patient safety issues and strategies for improvement.

The Patient Safety Culture Survey conducted in 2010 identified that the handover of patient information needed to be more consistent. Consequently, a pilot study was conducted in the Emergency Department and on Ward 8 West using ISBAR, a structured method of communication which aims to improve the reliability of information when it is exchanged.

ISBAR education sessions were provided to staff in piloting and receiving departments. After a four week period staff felt that ISBAR decreased possible errors in communication due to a standardised format that was easy to implement. The program has since been rolled out across the health service.

## AUSTIN BY DESIGN

*Austin by Design* employs lean thinking methodologies to redesign service delivery for improved outcomes while reducing time-wasting activities. *Austin by Design* trained more than 80 staff across the organisation in lean thinking and problem solving skills. A pilot redesign program to train medical staff commenced with five doctors completing the program and a further ten now undertaking the course.

*Orthopaedic Surgery by Design* was undertaken over a twelve month period with the aims of reducing time to surgery; improving key elements of care; and improving patient flow for patients with a hip fracture. Some of the high level outcomes included:

- 100 per cent of patients now go to theatre within the recommended 48 hours;
- Better recognition and management of delirium and fasting prior to surgery;
- Pain management in the Emergency Department has improved with 80 per cent of patients receiving the recommended pain block.

Ways to embed these improvements into routine care and seek further improvements are underway.

## ROMEO PROJECT

A new clinical system has been implemented at Austin Health, known as Cerner Millennium. The project was initiated by the Department of Health's, HealthSMART program and is a state-wide plan to modernise and replace information technology systems throughout the Victorian public healthcare sector.

The project provides clinicians with a system that supports the day-to-day care of the patients through:

- electronic ordering of pathology and radiology tests and discharge medication;
- ward and clinical team patient lists, task lists, inbox for abnormal results and other clinical notifications;
- electronic results with "sign-off" acknowledgement of specified results;
- electronic patient information including recording of medication; history; diagnoses; procedures; allergies and alerts and discharge summaries.

The project has supported an enormous increase in the technology available to clinicians through wireless, hand held devices and additional computers and it is a significant step forward in providing an electronic patient medical record.

# Financials

The net result for the 2010-11 financial year (before capital and specific items) was \$1,259,000, which compared favourably with the budgeted breakeven target. It was a pleasing result because it was achieved while once again treating record patient numbers. The result was largely attributable to on-going efficiencies achieved through initiatives introduced in recent years to improve budget accountability.

Specifically, the better than budgeted financial outcome in 2010-11 was the result of:

- above target patient revenues - much of this additional revenue related to initiatives undertaken in recent years and the improved billing processes associated with the new, progressively implemented patient billing system; and
- government initiatives which have provided funding to treat additional surgical patients and reduce waiting lists, at a level which provided scale efficiencies.

Austin Health's long-term financial objectives are to improve financial performance; provide funds to reinvest into the business; update equipment; stay abreast of technological advances; and to allocate our limited resources in a manner which maximises overall quality and performance.

## FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
	\$000	\$000	\$000	\$000	\$000
Total Revenue	687,721	640,123	608,637	550,319	507,829
Total Expenses	686,462	635,998	604,116	550,247	504,011
<b>Operating Surplus/(Deficit) before capital and specific items</b>	<b>1,259</b>	<b>4,125</b>	<b>4,521</b>	<b>72</b>	<b>3,818</b>
Capital and Specific Items	(14,696)	(26,459)	11,856	(10,018)	(15,832)
<b>Operating Surplus/(Deficit)</b>	<b>(13,437)</b>	<b>(22,334)</b>	<b>16,377</b>	<b>(9,946)</b>	<b>(12,014)</b>
Accumulated Deficit	(110,891)	(97,269)	(74,824)	(88,034)	(78,501)
Total Assets	1,175,318	1,183,305	1,190,514	766,238	715,487
Total Liabilities	204,247	198,797	197,252	177,711	152,161
<b>Net Assets</b>	<b>971,071</b>	<b>984,508</b>	<b>993,262</b>	<b>588,527</b>	<b>563,326</b>
<b>Total Equity</b>	<b>971,071</b>	<b>984,508</b>	<b>993,262</b>	<b>588,527</b>	<b>563,326</b>

# Our Clinical Services

## STATEWIDE SERVICES

Acquired Brain Injury Unit  
Brain Disorders Unit  
Psychological Trauma and Recovery Service  
Statewide Child Mental Health Unit  
Spinal Community Integration Service  
Ventilation Weaning Unit  
Victorian Liver Transplant Unit  
Victorian Respiratory Support Service  
Victorian Spinal Cord Service  
Victorian Toxicology Service and Poisons Centre

## REGIONAL SERVICES

Body Image Eating Disorder Treatment and Recovery Service  
Child and Adolescent Mental Health Service  
Parent Infant Program  
Secure Extended Care Unit

## SUB-ACUTE SERVICES

Acquired Brain Injury Unit  
Aged Care Consultative Service  
Aged Care Volunteer Program  
Community Aged Care Packages  
Darley House Residential Aged Care Service  
Extended Aged Care at Home Dementia  
Heidelberg Aged Care Assessment Service  
Memory and Cognitive Research Unit  
Northern Region Dementia Extended Aged Care at Home Program  
Northern Region Extended Aged Care at Home Program  
Orthotics and Prosthetics  
Rehabilitation Services  
Restorative Care Program  
Transition Care Program

## HOME AND AMBULATORY SERVICES

Community Link Rapid Response Service  
Community Rehabilitation Centre  
Day Treatment Centre  
Hospital in the Home  
Hospital Primary Care Liaison Unit  
Medi-Hotel  
Pastoral Care  
Post Acute Care  
Rehabilitation in the Home  
Residential Care Outreach Service  
Wound Clinic

## ALLIED HEALTH

Leisure Services  
Neurological Rehabilitation Services  
Nutrition and Dietetics  
Occupational Therapy  
Physiotherapy  
Social Work  
Speech Pathology

## ANAESTHESIA, PERIOPERATIVE AND INTENSIVE CARE

Anaesthesia  
Endoscopy  
Intensive Care Unit  
Pain Services  
Perioperative Services (Austin Hospital)  
Surgery and Endoscopy Centre (Austin Hospital)  
The Surgery Centre (Heidelberg Repatriation Hospital)

## CANCER SERVICES

Cancer Clinical Trials Centre  
Cancer Immunology  
Cannulation and Apheresis Treatment Service  
Clinical Haematology  
Day Oncology Unit/Chemotherapy  
Genetics Service  
Lymphoedema Service  
Medical Oncology  
Palliative Care  
Radiation Oncology (Heidelberg Repatriation Hospital and Ballarat Austin Radiation Oncology Centre)  
Wellness and Supportive Care Program

## DIAGNOSTIC SERVICES

Anatomical Pathology  
Blood Bank  
Bone Densitometry  
Centre for Positron Emission Tomography  
Chemical Pathology  
Clinical Pathology  
Haematology  
Laboratory Medicine  
Microbiology  
Molecular Biology  
Nuclear Medicine  
Radiology including CT, MRI and Interventional Radiology

## **SURGERY**

Breast  
Cardiac  
Colorectal  
Gastroenterology  
Gynaecology  
Hepato Pancreato Biliary and Transplant  
Maxillo Facial  
Neurosurgery  
Ophthalmology  
Orthopaedics  
Paediatrics  
Plastics  
Thoracics  
Upper Gastrointestinal and Endocrine  
Urology  
Vascular

## **MEDICAL AND EMERGENCY**

After Hours GP Clinic  
Clinical Pharmacology, Therapeutics  
and Hypertension  
Dermatology  
Emergency Medicine  
Endocrinology  
General Medicine  
Hypertension  
Infection Control  
Infectious Diseases  
Medical Assessment and Planning Unit  
Nephrology  
Paediatric Medicine  
Podiatry  
Renal Dialysis  
Rheumatology  
Short Stay Observation Unit  
Toxicology

## **MENTAL HEALTH**

Adolescent Inpatient Unit  
Adult Acute Psychiatry Unit  
Body Image Eating Disorder Treatment and  
Recovery Service  
Brain Disorders Program  
Child and Adolescent Mental Health Service  
Clinical and Health Psychology  
Community Mental Health Services  
Drug Dependence Clinic  
General Hospital Mental Health  
North East Area Mental Health Service  
Parent Infant Program  
Post Trauma Victoria  
Secure Extended Care  
Psychological Trauma Recovery Service  
(including Post Trauma Victoria and  
Veterans' Psychiatry Unit)  
Statewide Child In Patient  
Veterans' Psychiatry Unit

## **SPECIALTY SERVICES**

Acute Stroke Care Unit  
Cardiac Catheterisation Laboratories  
Cardiac Rehabilitation  
Cardiac surgery  
Cardiology  
Cardiodiagnostics Laboratory  
Clinical Neuropsychology  
Comprehensive Epilepsy Program  
Neurodiagnostics Laboratory  
Neuroimmunology  
Neurology  
Neurosurgery  
Ophthalmology  
Orthoptics

Respiratory and Sleep Medicine  
Respiratory Laboratory  
Sleep Laboratory  
Thoracic Surgery  
Tracheostomy Review and  
Management Service  
Vascular Laboratory  
Vascular Surgery

## **SPECIALIST SURGICAL AND SPINAL**

Audiology  
Dental Services  
Ear Nose Throat/Head and Neck Surgery  
Oral and Maxillofacial Surgery  
Orthopaedic Surgery  
Plastic and Reconstructive Surgery  
Spinal Surgery

## **OTHER**

Northern Centre Against Sexual Assault  
Outpatients  
Pharmacy

# Mandatory Reporting

By Government Gazette Notice dated 1 July 2000, the Governor in Council, on the recommendation of the Minister for Health, established Austin and Repatriation Medical Centre as a body corporate, being a metropolitan health service, pursuant to the provisions of the *Health Services Act 1988*. The organisation changed its name to Austin Health in 2003. Pursuant to amendments in 2004 to the *Health Services Act*, Austin Health was designated a public health service and appears as such in Schedule 5 of that Act.

## ATTESTATION ON COMPLIANCE WITH AUSTRALIAN/NEW ZEALAND RISK MANAGEMENT STANDARD

I, Brendan Murphy certify that Austin Health has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard (4360:2004)* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board Audit Committee verifies this assurance and that the Austin Health Risk Register has been critically reviewed within the past 12 months.

Austin Health is committed to the ongoing evaluation and development of our new Risk Management Framework.



Dr Brendan Murphy  
Chief Executive Officer  
Heidelberg  
10 August, 2011

## ATTESTATION ON GIFTS, BENEFITS AND HOSPITALITY

I, Brendan Murphy, Chief Executive Officer of Austin Health certify that:

- my organisation has gifts, benefits and hospitality policies and procedures in place;
- these policies and procedures are consistent with the minimum requirements and accountabilities outlined in the *Gifts, Benefits and Hospitality Policy Framework for the Victorian Public Sector* issued by the Public Sector Standards Commissioner;
- these policies and procedures are updated, promulgated and provided to my organisation's audit committee for review once a year.



Dr Brendan Murphy  
Chief Executive Officer  
Heidelberg  
16 June, 2011

## ATTESTATION ON DATA INTEGRITY

I, Brendan Murphy certify that Austin Health has put in place appropriate internal controls and processes to ensure that the Department of Human Services is provided with data that reflects actual performance. Austin Health has critically reviewed these controls and processes during the year.



Dr Brendan Murphy  
Chief Executive Officer  
Heidelberg  
10 August, 2011

## EX-GRATIA PAYMENTS

Austin Health made no ex-gratia payments for the year ending 30 June, 2011.

## FREEDOM OF INFORMATION APPLICATIONS 2010-11

Requests received	997
Fully granted	886
Partially	31
Denied	3
Other:	
Withdrawn	12
Not proceeded	11
Not processed	4
No documents	38
In progress	12

All applications were processed in accordance with the provisions of the *Freedom of Information Act 1982*, which provides a legally enforceable right of access to information held by government agencies. Austin Health reports on these requests to the Victorian Department of Justice annually.

## WHISTLEBLOWERS PROTECTION ACT 2001

Austin Health has procedures in place to facilitate the making of disclosures, to investigate disclosures and to protect persons making disclosures. During 2010-11, there were no disclosures made of improper conduct or detrimental action by Austin Health or its employees.

Procedures are available on the Austin Health website ([www.austin.org.au](http://www.austin.org.au)) or can be obtained from the Protected Disclosure Officer on 03 9496 5370 or by writing to Austin Health, PO Box 5555, Heidelberg, Victoria, 3084.

## VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003

During 2010-11, Austin Health commenced one contract totalling \$5,417,492.00 to which the *Victorian Industry Participation Policy* (VIPP) applied.

The commitments by the contractor under VIPP include:

- 8 per cent Australian-New Zealand value-added activity;
- 7 full time equivalent jobs;
- technical training for new employees; and
- training 27 employees in clinical utilisation of new equipment.

## BUILDING ACT 1993 AND BUILDING REGULATION 2006

During the financial year it has been Austin Health's practice to obtain building permits for new projects and certificates of occupancy or certificates of final inspection for all completed projects. Registered building practitioners have been engaged for all new building projects.

In order to ensure Austin Health's buildings are maintained in a safe and functional condition ongoing maintenance programs are in place. Routine inspections were also undertaken throughout the year. From those inspections, Austin Health identified areas that required rectification and recommendations were made for this work to be carried out.

# Mandatory Reporting

(CONTINUED)

## NATIONAL COMPETITION POLICY

Austin Health continues to comply with the National Competition Policy. In addition, the Victorian Government's competitive neutrality pricing principals for all relevant business activities have been applied by Austin Health.

## CONSULTANCIES ENGAGED DURING 2010-11

### 1. In excess of \$100,000 per consultancy

There was one consultancy in 2010-11 totalling \$159,200 for a Fire & Safety Audit of all Austin Health sites. The project was completed in June 2011 by Norman Disney & Young and McKenzie Group Consulting Victoria and there are no future commitments for each consultant in relation to this consultancy.

### 2. Less than \$100,000 per consultancy

There were 22 consultancies engaged in 2010-11 at a total cost of \$204,782.

## AVAILABILITY OF OTHER INFORMATION

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by Austin Health and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

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

- (j) General statement on industrial relations within the entity and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations.
- (k) A list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

## MERIT AND EQUITY

Recruitment, selection and employment within Austin Health complies with employment conditions as specified in relevant Health Awards and Enterprise Bargaining Agreements. The employment of staff satisfies equal employment opportunity requirements, legislative and moral obligations, and terms and conditions of the *Fair Work Act*, Australia including National Employment Standards.

## WORK FORCE DATA

Labour Category	June Current month FTE		June YTD FTE	
	2011	2010	2011	2010
Nursing	2,155.14	2,087.79	2,107.78	2,021.71
Administration and Clerical	804.99	809.78	802.44	778.57
Medical Support	659.56	655.90	660.26	643.09
Hotel and Allied Services	531.27	598.06	539.52	619.99
Medical Officers	141.29	142.58	141.45	139.51
Hospital Medical Officers	415.78	381.72	422.29	356.20
Sessional Clinicians	102.79	101.45	100.20	94.76
Ancillary Staff (Allied Health)	472.27	424.42	448.65	419.44

# Statement of Priorities

## PART A: STRATEGIC PRIORITIES FOR 2010-11

Strategic Priority		Deliverables	Outcome
1	Develop Mental Health Community Care Unit (CCU)	<p>Agreed model of care for the CCU, designed to improve:</p> <ul style="list-style-type: none"> <li>• Transition from hospital to community for Mental Health clients;</li> <li>• Access to Mental Health acute bed;</li> <li>• Flow through Austin Secure Extended Care Unit (SECU).</li> </ul>	Model of care agreed and detailed design of building nearing completion ready for tender for construction.
2	Implement CERNER release 2A clinical system	More efficient and timely information transfer internally and with general practitioners, through electronic pathology and radiology orders; discharge summary; results reporting; and discharge prescribing at all Austin Health campuses.	System went live on 15th June, 2011.
3	Mental Health 0-25yr model of care	A '0-25 years' model of care (MoC) which set out how Mental Health services for children and youth will be reconfigured and delivered to provide more age-appropriate, accessible and seamless care.	<p>Youth brief intervention team model of care established and will begin operation in July.</p> <p>Regional CAMHS service is meeting with the three adult area mental health services on regular basis to develop a youth service delivery model.</p>
4	Implement <i>Orthopaedic Surgery by Design</i>	A patient centred, efficient fractured neck of femur pathway through implementation of <i>Orthopaedic Surgery by Design Project</i> – a project aimed at redesigning systems of care to improve the patient experience and reduce their length of stay in hospital.	Project completed.
5	Commission the Centre for Trauma Related Mental Health, and the Health and Rehabilitation Centre	<p>Commissioning of the Centre for Trauma Related Mental Health to provide accommodation for the statewide Psychological Trauma Recovery Service (PTRS) - a service which assists veterans and others suffering from the after-effects of trauma.</p> <p>Commissioning of the Health &amp; Rehabilitation Centre to bring together and assist in the coordination of a range of sub-acute and rehabilitation services.</p>	<p>Centre for Trauma Related Mental Health fully operational with a Ministerial opening held on 21 June 2011.</p> <p>Health and Rehabilitation Centre now fully operational.</p>
6	Master planning	Master planning for the Austin Hospital and Heidelberg Repatriation Hospital sites to inform appropriate service and facility configuration.	Master planning process has commenced and is progressing.

## PART B: PERFORMANCE PRIORITIES

### FINANCIAL PERFORMANCE

<b>Operating result</b>	<b>2010-11 actuals</b>
Annual Operating result (\$m)	1.259

<b>Critical care</b>	<b>2010-11 actuals</b>
ICU minimum operating capacity	18

<b>Cash management/ liquidity</b>	<b>2010-11 actuals</b>
Creditors	45
Debtors	58

<b>Quality and safety</b>	<b>2010-11 actuals</b>
Health service accreditation	Full compliance

Residential aged care accreditation	Full compliance
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Cleaning standards	Full compliance
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Submission of data to VICNISS (%)	100
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VICNISS Infection Clinical Indicators	No outlier
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Hand Hygiene Program compliance (%)	72
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SAB rate (OBDs)	Less than 2/10,000
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Victorian Patient Satisfaction Monitor (VPSM)	74.1
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### SERVICE PERFORMANCE

<b>WIES activity performance</b>	<b>2010-11 actuals</b>
WIES (public and private) performance to target (%)	99.3

<b>Elective surgery</b>	<b>2010-11 actuals</b>
Elective surgery admissions – quarter 1	2,714
Elective surgery admissions – quarter 2	2,690
Elective surgery admissions – quarter 3	2,538
Elective surgery admissions – quarter 4	2,650

<b>Mental Health</b>	<b>2010-11 actuals</b>
28 day readmission rate (%)	8.3

Post-discharge follow-up rate (%)	89.6
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Seclusion rate (OBDs)	7.3/1,000
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# Statement of Priorities

(CONTINUED)

## ACCESS PERFORMANCE

Emergency care	2010-11 actuals	Elective surgery	2010-11 actuals
Percentage of operating time on hospital bypass	3	Percentage of Category 1 elective patients admitted within 30 days	100
Percentage of emergency patients transferred to an inpatient bed within 8 hours	63	Percentage of Category 2 elective surgery patients waiting less than 90 days	76
Percentage of non-admitted emergency patients with length of stay of less than 4 hours	68	Percentage of Category 3 elective surgery patients waiting less than 365 days	96
Number of patients with length of stay in the emergency department greater than 24 hours	0	Number of patients on the elective surgery waiting list	2,586
Percentage of Triage Category 1 emergency patients seen immediately	100	Number of Hospital Initiated Postponements (HiPs) per 100 scheduled admissions	8
Percentage of Triage Category 2 emergency patients seen within 10 minutes	69		
Percentage of Triage Category 3 emergency patients seen within 30 minutes	57		

## PART C: ACTIVITY AND FUNDING

Activity	2010-11 Activity Achievement
<b>Weighted Inlier Equivalent Separations (WIES)</b>	
WIES Public	53,082
WIES Private	13,118
Total WIES (Public and Private)	66,200
WIES Renal	1,814
WIES DVA	1,842
WIES TAC	878
WIES TOTAL	70,734
<b>Sub Acute Inpatient</b>	
CRAFT	743
Rehab L1 (non DVA)	4,144
Rehab L2 (non DVA)	1,110
Rehab – Paediatric	540
GEM (non DVA)	23,361
Palliative Care – Inpatient	5,437
Transition Care (non DVA) – bed day	6,766
Restorative Care	1,386
Rehab 2 – DVA	1,053
GEM – DVA	3,109
Palliative Care - DVA	329

Activity	2010-11 Activity Achievement
<b>Ambulatory</b>	
VACS – Allied Health	59,023
VACS – Variable	98,340
Transition Care (non DVA) – Homeday	8,119
SACS – Non DVA	19,533
Post Acute Care	1,590
VACS – Allied Health – DVA	23,022
VACS - Variable – DVA	1,343
SACS – DVA	484
Post Acute Care - DVA	1,175
<b>Aged Care</b>	
Aged Care Assessment Service	1,558
Residential Aged Care	21,376
<b>Mental Health</b>	
MH - Inpatient	31,755
MH - Ambulatory	54,878

# Disclosure Index

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

## MINISTERIAL DIRECTIONS

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### Relevant legislation

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# Financial Statements

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

We certify that the attached financial statements 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 comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and financial position of Austin Health as at 30 June 2011.

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

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



MR TIM DALY  
Chairperson



DR BRENDAN MURPHY  
Chief Executive Officer



MR IAN BROADWAY  
Executive Director, Finance

Heidelberg, Victoria

16 / 8 / 2011

Heidelberg, Victoria

16 / 8 / 2011

Heidelberg, Victoria

16 / 8 / 2011



Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Austin Health

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2011 of Austin Health which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a statement of significant accounting policies and other explanatory information, and the Chairperson's, Chief Executive Officer's and Executive Director, Finance's Declaration has been audited.

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

The Board Members 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*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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

# VAGO

Victorian Auditor-General's Office

## Independent Auditor's Report (continued)

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Austin Health as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of Austin Health for the year ended 30 June 2011 included both in Austin Health's annual report and on the website. The Board Members of Austin Health are responsible for the integrity of Austin Health's website. I have not been engaged to report on the integrity of Austin Health's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
17 August 2011



D D R Pearson  
Auditor-General

# Comprehensive operating statement

## For the year ended 30 June 2011

	Note	Total 2011 \$000	Total 2010 \$000
Revenue from Operating Activities	2	685,784	638,431
Revenue from Non-Operating Activities	2	1,937	1,692
Employee Expenses	3	(499,057)	(459,609)
Non Salary Labour Costs	3	(9,224)	(8,617)
Supplies and Consumables	3	(104,974)	(102,108)
Other Expenses from Continuing Operations	3	(73,207)	(65,664)
<b>Net Result Before Capital &amp; Specific Items</b>		<b>1,259</b>	<b>4,125</b>
Capital Purpose Income	2	63,861	57,260
Impairment of Non-Financial Assets	3	-	(46)
Depreciation and Amortisation	4	(74,345)	(73,111)
Expenditure Using Capital Purpose Income	3(a)	(4,212)	(10,562)
<b>Net Result for the Year</b>		<b>(13,437)</b>	<b>(22,334)</b>
<b>Other Economic Flows Included in Net Result</b>			
Net fair value revaluation on Non Financial Assets		-	13,580
<b>Comprehensive Result for the Year</b>		<b>(13,437)</b>	<b>(8,754)</b>

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

## Balance sheet

As at 30 June 2011

	Note	Total 2011 \$000	Total 2010 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	27,674	24,316
Receivables	7	32,627	27,943
Investments and other Financial Assets	8	25,077	38,968
Inventories	9	6,706	6,702
Non-Financial Assets Classified as Held for Sale	10	-	396
Other Current Assets	11	2,883	1,952
<b>Total Current Assets</b>		<b>94,967</b>	<b>100,277</b>
<b>Non-Current Assets</b>			
Receivables	7	18,036	15,962
Investments and other Financial Assets	8	154	154
Property, Plant and Equipment	12	1,060,846	1,064,993
Intangible Assets	13	1,315	1,919
<b>Total Non-Current Assets</b>		<b>1,080,351</b>	<b>1,083,028</b>
<b>TOTAL ASSETS</b>		<b>1,175,318</b>	<b>1,183,305</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	14	37,588	41,974
Borrowings	15	488	456
Provisions	16	126,408	115,742
Other Liabilities	17	895	1,289
<b>Total Current Liabilities</b>		<b>165,379</b>	<b>159,461</b>
<b>Non-Current Liabilities</b>			
Borrowings	15	23,023	23,511
Provisions	16	15,711	15,601
Other Liabilities	17	134	224
<b>Total Non-Current Liabilities</b>		<b>38,868</b>	<b>39,336</b>
<b>TOTAL LIABILITIES</b>		<b>204,247</b>	<b>198,797</b>
<b>NET ASSETS</b>		<b>971,071</b>	<b>984,508</b>
<b>EQUITY</b>			
Property, Plant & Equipment Revaluation Surplus	18(a)	546,297	546,297
Restricted Specific Purpose Surplus	18(a)	5,738	5,553
Contributed Capital	18(b)	529,927	529,927
Accumulated Surpluses/(Deficits)	18(c)	(110,891)	(97,269)
<b>TOTAL EQUITY</b>		<b>971,071</b>	<b>984,508</b>

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

**Statement of changes in equity  
For the year ended 30 June 2011**

	Note	Property, Plant & Equipment Revaluation Surplus	Restricted Specific Purpose Surplus	Accumulated Surpluses/(Defi cits)	Contributions by Owners	Total
		\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2009</b>		532,717	5,442	(74,824)	529,927	993,262
Net result for the year as restated		13,580	111	(22,334)	-	(8,643)
Other comprehensive income for the year		-	-	-	-	-
Transfer to accumulated surplus	18 a, c	-	-	(111)	-	(111)
<b>Balance at 30 June 2010</b>		<b>546,297</b>	<b>5,553</b>	<b>(97,269)</b>	<b>529,927</b>	<b>984,508</b>
Net result for the year		-	185	(13,437)	-	(13,252)
Other comprehensive income for the year		-	-	-	-	-
Transfer to accumulated surplus	18 a, c	-	-	(185)	-	(185)
Transfer to contributed capital		-	-	-	-	-
<b>Balance at 30 June 2011</b>		<b>546,297</b>	<b>5,738</b>	<b>(110,891)</b>	<b>529,927</b>	<b>971,071</b>

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

## Cash flow statement

For year ended June 2011

	Note	Total 2011 \$000	Total 2010 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		534,566	505,560
Patient and Resident Fees Received		26,686	22,552
Private Practice Fees Received		11,646	12,099
Donations and Bequests Received		1,521	2,206
GST Received from/(paid to) ATO		(648)	(43)
Recoupment from Private Practice for use of Hospital Facilities		30,355	27,892
Interest Received		2,101	1,355
Other Receipts		64,615	61,177
Employee Expenses Paid		(491,068)	(452,886)
Non Salary Labour Costs		(9,224)	(8,617)
Finance Costs		(1,846)	(1,838)
Other Payments		(166,576)	(165,832)
<b>Cash Generated from Operations</b>		<b>2,128</b>	<b>3,625</b>
Capital Grants from Government		45,264	34,574
Capital Donations and Bequests Received		3,372	3,789
Other Capital Receipts		4,968	4,192
Other Capital Payments		(4,211)	(10,486)
<b>NET CASH INFLOW(OUTFLOW) FROM OPERATING ACTIVITIES</b>	19	<b>51,521</b>	<b>35,694</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Investments		-	(9,372)
Redemption of Investments		13,891	-
Payments for Non-Financial Assets		(61,910)	(34,670)
Proceeds from sale of Non-Financial Assets		483	7
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>(47,536)</b>	<b>(44,035)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(601)	(985)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>(601)</b>	<b>(985)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>3,384</b>	<b>(9,326)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	24,250	33,576
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	6	<b>27,634</b>	<b>24,250</b>

# Notes to and forming part of the Financial Statements for the year ended 30 June 2011.

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## Note 1: Summary of Significant Accounting Policies

### (a) Statement of Compliance

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

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

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

The annual financial statements were authorized for issue by the Board of Austin Health on 16/8/2011.

### (b) Basis of accounting preparation and measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011, and the comparative information presented in these financial statements for the year ended 30 June 2010.

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

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

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

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain non-financial assets and financial instruments, as noted.

Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value through profit and loss; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.
- The fair value of assets other than land is generally based on their depreciated replacement value.

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

In the application of 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 circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

## Note 1: Statement of Significant Accounting Policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

### (c) Reporting Entity

The financial statements include all the controlled activities of Austin Health.

Its principle address is:

Austin Hospital  
Studley Road  
Heidelberg  
Victoria 3084.

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

### (d) Scope and presentation of financial statements

#### Fund Accounting

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

#### Services Supported By Health Services Agreement and Services Supported By Hospital and Community Initiatives

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

#### Residential Aged Care Service

The Residential Aged Care Service operations are an integral part of Austin Health and shares its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation in Note 2b to the financial statements.

#### Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

## Note 1: Statement of Significant Accounting Policies (continued)

'Transactions' and 'other economic flows' are defined by the Australian system of government finance statistics: concepts, sources and methods 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AASs.

### Net Result Before Capital & Specific Items

The subtotal entitled 'Net result Before Capital & Specific Items' is included in the comprehensive operating statement to enhance the understanding of the financial performance of Austin Health. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The 'Net result Before Capital & Specific Items' is used by the management of Austin Health, the Department of Health and the Victorian Government to measure the ongoing performance of Health Services 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. 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/impairment of investments
  - Restructuring of operations (disaggregation/aggregation of Health Services)
  - Litigation settlements
  - Non-current assets lost or found
  - Forgiveness of loans
  - Reversals of provisions
  - 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 financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Note 1 (j) and (i)
- Depreciation and amortisation, as described in Note 1 (f)

## **Note 1: Statement of Significant Accounting Policies (continued)**

- Assets provided or received free of charge (refer to Note 1 (g) and (h))
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

### **Balance sheet**

Assets and liabilities are categorised either as current or non-current.

### **Statement of changes in equity**

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

### **Cash flow statement**

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

### **Comparative Information**

The Mary Guthrie Residential Care Facility has 20 beds funded under the Commonwealth "Residential Aged Care Nursing Home" scheme. This facility is reported under the "Residential Aged Care, including Mental Health" program in Note 2a and 3a. The facility was previously reported as part of the Mental Health program.

### **Income Recognition**

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

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

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

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

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

### **Indirect Contributions from the Department of Health**

- Insurance is recognised as revenue following advice from the Department of Health.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 14/2009.

### **Patient and Resident Fees**

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

## **Note 1: Statement of Significant Accounting Policies (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 appropriated to a reserve, such as the specific restricted purpose reserve.

### **Dividend Revenue**

Dividend revenue is recognised on a receivable basis.

### **Interest Revenue**

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

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as part of income from other economic flows in the net result.

### **Sale of investments**

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

### **Expense Recognition**

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

### **Cost of Goods Sold**

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

### **Employee expenses**

Employee expenses include:

- Wages and salaries;
- Annual leave;
- Sick leave;
- Long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

### **Defined contribution plans**

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

## Note 1: Statement of Significant Accounting Policies (continued)

### Defined benefit plans

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

Employees of Austin Health are entitled to receive superannuation benefits and Austin Health 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 Austin Health are as follows:

Fund	Contributions Paid or Payable for the year	
	2011 \$'000	2010 \$'000
<b>Defined benefit plans:</b>		
Hospital Superannuation Board – Health Super	2,781	1,539
Commonwealth Superannuation Scheme	2,019	2,421
ESS (previously GSO)	584	617
<b>Defined contribution plans:</b>		
Hospital Superannuation Board – Health Super	23,470	23,802
Hesta	9,586	8,376
Other	1,169	581
<b>Total</b>	<b>39,609</b>	<b>37,336</b>

### Depreciation

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

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land and investment properties. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

	2011	2010
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
Intangible Assets	Up to 3 years	Up to 3 years

## Note 1: Statement of Significant Accounting Policies (continued)

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

### Amortisation

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.

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 lives 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 the recoverable amount for each asset 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 a 3 year period (2010: 3 years).

### Finance Costs

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

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in respect of finance leases recognised in accordance with AASB 117 Leases.

### Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. These include:

### 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.

### Revaluation gains/(losses) of non-current physical assets

Refer to accounting policy on property, plant and equipment, provided in Note 1(k) Non-current physical assets.

### Disposal of Non-Financial Assets

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

## Note 1: Statement of Significant Accounting Policies (continued)

### Impairment of Non-Financial Assets

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

- inventories;
- financial assets;
- investment properties that are measured at fair value;
- non-current physical assets held for sale; and
- assets arising from construction contracts.

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

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 replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

### Net Gain/(Loss) on Financial Instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

### Revaluations of Financial Instruments at Fair Value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

### Other gains/(losses) from other economic flows

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

- transfer of amounts from the other surpluses and/or accumulated surplus to net result due to disposal or derecognition or reclassification; and
- the revaluation of the present value of the long service liability due to changes in the bond interest rates.

### Financial assets

#### Cash and Cash Equivalents

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

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

## Note 1: Statement of Significant Accounting Policies (continued)

### Receivables

Receivables consist of:

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

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

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

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

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

### Investments and Other Financial Assets

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

Investments are classified in the following categories:

- o Financial assets at fair value through profit or loss;
- o Loans and receivables; and
- o Available-for-sale financial assets.

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

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

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

### Financial assets at fair value through profit or loss

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in net result incorporates any dividend or interest earned on the financial asset.

### Loans and receivables

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

## **Note 1: Statement of Significant Accounting Policies (continued)**

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

### **Held-to-maturity investments**

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

### **Available-for-sale financial assets**

Other financial assets held by the Health Service are classified as being available-for-sale and are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period.

### **Impairment of Financial Assets**

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

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

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Where a financial asset's fair value at balance date has reduced by 20 per cent or more than its cost price; or where its fair value has been less than its cost price for a period of 12 or more months, the financial instrument is treated as impaired.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

### **Non-Financial Assets**

#### **Inventories**

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

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

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

## Note 1: Statement of Significant Accounting Policies (continued)

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis (identify classes). Cost for all other inventory is measured on the basis of weighted average cost.

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

### Non-financial Physical Assets Classified as Held for Sale

Non-financial physical assets (including disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation.

Non-financial physical assets and disposal groups and related liabilities are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group) is expected to be completed within 12 months from the date of classification.

### Property, Plant and Equipment

**All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.**

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

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

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

### Revaluations of Non-current Physical Assets

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

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

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

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

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

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

## **Note 1: Statement of Significant Accounting Policies (continued)**

### **Intangible Assets**

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

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

### **Other non-financial assets**

#### **Prepayments**

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

### **Liabilities**

#### **Payables**

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, and 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.

The normal credit terms are usually Nett 30 days.

#### **Borrowings**

Borrowings in the balance sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method.

#### **Provisions**

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

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

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

## Note 1: Statement of Significant Accounting Policies (continued)

### Employee Benefits

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

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

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as non-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**

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

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

The components of this current LSL liability are measured at:

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

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

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

#### **Termination Benefits**

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

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations 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.

## **Note 1: Statement of Significant Accounting Policies (continued)**

### **On-Costs**

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

### **Superannuation liabilities**

Austin Health 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 statements.

## **(k) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

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

### **Finance Leases**

#### ***Entity as lessor***

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

### **Operating Leases**

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

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

### **Lease Incentives**

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received by the lessee to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset is diminished.

### **Leasehold Improvements**

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

## Note 1: Statement of Significant Accounting Policies (continued)

### (l) Equity

#### Contributed Capital

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

#### Property, Plant & Equipment Revaluation Surplus

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

#### Financial Asset Available-for-Sale Revaluation Surplus

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the comprehensive operating statement.

#### Specific Restricted Purpose Reserve

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

### (m) Commitments for expenditure

Commitments for expenditure are not recognised on the balance sheet. Commitments for expenditure are disclosed at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

### (n) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

### (o) Goods and Services Tax

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

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

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

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

### (p) Rounding Of Amounts

All amounts shown in the financial statements are expressed to the nearest \$1,000 unless otherwise stated.

## Note 1: Statement of Significant Accounting Policies (continued)

### (q) New Accounting Standards and Interpretations

Certain new Australian accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period.

As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for the reporting period ending 30 June 2011. Austin Health has not and does not intend to adopt these standards early.

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

## Note 1: Statement of Significant Accounting Policies (continued)

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

## Note 1: Statement of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on entity's financial statements
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.

## Note 1: Statement of Significant Accounting Policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on entity's financial statements
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used.  No impact on performance measurements will occur.

### (r) Category Groups

Austin Health 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, or free standing day hospital facilities, or alcohol and drug treatment units or hospitals specialising in dental services, hearing and ophthalmic aids.

**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, or free standing day hospital facilities, or rehabilitation facilities, or alcohol and drug treatment units, or outpatient clinics specialising in ophthalmic aids or palliative care.

**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 hospitals (or area health services) but are delivered/received outside a hospital campus, services which have moved from a hospital to a community setting since June 1998, services which fall within the agreed scope of inclusions under the new system, which have been delivered within hospital's i.e. in rural/remote areas.

**Residential Aged Care including Mental Health (RAC incl. Mental Health)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DH under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).

## Note 1: Statement of Significant Accounting Policies (continued)

**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, Blood Borne Viruses / Sexually Transmitted Infections clinical services, Kooris liaison officers, immunisation and screening services, Drugs services including drug withdrawal, counselling and the needle and syringe program, Dental Health services including general and specialist dental care, school dental services and clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

### (s) Going Concern

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

- A deficit net result for the year of \$13.4M for the year ended 30 June 2011 (\$22.3M deficit for the year ended 30 June 2010);
- Depreciation/Amortisation Expense of \$74M for the year ended 30 June 2011 (\$73M for the year ended 30 June 2010) which is not matched with recurrent funding;
- A working capital deficiency of \$70.4M as at 30 June 2011 (\$59.2M deficiency as at 30 June 2010);
- Net cash inflows of \$3.4M for the year ended 30 June 2011 (\$9.3M outflows for the year ended 30 June 2010); and
- Management will commit to achieve agreed budget targets and all other requirements of its 2011/12 statement of priorities.

With respect to Austin Health's current financial position, the Board and Management of Austin Health are in the process of developing and implementing strategies which will be monitored throughout the 2011/12 financial year. On the basis of the advice and assurances received in writing from the Department of Health, 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.

## Note 2: Revenue

	HSA 2011 \$000	HSA 2010 \$000	H&CI 2011 \$000	H&CI 2010 \$000	Total 2011 \$000	Total 2010 \$000
<b>Revenue from Operating Activities</b>						
Government Grants						
- Department of Health	507,204	476,040	-	-	507,204	476,040
- Department of Human Services	2,304	2,146	-	-	2,304	2,146
- State Government - Other	7	-	-	-	7	-
- Commonwealth Government						
- Residential Aged Care Subsidy	3,911	3,790	-	-	3,911	3,790
- Other	25,163	22,362	-	-	25,163	22,362
<b>Total Government Grants</b>	<b>538,589</b>	<b>504,338</b>	<b>-</b>	<b>-</b>	<b>538,589</b>	<b>504,338</b>
Indirect Contributions by Department of Health						
- Insurance	8,075	6,149	-	-	8,075	6,149
- Long Service Leave	2,075	(73)	-	-	2,075	(73)
<b>Total Indirect Contributions by Department of Health</b>	<b>10,150</b>	<b>6,076</b>	<b>-</b>	<b>-</b>	<b>10,150</b>	<b>6,076</b>
Patient and Resident Fees						
- Patient and Resident Fees (Refer note 2b)	25,860	23,876	-	-	25,860	23,876
- Residential Aged Care (Refer note 2b)	1,293	1,121	-	-	1,293	1,121
<b>Total Patient and Resident Fees</b>	<b>27,153</b>	<b>24,997</b>	<b>-</b>	<b>-</b>	<b>27,153</b>	<b>24,997</b>

**Note 2: Revenue (continued)**

	HSA 2011 \$000	HSA 2010 \$000	H&CI 2011 \$000	H&CI 2010 \$000	Total 2011 \$000	Total 2010 \$000
<b>Business Units</b>						
- Laboratory Medicine	-	208	15,174	16,900	15,174	17,108
- Diagnostic Imaging	178	400	3,410	3,378	3,588	3,778
<b>Commercial Activities &amp; Specific Purpose Funds</b>						
- Private Practice and Other Patient Activities Fees	-	-	6,443	5,937	6,443	5,937
- Commercial Laboratory Medicine	-	-	-	-	-	-
- Commercial Diagnostic Imaging	-	-	-	-	-	-
- Mental Health Services	-	-	1,406	1,412	1,406	1,412
- Pharmacy Services	319	403	245	363	564	766
- Affiliated Entities	-	-	4,260	4,187	4,260	4,187
- Retail Services	-	-	722	697	722	697
- Laundry	-	-	2,396	1,674	2,396	1,674
- Food Production Kitchen	-	-	2,538	2,154	2,538	2,154
- Car Park	-	-	7,174	6,599	7,174	6,599
- Research	-	-	8,647	8,150	8,647	8,150
- Cardiology	-	-	557	613	557	613
- Child Care	-	-	1,318	1,154	1,318	1,154
- Nuclear Medicine	-	-	858	851	858	851
- Fundraising	-	-	980	1,116	980	1,116
- Hospital Department Funds	-	-	1,481	1,869	1,481	1,869
- Salary Packaging	-	-	2,392	2,288	2,392	2,288
- Other	-	-	1,706	901	1,706	901
<b>Total Business Units and Specific Purpose Funds</b>	<b>497</b>	<b>1,011</b>	<b>61,707</b>	<b>60,243</b>	<b>62,204</b>	<b>61,254</b>
<b>Donations and Bequests</b>						
Recoupment from Private Practice for use of Hospital Facilities	-	7	-	-	-	7
Other Revenue from Operating Activities	30,355	27,892	-	-	30,355	27,892
	17,333	13,867	-	-	17,333	13,867
<b>Sub-Total Revenue from Operating Activities</b>	<b>624,077</b>	<b>578,188</b>	<b>61,707</b>	<b>60,243</b>	<b>685,784</b>	<b>638,431</b>

**Note 2: Revenue (continued)**

	HSA 2011 \$000	HSA 2010 \$000	H&I 2011 \$000	H&I 2010 \$000	Total 2011 \$000	Total 2010 \$000
<b>Revenue from Non-Operating Activities</b>						
Interest & Dividends	1,937	1,485	-	-	1,937	1,485
Other Revenue from Non-Operating Activities	-	207	-	-	-	207
<b>Sub-Total Revenue from Non-Operating Activities</b>	<b>1,937</b>	<b>1,692</b>	<b>-</b>	<b>-</b>	<b>1,937</b>	<b>1,692</b>
<b>Revenue from Capital Purpose Income</b>						
State Government Capital Grants	-	-	4,255	1,993	4,255	1,993
- Targeted Capital Works & Equipment	-	-	40,664	21,212	40,664	21,212
- Other	-	-	7,684	14,843	7,684	14,843
- DoH Indirect Contribution	-	-	4,858	11,039	5,202	11,369
Commonwealth Government Capital Grants	344	330	-	-	211	187
Residential Accommodation Payments (refer note 2b)	211	187	-	-	-	-
Assets Received Free of Charge (refer note 2d)	-	-	-	-	-	-
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	-	-	87	(138)	87	(138)
Capital Interest	-	-	2,263	1,887	2,263	1,887
Donations and Bequests	-	-	3,372	3,789	3,372	3,789
Other Capital Purpose Income	-	-	123	2,118	123	2,118
<b>Sub-Total Revenue from Capital Purpose Income</b>	<b>555</b>	<b>517</b>	<b>63,306</b>	<b>56,743</b>	<b>63,861</b>	<b>57,260</b>
<b>Total Revenue (Refer Note 2a)</b>	<b>626,569</b>	<b>580,397</b>	<b>125,013</b>	<b>116,986</b>	<b>751,582</b>	<b>697,383</b>

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

**Note 2a: Analysis of Revenue by Source**

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Other	Total
	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000
<b>Revenue from Services Supported by Health Services Agreement</b>									
Government Grants	328,671	64,797	19,997	65,509	44,878	7,964	3,525	3,248	538,589
Indirect Contributions by Department of Health	9,640	126	74	157	117	17	4	15	10,150
Patient and Resident Fees (refer note 2b)	17,973	531	-	5,989	1,319	1,293	48	-	27,153
Recoupment from Private Practice for Use of Hospital Facilities	13,049	13,635	1,793	482	79	-	1	1,316	30,355
Business Units - Pathology & Radiology	9,881	2,325	1,769	1,574	1,875	34	66	306	17,830
Other Revenue from Operating Activities	1,937	-	-	-	-	-	-	-	1,937
Interest & Dividends	-	-	-	-	-	-	-	-	-
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	-	-
<b>Sub-Total Revenue from Services Supported by Health Services Agreement</b>	<b>381,151</b>	<b>81,414</b>	<b>23,633</b>	<b>73,711</b>	<b>48,268</b>	<b>9,308</b>	<b>3,644</b>	<b>4,885</b>	<b>626,014</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>									
Donations & Bequests (non capital)	-	-	-	-	-	-	-	1,521	1,521
Commercial Activities & Specific Purpose Funds	-	-	-	-	-	-	-	60,186	60,186
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	63,861	63,861
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,568</b>	<b>125,568</b>
<b>Total Revenue</b>	<b>381,151</b>	<b>81,414</b>	<b>23,633</b>	<b>73,711</b>	<b>48,268</b>	<b>9,308</b>	<b>3,644</b>	<b>130,453</b>	<b>751,582</b>

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

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

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Other	Total
	2010	2010	2010	2010	2010	2010	2010	2010	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue from Services Supported by Health Services Agreement</b>									
Government Grants	305,167	61,680	18,920	60,786	43,171	7,623	3,435	3,556	504,338
Indirect Contributions by Department of Health	6,097	(5)	(3)	(7)	(5)	-	-	(1)	6,076
Patient and Resident Fees (refer note 2b)	17,676	528	-	4,806	822	1,121	44	-	24,997
Recoupment from Private Practice for Use of Hospital Facilities	11,667	12,841	1,600	465	69	-	-	1,250	27,892
Business Units - Pathology & Radiology	656	44	247	13	16	-	-	35	1,011
Donations & Bequests (non capital)	3	1	-	3	-	-	-	-	7
Other Revenue from Operating Activities	7,581	1,742	1,013	1,495	1,868	41	148	186	14,074
Interest & Dividends	1,485	-	-	-	-	-	-	-	1,485
Capital Purpose Income (refer note 2)	1,993	-	-	-	-	517	-	-	2,510
<b>Sub-Total Revenue from Services Supported by Health Services Agreement</b>	<b>352,325</b>	<b>76,832</b>	<b>21,777</b>	<b>67,561</b>	<b>45,941</b>	<b>9,302</b>	<b>3,627</b>	<b>5,026</b>	<b>582,390</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>									
Donations & Bequests (non capital)	-	-	-	-	-	-	-	2,198	2,198
Commercial Activities & Specific Purpose Funds	-	-	-	-	-	-	-	58,045	58,045
Capital Purpose Income (refer note 2)	-	-	-	-	-	-	-	54,750	54,750
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,993</b>	<b>114,993</b>
<b>Total Revenue</b>	<b>352,325</b>	<b>76,831</b>	<b>21,777</b>	<b>67,561</b>	<b>45,941</b>	<b>9,302</b>	<b>3,627</b>	<b>120,019</b>	<b>697,383</b>

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

## Note 2b: Patient and Resident Fees

	2011	2010
	\$000	\$000
<b>Patient and Resident Fees Raised (*)</b>		
<b>Recurrent:</b>		
Acute		
- Inpatients	22,678	21,070
- Outpatients	1,144	1,218
Residential Aged Care		
- Generic	971	863
- Mental Health	322	258
Mental Health	1,319	822
Prosthetics & Orthotics	719	766
<b>Total Recurrent</b>	<b>27,153</b>	<b>24,997</b>
<b>Capital Purpose:</b>		
Residential Accommodation Payments (**)	211	187
<b>Total Capital</b>	<b>211</b>	<b>187</b>

\* Compensable payments (such as TAC, WIES and DVA throughput) are excluded.

\*\* This includes accommodation charges, interest earned on accommodation bonds and retention amount.

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

	2011	2010
	\$000	\$000
<b>Proceeds from Disposal of Assets held for Re-Sale</b>		
Stericlean - Plant & Equipment	245	-
Linen	231	-
<b>Total Proceeds from Disposal of Current Assets</b>	<b>476</b>	<b>-</b>
<b>Proceeds from Disposal of Non-Current Assets</b>		
Plant & Equipment	5	-
Motor Vehicles	8	7
Buildings	-	-
<b>Total Proceeds from Disposal of Non-Current Assets</b>	<b>489</b>	<b>7</b>
<b>Less: Written Down Value of Assets Held for Re-Sale</b>		
Linen	300	-
Stericlean Plant	96	-
	<b>396</b>	<b>-</b>
<b>Less: Written Down Value of Non-Current Assets Sold</b>		
Plant & Equipment	3	-
Medical Equipment	-	94
Other Equipment	-	13
Computers and Communication	3	3
Buildings	-	35
<b>Total Written Down Value of Non-Current Assets Sold</b>	<b>402</b>	<b>145</b>
<b>Net gains/(losses) on Disposal of Non-Current Assets</b>	<b>87</b>	<b>(138)</b>

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

There were no assets received free of charge or for nominal consideration recognised during the years ended 30 June 2011 and 30 June 2010.

### **Note 2e: Specific Income**

There was no specific income recognised during the years ended 30 June 2011 and 30 June 2010.

### Note 3: Expenses

	HSA 2011 \$000	HSA 2010 \$000	H&CI 2011 \$000	H&CI 2010 \$000	Total 2011 \$000	Total 2010 \$000
<b>Employee Benefits</b>						
Salaries & Wages	411,971	378,970	24,367	27,257	436,338	406,227
WorkCover Premium	4,838	5,185	215	293	5,053	5,478
Departure Packages	3,710	770	2,194	266	5,904	1,036
Long Service Leave	12,194	9,324	332	365	12,526	9,689
Superannuation	37,507	35,227	1,729	1,952	39,236	37,179
<b>Total Employee Benefits</b>	<b>470,220</b>	<b>429,476</b>	<b>28,837</b>	<b>30,133</b>	<b>499,057</b>	<b>459,609</b>
<b>Non Salary Labour Costs</b>						
Agency Costs - Nursing	4,586	4,726	14	30	4,600	4,756
Agency Costs - Other	3,049	2,897	1,575	964	4,624	3,861
<b>Total Non Salary Labour Costs</b>	<b>7,635</b>	<b>7,623</b>	<b>1,589</b>	<b>994</b>	<b>9,224</b>	<b>8,617</b>
<b>Supplies &amp; Consumables</b>						
Drug Supplies	31,600	29,646	25	30	31,625	29,676
S100 Drugs	7,241	8,093	-	-	7,241	8,093
Medical, Surgical Supplies and Prosthesis	54,491	53,110	602	754	55,093	53,864
Pathology Supplies	5,217	4,614	3,158	3,289	8,375	7,903
Food Supplies	3,937	3,918	(1,297)	(1,346)	2,640	2,572
<b>Total Supplies &amp; Consumables</b>	<b>102,486</b>	<b>99,381</b>	<b>2,488</b>	<b>2,727</b>	<b>104,974</b>	<b>102,108</b>

**Note 3: Expenses (continued)**

	HSA 2011 \$000	HSA 2010 \$000	H&CI 2011 \$000	H&CI 2010 \$000	Total 2011 \$000	Total 2010 \$000
<b>Other Expenses from Continuing Operations</b>						
Domestic Services & Supplies	5,064	5,262	2,012	(948)	7,076	4,314
Fuel, Light, Power and Water	6,745	6,347	266	545	7,011	6,892
Insurance costs funded by DoH	8,075	6,149	-	-	8,075	6,149
Motor Vehicle Expenses	745	696	36	47	781	743
Repairs and Maintenance	5,152	5,533	375	549	5,527	6,082
Maintenance Contracts	11,531	9,900	381	506	11,912	10,406
Patient Transport	1,617	1,598	9	13	1,626	1,611
Bad & Doubtful Debts	569	437	48	61	617	498
Lease Expenses	2,206	2,248	1,772	2,277	3,978	4,525
Finance Costs (refer note 5)	107	127	1,587	1,617	1,694	1,744
Other Administrative Expenses	15,112	13,314	6,142	5,044	21,254	18,358
Other	3,017	3,780	288	222	3,305	4,002
Audit Fees						
- VAGO - Audit of Financial Statements	210	207	-	-	210	207
- Other	141	133	-	-	141	133
<b>Total Other Expenses from Continuing Operations</b>	<b>60,291</b>	<b>55,731</b>	<b>12,916</b>	<b>9,933</b>	<b>73,207</b>	<b>65,664</b>

**Note 3: Expenses (continued)**

	HSA 2011 \$000	HSA 2010 \$000	H&CI 2011 \$000	H&CI 2010 \$000	Total 2011 \$000	Total 2010 \$000
<b>Expenditure Using Capital Purpose Income</b>						
Employee Benefits						
- Salaries and Wages	-	-	(618)	2,377	(618)	2,377
- Workcover Premium	-	-	40	25	40	25
- Superannuation	-	-	315	157	315	157
- Long Service Leave	-	-	68	32	68	32
<b>Total Employee Benefits</b>	-	-	(195)	2,591	(195)	2,591
Non Salary Labour Costs						
- Agency Costs - Other	-	-	338	81	338	81
<b>Total Non Salary Labour Costs</b>	-	-	338	81	338	81
Other Expenses						
- Domestic Services & Supplies	-	-	6	23	6	23
- Motor Vehicle Expenses	-	-	2	5	2	5
- Administrative Expenses	-	-	2,114	5,231	2,114	5,231
- Other	-	-	1,933	2,618	1,933	2,618
<b>Total Other Expenses</b>	-	-	4,055	7,877	4,055	7,877
<b>Total Expenditure Using Capital Purpose Income</b>	-	-	4,198	10,549	4,198	10,549
Impairment of Non-Financial Assets						
Depreciation and Amortisation (refer note 4)	-	-	74,345	73,111	74,345	73,111
Finance Costs (refer note 5)	-	-	14	14	14	14
<b>Total</b>	-	-	74,359	73,171	74,359	73,171
<b>Total Expenses</b>	<b>640,632</b>	<b>592,211</b>	<b>124,387</b>	<b>127,506</b>	<b>765,019</b>	<b>719,717</b>

**Note 3a: Analysis of Expenses by Source**

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Other	Total
	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000
<b>Services Supported by Health Services Agreement</b>									
Employee Benefits	268,218	49,565	30,595	61,998	45,035	8,039	1,758	5,012	470,220
Non Salary Labour Costs	3,969	803	466	1,100	1,114	149	16	18	7,635
Supplies & Consumables	66,700	23,653	2,006	5,643	1,070	279	1,555	1,580	102,486
Other Expenses from Continuing Operations	36,094	7,450	1,767	8,915	4,643	456	397	462	60,184
Finance Costs	-	-	-	-	-	-	-	107	107
<b>Sub-Total Expenses from Services Supported by Health Services Agreement</b>	<b>374,981</b>	<b>81,471</b>	<b>34,834</b>	<b>77,656</b>	<b>51,862</b>	<b>8,923</b>	<b>3,726</b>	<b>7,179</b>	<b>640,632</b>
<b>Services Supported by Hospital &amp; Community Initiatives</b>									
Employee Benefits	-	-	-	-	-	-	-	28,837	28,837
Non Salary Labour Costs	-	-	-	-	-	-	-	1,589	1,589
Supplies & Consumables	-	-	-	-	-	-	-	2,488	2,488
Other Expenses from Continuing Operations	-	-	-	-	-	-	-	11,329	11,329
Finance Costs	-	-	-	-	-	-	-	1,587	1,587
<b>Sub-Total Expenses from Services Supported by Hospital &amp; Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,830</b>	<b>45,830</b>

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

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Other	Total
	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Expenditure using Capital Purpose Income</b>									
Employee Benefits	-	-	-	-	-	-	-	(195)	(195)
Non Salary Labour Costs	-	-	-	-	-	-	-	338	338
Other Expenses	-	-	-	-	-	-	-	4,055	4,055
Finance Costs	-	-	-	-	-	-	-	14	14
<b>Sub-Total Expenditure using Capital Purpose Income</b>									
Impairment of Non-Financial Assets	-	-	-	-	-	-	-	4,212	4,212
Depreciation & Amortisation (refer note 4)	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	74,345	74,345
	-	-	-	-	-	-	-	74,345	74,345
<b>Total Expenses</b>	<b>374,981</b>	<b>81,471</b>	<b>34,834</b>	<b>77,656</b>	<b>51,862</b>	<b>8,923</b>	<b>3,726</b>	<b>131,566</b>	<b>765,019</b>

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

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Primary Health	Other	Total
	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Services Supported by Health Services Agreement</b>										
Employee Benefits	243,198	45,404	27,066	57,978	41,822	7,566	1,740	-	4,702	429,476
Non Salary Labour Costs	3,831	876	623	1,083	1,020	157	16	-	17	7,623
Supplies & Consumables	64,060	23,412	1,826	5,450	1,097	278	1,487	-	1,771	99,381
Other Expenses from Continuing Operations	31,878	7,487	1,713	8,725	4,553	417	369	-	462	55,604
Finance Costs	76	8	7	19	14	1	2	-	-	127
<b>Sub-Total Expenses from Services Supported by Health Services Agreement</b>	<b>343,043</b>	<b>77,187</b>	<b>31,235</b>	<b>73,255</b>	<b>48,506</b>	<b>8,419</b>	<b>3,614</b>	<b>-</b>	<b>6,952</b>	<b>592,211</b>
<b>Services Supported by Hospital &amp; Community Initiatives</b>										
Employee Benefits	-	-	-	-	-	-	-	-	30,133	30,133
Non Salary Labour Costs	-	-	-	-	-	-	-	-	994	994
Supplies & Consumables	-	-	-	-	-	-	-	-	2,727	2,727
Other Expenses from Continuing Operations	-	-	-	-	-	-	-	-	8,316	8,316
Finance Costs	-	-	-	-	-	-	-	-	1,617	1,617
<b>Sub-Total Expenses from Services Supported by Hospital &amp; Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,787</b>	<b>43,787</b>

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

	Admitted Patients	Outpatients	EDS	Ambulatory	Mental Health	RAC incl. Mental Health	Aged Care	Primary Health	Other	Total
	2010 \$000	2010 \$000	2010 \$000	2010 \$000	2010 \$000	2010 \$000	2010 \$000	2010 \$000	2010 \$000	2010 \$000
<b>Expenditure using Capital Purpose Income</b>										
Employee Benefits	-	-	-	-	-	-	-	-	2,591	2,591
Non Salary Labour Costs	-	-	-	-	-	-	-	-	81	81
Other Expenses	-	-	-	-	-	-	-	-	7,877	7,877
Finance Costs	-	-	-	-	-	-	-	-	14	14
<b>Sub-Total Expenditure using Capital Purpose Income</b>										
Impairment of Non-Financial Assets	-	-	-	-	-	-	-	-	10,563	10,563
Depreciation & Amortisation (refer note 4)	-	-	-	-	-	-	-	-	46	46
	-	-	-	-	-	-	-	-	73,111	73,111
	-	-	-	-	-	-	-	-	73,157	73,157
<b>Total Expenses</b>	<b>343,043</b>	<b>77,187</b>	<b>31,235</b>	<b>73,255</b>	<b>48,506</b>	<b>8,419</b>	<b>3,614</b>	<b>-</b>	<b>134,458</b>	<b>719,717</b>

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

	Total 2011 \$000	Total 2010 \$000
- Private Practice and Other Patient Activities	3,547	3,649
- Laboratory Medicine	13,421	14,821
- Diagnostic Imaging	1,128	1,451
- Mental Health Services	1,437	1,400
- Pharmacy Services	241	174
- Affiliated Entities	3,873	4,025
- Retail Services	27	30
- Laundry	2,346	1,527
- Food Production Kitchen	2,352	1,968
- Car Park	2,561	2,404
- Research	9,572	7,073
- Cardiology	593	860
- Child Care	1,125	988
- Nuclear Medicine	234	245
- Fundraising	513	551
- Hospital Department Funds	1,056	900
- Salary Packaging	1,103	920
- Other	808	801
<b>Total</b>	<b>45,937</b>	<b>43,787</b>

### Note 3c: Specific Expenses

There were no specific expenses incurred during the years ended 30 June 2011 and 30 June 2010.

### Note 4: Depreciation and Amortisation

	Total 2011 \$000	Total 2010 \$000
<b>Depreciation</b>		
Buildings	59,115	58,169
Plant & Equipment	1,344	1,084
Transport	146	108
Medical Equipment	9,371	9,659
Computers and Communication	1,493	1,198
Other Equipment	1,453	1,364
Furniture and Fittings	125	151
Linen	-	228
<b>Total Depreciation</b>	<b>73,047</b>	<b>71,961</b>
<b>Amortisation</b>		
Intangible Assets	1,298	1,150
	1,298	1,150
<b>Total Depreciation &amp; Amortisation</b>	<b>74,345</b>	<b>73,111</b>

## Note 5: Finance Costs

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
Interest on Long Term Borrowings	1,577	1,617
Bank Charges	131	124
Other	-	16
<b>Total</b>	<b>1,708</b>	<b>1,757</b>

## Note 6: Cash and Cash Equivalents

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
Cash on Hand	69	70
Cash at Bank	9,047	9,065
Deposits at Call	18,558	10,681
Short Term Money Market	-	4,500
<b>Total</b>	<b>27,674</b>	<b>24,316</b>
<b>Represented by:</b>		
Cash for Health Service Operations (as per Cash Flow Statement)	27,634	24,250
Cash for Monies Held in Trust		
- Cash at Bank	40	66
	40	66
<b>Total</b>	<b>27,674</b>	<b>24,316</b>

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.

## Note 7: Receivables

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>CURRENT</b>		
<b>Contractual</b>		
Inter Hospital Debtors	3,545	1,782
Trade Debtors	11,419	9,246
Other Debtors - Major Projects Victoria	997	1,475
Patient Fees	12,563	11,736
Accrued Investment Income	293	457
Accrued Revenue - Other	2,388	2,323
<i>Less Allowance for Doubtful Debts</i>		
Trade Debtors	(387)	(270)
Patient Fees	(567)	(521)
	<u>30,251</u>	<u>26,228</u>
<b>Statutory</b>		
GST Receivable	2,376	1,715
	<u>2,376</u>	<u>1,715</u>
<b>TOTAL CURRENT RECEIVABLES</b>	<u>32,627</u>	<u>27,943</u>
<b>NON CURRENT</b>		
<b>Statutory</b>		
DHS - Long Service Leave	18,036	15,962
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<u>18,036</u>	<u>15,962</u>
<b>TOTAL RECEIVABLES</b>	<u>50,663</u>	<u>43,905</u>

### (a) Movement in the Allowance for Doubtful Debts

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
Balance at beginning of Year	791	799
Amounts written off during the Year	(361)	(438)
Increase/(decrease) in allowance recognised in net result	525	430
<b>Balance at end of year</b>	<u>955</u>	<u>791</u>

### (b) Ageing analysis of receivables

Please refer to note 21(b) for the ageing analysis of receivables

### (c) Nature and extent of risk arising from receivables

Please refer to note 21(b) for the nature and extent of credit risk arising from receivables

## Note 8: Other Financial Assets

### (a) Ageing analysis of other financial assets

Please refer to note 21(b) for the ageing analysis of other financial assets

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

Please refer to note 21(b) for the nature and extent of credit risk arising from other financial assets

	Operating Fund		Specific Purpose Fund		Capital Fund		Total	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
<b>Current</b>								
Aust. Dollar Term Deposits > 3 months	-	-	52	4,470	25,025	34,498	25,077	38,968
<b>Total Current</b>	-	-	52	4,470	25,025	34,498	25,077	38,968
<b>Non Current</b>								
Other - Shares	-	-	154	154	-	-	154	154
<b>Total Non Current</b>	-	-	154	154	-	-	154	154
<b>TOTAL</b>	-	-	<b>206</b>	<b>4,624</b>	<b>25,025</b>	<b>34,498</b>	<b>25,231</b>	<b>39,122</b>
<b>Represented By:</b>								
Health Service Investments	-	-	206	4,624	25,025	34,498	25,231	39,122

## Note 9: Inventory

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Current - at cost</b>		
Pharmaceuticals	3,070	3,022
Catering Supplies	78	85
Housekeeping Supplies	-	32
Medical and Surgical Lines	3,550	3,534
Administrative Stores	8	29
<b>TOTAL INVENTORIES</b>	<b>6,706</b>	<b>6,702</b>

## Note 10: Non-Financial Assets Classified as Held for Sale

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Current</b>		
Linen	-	300
Plant and Equipment	-	96
	<b>-</b>	<b>396</b>

## Note 11: Other Assets

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Current</b>		
Prepayments	2,883	1,952

## Note 12: Property, Plant & Equipment

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Land</b>		
- Land at fair value	180,251	180,251
<b>Total Land</b>	<b>180,251</b>	<b>180,251</b>
<b>Buildings</b>		
- Buildings under Construction at cost	90,375	53,101
- Buildings at Cost	22,729	14,300
Less Accumulated Depreciation	(1,742)	(249)
	<b>20,987</b>	<b>14,051</b>
- Buildings at fair value	831,678	831,678
Less Accumulated Depreciation	(115,412)	(57,790)
<b>Total Buildings</b>	<b>716,266</b>	<b>773,888</b>
	<b>827,628</b>	<b>841,040</b>

## Note 12: Property, Plant & Equipment (continued)

	Total 2011 \$000	Total 2010 \$000
<b>Plant and Equipment</b>		
Plant and Equipment at Fair Value	25,922	20,647
Less Accumulated Depreciation	(16,333)	(15,001)
<b>Total Plant and Equipment</b>	<b>9,589</b>	<b>5,646</b>
<b>Transport</b>		
Transport at Fair Value	1,426	1,331
Less Accumulated Depreciation	(1,254)	(1,156)
<b>Total Transport</b>	<b>172</b>	<b>175</b>
<b>Medical Equipment</b>		
Medical Equipment at Fair Value	87,431	83,525
Less Accumulated Depreciation	(67,068)	(61,405)
<b>Total Major Medical</b>	<b>20,363</b>	<b>22,120</b>
<b>Computers and Communication</b>		
Computers and Communication at Fair Value	8,863	8,510
Less Accumulated Depreciation	(6,903)	(6,487)
<b>Total Computers and Communication</b>	<b>1,960</b>	<b>2,023</b>
<b>Other Equipment</b>		
Other Equipment at Fair Value	9,349	7,667
Less Accumulated Depreciation	(5,950)	(4,508)
<b>Total Other Equipment</b>	<b>3,399</b>	<b>3,159</b>
<b>Furniture and Fittings</b>		
Furniture and Fittings at Fair Value	1,270	1,085
Less Accumulated Depreciation	(972)	(848)
<b>Total Furniture and Fittings</b>	<b>298</b>	<b>237</b>
<b>Under Construction</b>		
Medical Equipment under Construction	17,186	10,342
<b>Total Assets under construction</b>	<b>17,186</b>	<b>10,342</b>
<b>Total</b>	<b>1,060,846</b>	<b>1,064,993</b>

### Land carried at valuation - 2010

Management completed a Land Fair Value Assessment using the VGV indices as at 30 June 2010. This resulted in a Revaluation of Land - increase \$16,547,045.

### 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 was 30 June 2009.

### Plant and Equipment carried at fair value – 2010 and 2009

As noted in note 1(i) 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.

## Note 12: 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	Medical	Computers & Comm'n's	Other Equipment	Furniture & Fittings	Linen	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2009 *</b>	<b>163,704</b>	<b>870,845</b>	<b>5,157</b>	<b>218</b>	<b>28,266</b>	<b>1,331</b>	<b>2,788</b>	<b>251</b>	<b>418</b>	<b>1,072,978</b>
Additions	-	28,399	1,668	65	13,949	1,893	1,748	137	156	48,015
Assets Transferred to Non-Financial Assets held for Resale	-	-	(95)	-	-	-	-	-	(346)	(441)
Disposals	-	(35)	-	-	(94)	(3)	(13)	-	-	(145)
Revaluation Increment **	16,547	-	-	-	-	-	-	-	-	16,547
Depreciation Expense (refer Note 4)	-	(58,169)	(1,084)	(108)	(9,659)	(1,198)	(1,364)	(151)	(228)	(71,961)
<b>Balance at 30 June 2010</b>	<b>180,251</b>	<b>841,040</b>	<b>5,646</b>	<b>175</b>	<b>32,462</b>	<b>2,023</b>	<b>3,159</b>	<b>237</b>	<b>-</b>	<b>1,064,993</b>
Additions	-	45,703	5,290	143	14,458	1,433	1,693	186	-	68,906
Disposals	-	-	(3)	-	-	(3)	-	-	-	(6)
Revaluation Increment*/(Decrements)	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation (refer Note 4)	-	(59,115)	(1,344)	(146)	(9,371)	(1,493)	(1,453)	(125)	-	(73,047)
Balance at 30 June 2011	180,251	827,628	9,589	172	37,549	1,960	3,399	298	-	1,060,846

### \* 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 was 30 June 2009.

\*\* Management has completed a Land Fair Value Assessment using the VGV indices as at 30 June 2010. This has resulted in a Revaluation of Land - increase \$16,547,045.

## Note 13: Intangible Assets

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
Software	9,925	9,231
Less Accumulated Amortisation	(8,610)	(7,312)
<b>Total</b>	<b>1,315</b>	<b>1,919</b>

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

	<b>Software \$000</b>	<b>Total \$000</b>
<b>Balance at 1 July 2009</b>	<b>1,573</b>	<b>1,573</b>
Additions	1,496	1,496
Disposals	-	-
Amortisation Expense (refer Note 4)	(1,150)	(1,150)
	-	-
<b>Balance at 1 July 2010</b>	<b>1,919</b>	<b>1,919</b>
Additions	694	694
Disposals	-	-
Amortisation Expense (refer Note 4)	(1,298)	(1,298)
	-	-
<b>Balance at 30 June 2011</b>	<b>1,315</b>	<b>1,315</b>

## Note 14: Payables

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Contractual</b>		
Trade Creditors	9,782	5,817
Accrued Interest	394	401
Accrued Expenses	14,605	16,475
Salary Packaging	4,438	5,109
Other	123	171
	<b>29,342</b>	<b>27,973</b>
<b>Statutory</b>		
GST Payable	489	476
Department of Health	1,656	5,332
Pay As You Go Withholding	1,970	3,452
Superannuation Payable	4,131	4,741
	<b>8,246</b>	<b>14,001</b>
<b>Total Current</b>	<b>37,588</b>	<b>41,974</b>

## Note 14: Payables (continued)

### (a) Maturity analysis of payables

Please refer to note 21(c) for the ageing analysis of payables

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

Please refer to note 21(c) for the nature and extent of risks arising from payables

## Note 15: Interest Bearing Liabilities

	Total 2011 \$000	Total 2010 \$000
<b>Current</b>		
Australian Dollar Borrowings		
- Treasury Corporation Victoria	488	456
<b>Total Current</b>	<b>488</b>	<b>456</b>
<b>Non-Current</b>		
Australian Dollar Borrowings		
- Treasury Corporation Victoria	23,023	23,511
<b>Total Non Current</b>	<b>23,023</b>	<b>23,511</b>
<b>Total Borrowings</b>	<b>23,511</b>	<b>23,967</b>

### 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 2010/11 was 6.72% (2009/10: 6.79%).
- 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 21(c) for the ageing analysis of interest bearing liabilities

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

Please refer to note 21(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 16: Employee Benefits and Related On-Costs Provisions

	Total 2011 \$000	Total 2010 \$000
<b>Current Provisions</b>		
Employee Benefits		
- Unconditional and expected to be settled within 12 months	74,867	49,409
- Unconditional and expected to be settled after 12 months	38,177	55,969
Employee Termination Benefits	2,468	112
Provision related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months	6,887	4,375
- Unconditional and expected to be settled after 12 months	4,009	5,877
<b>Total Current Provisions</b>	<b>126,408</b>	<b>115,742</b>

## Note 16: Employee Benefits and Related On-Costs Provisions (continued)

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Non-Current Provisions</b>		
Employee Benefits	14,218	14,118
Provision related to Employee Benefit On-Costs	1,493	1,483
<b>Total Non-Current Provisions</b>	<b>15,711</b>	<b>15,601</b>
<b>Total Provisions</b>	<b>142,119</b>	<b>131,343</b>

### (a) Employee Benefits and Related On-Costs

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Current Employee Benefits and related on-costs</b>		
Unconditional LSL Entitlement	61,198	56,901
Annual Leave Entitlements	41,056	39,103
Accrued Wages and Salaries	11,743	7,860
Accrued Days Off	1,515	1,626
<b>Non-Current Employee Benefits and related on-costs</b>		
Conditional Long Service Leave Entitlements (present value)	14,218	14,118
<b>Total Employee Benefits and Related On-Costs</b>	<b>129,730</b>	<b>119,609</b>
<b>On-Costs</b>		
Current On-Costs	10,896	10,252
Non-Current On-Costs	1,493	1,483
<b>Total On-Costs</b>	<b>12,389</b>	<b>11,735</b>
<b>Total Employee Benefits and Related On-Costs</b>	<b>142,119</b>	<b>131,343</b>

### (b) Movements in provisions

	<b>Total 2011 \$000</b>	<b>Total 2010 \$000</b>
<b>Movement in Long Service Leave:</b>		
<b>Balance at start of year</b>	<b>78,476</b>	<b>76,343</b>
Provision made during the year	12,593	9,721
Settlement made during the year	(7,734)	(7,588)
<b>Balance at end of year</b>	<b>83,335</b>	<b>78,476</b>

## Note 17: Other Liabilities

	Total 2011 \$000	Total 2010 \$000
<b>Current</b>		
Monies Held in Trust		
-Patient Monies Held in Trust	41	66
Borrowings - Department of Health*	100	165
Other	754	1,058
<b>Total Current</b>	<b>895</b>	<b>1,289</b>
<b>Non-Current</b>		
Borrowings - Department of Health*	134	224
Total Other Liabilities	1,029	1,513

### \* Borrowings - Department of Health

- a) Austin Health has two loans repayable to the Department of Health.
- 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.
- c) These are interest free loans, however a present value calculation has applied an interest rate of 4.72% as at 30 June 2011 (30 June 2010: 4.44%).

## Note 18: Equity

	Total 2011 \$000	Total 2010 \$000
<b>(a) Reserves</b>		
<b>Property, Plant &amp; Equipment Revaluation Surplus</b>		
<b>Balance at the Beginning of the Reporting Period</b>	546,297	532,717
Revaluation Increments/(Decrements):		
- Land	-	16,547
- Buildings	-	(2,967)
<b>Balance at the end of the Reporting Period</b>	<b>546,297</b>	<b>546,297</b>
<b>Represented by:</b>		
- Land	150,699	150,699
- Buildings	395,598	395,598
	546,297	546,297
<b>Restricted Specific Purpose Reserve</b>		
<b>Balance at the Beginning of the Reporting Period</b>	5,553	5,442
Transfers to/(from) Restricted Specific Purpose Reserve	185	111
<b>Balance at the end of the Reporting Period</b>	<b>5,738</b>	<b>5,553</b>
<b>Total Reserves</b>	<b>552,035</b>	<b>551,850</b>

## Note 18: Equity (continued)

	Total 2011 \$000	Total 2010 \$000
<b>(b) Contributed Capital</b>		
Balance at the Beginning of the Reporting Period	529,927	529,927
Capital Contributions Received from Victorian Government	-	-
<b>Balance at the end of the Reporting Period</b>	<b>529,927</b>	<b>529,927</b>
<b>(c) Accumulated Deficits</b>		
Balance at the Beginning of the Reporting Period	(97,269)	(74,824)
Net Result for the Year	(13,437)	(22,334)
Transfers (to)/from Restricted Specific Purpose Reserve	(185)	(111)
<b>Balance at the end of the Reporting Period</b>	<b>(110,891)</b>	<b>(97,269)</b>
<b>(d) Total Equity at the end of Financial Year</b>	<b>971,071</b>	<b>984,508</b>

The Property, Plant & Equipment Asset Revaluation Surplus arises on the revaluation of property, plant and equipment.

## Note 19: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	Total 2011 \$000	Total 2010 \$000
<b>Net Result for the Year</b>	<b>(13,437)</b>	<b>(22,334)</b>
Assets Received Free of Charge	-	-
Depreciation and Amortisation	74,345	73,111
Provision for Doubtful Debts	163	(8)
Impairment of Non-Financial Assets	-	46
Interest on Loan	-	16
Net (Gain)/Loss from Sale of Plant and Equipment	(87)	138
DoH Capital Grant - Indirect Contribution	(7,684)	(14,843)
Change in Operating Assets & Liabilities:		
Increase/(Decrease) in Payables	(4,386)	9,398
Increase/(Decrease) in Employee Benefits	10,776	(6,771)
Increase/(Decrease) in Other Liabilities	(476)	(134)
(Increase)/Decrease in Receivables	(6,758)	(2,991)
(Increase)/Decrease in Inventories	(4)	11
(Increase)/Decrease in Prepayments	(931)	55
<b>Net Cash Inflow from Operating Activities</b>	<b>51,521</b>	<b>35,694</b>

## Note 20: Non-Cash Financing and Investing Activities

	Total 2011 \$000	Total 2010 \$000
Assets Received Free of Charge	-	-
Acquisition of Assets through DoH Indirect Contributions	7,684	14,843
<b>Total</b>	<b>7,684</b>	<b>14,843</b>

## Note 21: Financial Instruments

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

The Austin Health's principal financial instruments comprise:

- 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.

The main purpose in holding financial instruments is to manage Austin Health's financial risks within the government policy parameters.

### (a) Financial Risk Management Objectives and Policies (continued)

#### Categorisation of financial Instruments

	Note	Category	Carrying Amount 2011 \$000	Carrying Amount 2010 \$000
<b>Financial Assets</b>				
Cash and cash equivalents	6	N/A	27,674	24,316
Receivables	7	Loans and Receivables	31,206	27,019
Other Financial Assets	8	Available for Sale Financial Assets (at fair value)	25,231	39,122
<b>Total Financial Assets (i)</b>			<b>84,111</b>	<b>90,457</b>
<b>Financial Liabilities</b>				
Payables	14	Financial Liabilities measured at amortised cost	29,341	27,974
Interest Bearing Liabilities	15	Financial Liabilities measured at amortised cost	23,511	23,967
Other Liabilities	17	Financial Liabilities measured at amortised cost	1,029	1,513
<b>Total Financial Liabilities (ii)</b>			<b>53,881</b>	<b>53,454</b>

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable)

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes payables and Superannuation owing)

### (b) Credit Risk

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

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

## Note 21: Financial Instruments (continued)

### (b) Credit Risk (continued)

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

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

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

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

	Financial Institutions (AAA credit rating) \$000	Government Agencies (AAA credit rating) \$000	Government Agencies (BBB credit rating) \$000	Other (min BBB credit rating) \$000	Total \$000
<b>2011 - Financial Assets</b>					
Cash and Cash Equivalents	27,674	-	-	-	27,674
Receivables: -					
- Trade Debtors	-	3,792	-	-	3,792
- Other Receivables	-	2,779	-	-	2,779
Other Financial Assets					
- Term Deposits	25,077	-	-	-	25,077
<b>Total Financial Assets</b>	<b>52,751</b>	<b>6,571</b>	<b>-</b>	<b>-</b>	<b>59,322</b>
<b>2010 - Financial Assets</b>					
Cash and Cash Equivalents	24,316	-	-	-	24,316
Receivables: -					
- Trade Debtors	-	2,033	-	-	2,033
- Other Receivables	-	3,118	-	-	3,118
Other Financial Assets					
- Term Deposits	38,968	-	-	-	38,968
<b>Total Financial Assets</b>	<b>63,284</b>	<b>5,151</b>	<b>-</b>	<b>-</b>	<b>68,435</b>

## Note 21: Financial Instruments (continued)

### Ageing analysis of Financial Assets as at 30 June

	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	1 - 5 Years \$000	
<b>2011 - Financial Assets</b>						
Cash and Cash Equivalents	27,674	27,674	-	-	-	-
Receivables: -						
- Trade Debtors	14,964	9,595	2,899	2,470	-	-
- Other Receivables	16,242	11,378	1,931	2,933	-	-
Other Financial Assets						
- Term Deposits	25,077	25,077	-	-	-	-
- Unlisted Shares	154	154	-	-	-	-
<b>Total Financial Assets</b>	<b>84,111</b>	<b>73,878</b>	<b>4,830</b>	<b>5,403</b>	<b>-</b>	<b>-</b>
<b>2010 - Financial Assets</b>						
Cash and Cash Equivalents	24,316	24,316	-	-	-	-
Receivables: -						
- Trade Debtors	11,028	5,844	3,316	1,868	-	-
- Other Receivables	15,991	7,347	4,344	4,300	-	-
Other Financial Assets						
- Term Deposits	38,968	38,968	-	-	-	-
- Unlisted Shares	154	154	-	-	-	-
<b>Total Financial Assets</b>	<b>90,457</b>	<b>76,629</b>	<b>7,660</b>	<b>6,168</b>	<b>-</b>	<b>-</b>

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

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

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

**Note 21: Financial Instruments (continued)**

**(c) Liquidity Risk**

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

The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Health Service manages its liquidity risk through regular cash forecasts and ensuring sufficient available cash is held to meet its obligations.

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.

**Maturity analysis of financial liabilities as at 30 June**

	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	
<b>2011 - Financial Liabilities</b>								
Payables	29,341	-	29,341	-	-	-	-	-
Interest Bearing Liabilities	23,511	23,511	119	121	248	2,309	20,714	
Other Liabilities	795	-	607	188	-	-	-	
Borrowings - DHS	234	234	-	30	70	134	-	
<b>Total Financial Liabilities</b>	<b>53,881</b>	<b>23,745</b>	<b>30,067</b>	<b>339</b>	<b>318</b>	<b>2,443</b>	<b>20,714</b>	
<b>2010 - Financial Liabilities</b>								
Payables	27,974	-	27,974	-	-	-	-	
Interest Bearing Liabilities	23,967	23,967	111	113	232	2,161	21,350	
Other Liabilities	1,124	-	689	435	-	-	-	
Borrowings - DHS	389	389	-	30	135	224	-	
<b>Total Financial Liabilities</b>	<b>53,454</b>	<b>24,356</b>	<b>28,774</b>	<b>578</b>	<b>367</b>	<b>2,385</b>	<b>21,350</b>	

Ageing analysis of financial liabilities excludes statutory financial liabilities (ie GST payable, PAYG payable and Superannuation owing).

## Note 21: Financial Instruments (continued)

### (d) Market Risk

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

### 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
<b>2011- Financial Assets</b>					
Cash and Cash Equivalents	4.88	27,674	-	27,605	69
Receivables: -					
- Trade Debtors	4.75	14,964	-	-	14,964
- Other Receivables	4.75	16,242	-	-	16,242
Other Financial Assets					
- Term Deposits	6.00	25,077	25,077	-	-
- Unlisted Shares	-	154	-	-	154
		84,111	25,077	27,605	31,429
<b>2011 - Financial Liabilities</b>					
Payables	4.75	29,341	-	-	29,341
Interest Bearing Liabilities	6.70	23,511	23,511	-	-
Other Liabilities	4.75	795	-	-	795
Borrowings - DHS	-	234	-	-	234
		53,881	23,511	-	30,370
<b>2010 Financial Assets</b>					
Cash and Cash Equivalents	4.74	24,316	-	24,246	70
Receivables: -					
- Trade Debtors	4.50	11,028	-	-	11,028
- Other Receivables	4.50	15,991	-	-	15,991
Other Financial Assets					
- Term Deposits	5.83	38,968	38,968	-	-
- Unlisted Shares	-	154	-	-	154
		90,457	38,968	24,246	27,243
<b>2010 - Financial Liabilities</b>					
Payables	4.50	27,974	-	-	27,974
Interest Bearing Liabilities	6.70	23,967	23,967	-	-
Other Liabilities	4.50	1,124	-	-	1,124
Borrowings - DHS	-	389	-	-	389
		53,454	23,967	-	29,487

The carrying amount excludes all statutory financial assets and liabilities (ie GST Input tax credit and GST payable).

## Note 21: 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.

	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
<b>2011</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	27,674	(277)	(277)	277	277	-	-
Receivables: -							
- Trade Debtors	14,964	-	-	-	-	-	-
- Other Receivables	16,242	-	-	-	-	-	-
Other Financial Assets							
- Term Deposits	25,077	-	-	-	-	-	-
- Unlisted Shares	154	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>84,111</b>	<b>(277)</b>	<b>(277)</b>	<b>277</b>	<b>277</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>							
Payables	29,341	-	-	-	-	-	-
Interest Bearing Liabilities	23,511	-	-	-	-	-	-
Other Liabilities	795	-	-	-	-	-	-
Borrowings - DHS	234	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>53,881</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The carrying amount excludes all statutory financial assets and liabilities (ie GST input tax credit and GST payable).

**Note 21: Financial Instruments (continued)**

	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		
<b>2010</b>											
<b>Financial Assets</b>											
Cash and Cash Equivalents	24,316	(243)	(243)	243	243	-	-	-	-	-	-
Receivables: -											
- Trade Debtors	11,028	-	-	-	-	-	-	-	-	-	-
- Other Receivables	15,991	-	-	-	-	-	-	-	-	-	-
Other Financial Assets											
- Term Deposits	38,968	-	-	-	-	-	-	-	-	-	-
- Unlisted Shares	154	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>90,457</b>	<b>(243)</b>	<b>(243)</b>	<b>243</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>											
Payables	27,974	-	-	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	23,967	-	-	-	-	-	-	-	-	-	-
Other Liabilities	1,124	-	-	-	-	-	-	-	-	-	-
Borrowings - DHS	389	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>53,454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The carrying amount excludes all of statutory financial assets and liabilities (ie GST input tax credit and GST payable).

## Note 21: Financial Instruments (continued)

### (e) Fair Value

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

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

The financial assets include holdings in unlisted shares. Fair value of these is determined by projecting future cash inflows from expected future dividends and subsequent disposal of the securities. These cash flows are then discounted back to their present value using a discount rate.

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

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

### Comparison between Carrying Amount and Fair Value

	Carrying Amount 2011 \$000	Fair Value 2011 \$000	Carrying Amount 2010 \$000	Fair Value 2010 \$000
<b>Financial Assets</b>				
Cash and Cash Equivalents	27,674	27,674	24,316	24,316
Receivables: -				
- Trade Debtors	14,964	14,964	11,028	11,028
- Other Receivables	16,242	16,242	15,991	15,991
Other Financial Assets				
- Term Deposits	25,077	25,077	38,968	38,968
- Unlisted Shares	154	154	154	154
<b>Total Financial Assets</b>	<b>84,111</b>	<b>84,111</b>	<b>90,457</b>	<b>90,457</b>
<b>Financial Liabilities</b>				
Payables	29,341	29,341	27,974	27,974
Interest Bearing Liabilities	23,511	23,511	23,967	23,967
Other Liabilities	795	795	1,124	1,124
Borrowings - DHS	234	234	389	389
<b>Total Financial Liabilities</b>	<b>53,881</b>	<b>53,881</b>	<b>53,454</b>	<b>53,454</b>

The carrying amount excludes all statutory financial assets and liabilities (ie GST input tax credit and GST payable).

## Note 21: Financial Instruments (continued)

### (e) Fair Value (continued)

#### Comparison between Carrying Amount and Fair Value

	Carrying Amount As At June \$000	Fair Value Measurement at End of Reporting Period Using:		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>2011 Financial Assets at Fair Value Through Profit &amp; Loss</b>				
Available for sale financial assets				
- Equities and Managed Funds	154	-	154	-
<b>Total Financial Assets</b>	154	-	154	-
<b>2010 Financial Assets at Fair Value Through Profit &amp; Loss</b>				
Available for sale financial assets				
- Equities and Managed Funds	154	-	154	-
<b>Total Financial Liabilities</b>	154	-	154	-

## Note 22: Commitments for Expenditure

	Total 2011 \$000	Total 2010 \$000
<b>Capital expenditure commitments</b>		
Land and Buildings	77,804	51,016
Plant and Equipment	11,174	12,348
<b>Total capital expenditure commitments</b>	<b>88,978</b>	<b>63,364</b>
<b>Land and Buildings</b>		
Not later than one year	56,899	58,397
Later than 1 year and not later than 5 years	20,905	4,967
Later than 5 years	-	-
<b>Total</b>	<b>77,804</b>	<b>63,364</b>
<b>Plant and Equipment</b>		
Not later than one year	11,174	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
<b>Total</b>	<b>11,174</b>	<b>-</b>
<b>Lease Commitments</b>		
Commitments in relation to leases contracted for at the reporting date:		
Operating Leases	6,027	6,931

## Note 22: Commitments for Expenditure (continued)

	Total 2011 \$000	Total 2010 \$000
<b>Operating Leases</b>		
<i>Non-cancellable</i>		
Not later than one year	2,470	2,643
Later than 1 year and not later than 5 years	3,557	4,288
Later than 5 years	-	-
<b>Total</b>	<u>6,027</u>	<u>6,931</u>
<b>Total Commitments for Expenditure (inclusive of GST)</b>	<u>95,005</u>	<u>70,295</u>
less GST recoverable from the Australian Tax Office		
<b>Total Commitments for Expenditure (exclusive of GST)</b>	<u>95,005</u>	<u>70,295</u>

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 2011 financial year was \$4,236,000 (2010: \$4,979,000).

## Note 23: Contingent Liabilities

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

	Total 2011 \$000	Total 2010 \$000
<b>Contingent Liabilities</b>		
<b>Quantifiable</b>		
Other - Recallable Capital Grant Medical Scanning System	2,750	2,900
Other - Recallable Capital Grant Pathology Redevelopment Stage 2	1,000	-
<b>Total Quantifiable Liabilities</b>	<u>3,750</u>	<u>2,900</u>

Austin Health obtained a Recallable Capital Grant during the 2008/09 financial year from the Department of Health to assist with the financing of the Medical Scanning project. A further Recallable Capital Grant was obtained in 2010/11 to assist with the financing of the Pathology Redevelopment Stage 2 project. At inception both grants were included in State Government Capital Grants in Note 2. Advice received from the Department of Health at the time of funding was:

*“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.”*

Further advice was received from the Department of Health in August 2011, confirming repayments of both Recallable Capital Grants remain at the discretion of DoH.

## Note 24: Events Occurring after Report Date

There were no events occurring after Report Date.

## Note 25a: Responsible Persons Disclosures

(a) <b>Responsible Persons</b>	<b>Period</b>
The Hon. Daniel Andrews	01/07/2010 – 02/12/2010
The Hon. David Davis	02/12/2010 – 30/06/2011

### **The Austin Health Board**

Mr Tim Daly (Chairman)	01/07/2010 – 30/06/2011
Ms Joanna Betteridge	01/07/2010 – 30/06/2011
Ms Suzanne Evans	01/07/2010 – 30/06/2011
Prof John McNeil	01/07/2010 – 30/06/2011
Ms Barbara Hingston	01/07/2010 – 30/06/2011
Ms Josie Rizza	01/07/2010 – 30/06/2011
Professor David Scott	01/07/2010 – 30/06/2011
Mr Stephen Kerr	01/07/2010 – 30/06/2011
Ms Miranda Douglas-Crane	01/07/2010 – 30/06/2011

### **Accountable Officer**

Dr Brendan Murphy	01/07/2010 – 30/06/2011
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## (b) **Remuneration of Responsible Persons**

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

	<b>2011 No.</b>	<b>2010 No.</b>
\$20,000 - \$29,999	1	1
\$30,000 - \$39,999	7	7
\$60,000 - \$69,999	1	1
\$350,000 - \$359,999	-	-
\$380,000 - \$389,999	1	1
	<b>10</b>	<b>10</b>

	<b>2011</b>	<b>2010</b>
Total remuneration received or due and receivable by Responsible Persons from Austin Health amounted to:	\$ 698,495	\$ 693,637

## (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.

## (e) **Changes to Austin Health Board after 30 June 2011.**

As at 30 June 2011, Ms Joanna Betteridge and Ms Josie Rizza completed their terms of appointment to the Austin Health Board. Dr Con Mylonas and Ms Mary Ann Morgan were appointed from 1 July 2011.

## (f) Amounts relating to Responsible Ministers are reported in the Financial Statements of the Department of Premier and Cabinet.

## Note 25b: Executive Officer Disclosures

### Executive Officer Disclosures

The number of Executive Officers and their total remuneration during the reported 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	
	2011 No	2010 No	2011 No	2010 No
\$0 - \$99,999	-	1	1	1
\$100,000 - \$109,999	1	-	-	-
\$140,000 - \$149,999	-	-	-	-
\$150,000 - \$159,999	-	1	-	1
\$160,000 - \$169,999	-	-	-	-
\$180,000 - \$189,999	-	-	-	-
\$190,000 - \$199,999	-	-	1	-
\$200,000 - \$209,999	-	-	1	3
\$210,000 - \$219,999	1	2	-	-
\$220,000 - \$229,999	-	-	1	-
\$230,000 - \$239,999	1	-	1	2
\$240,000 - \$249,999	-	-	-	-
\$250,000 - \$259,999	-	2	1	-
\$260,000 - \$269,999	1	-	-	-
\$280,000 - \$289,999	1	-	-	2
\$290,000 - \$299,999	1	2	1	-
\$300,000 - \$309,999	-	1	-	-
\$330,000 - \$339,999	1	-	-	-
\$380,000 - \$389,999	-	-	-	-
	7	9	7	9

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

	Total Remuneration		Base Remuneration	
	2011 \$	2010 \$	2011 \$	2010 \$
	1,730,788	1,999,122	1,444,880	1,823,243

## Note 26: Segment Reporting

	RACS		Acute Services		Acute Services		Other		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>												
External Segment Revenue	9,308	9,302	557,973	517,009	-	-	-	-	-	-	567,280	526,311
Unallocated Revenue	-	-	-	-	180,102	167,700	167,700	167,700	180,102	180,102	180,102	167,700
<b>Total Revenue</b>	<b>9,308</b>	<b>9,302</b>	<b>557,973</b>	<b>517,009</b>	<b>180,102</b>	<b>167,700</b>	<b>167,700</b>	<b>167,700</b>	<b>180,102</b>	<b>180,102</b>	<b>747,382</b>	<b>694,011</b>
<b>Expenses</b>												
External Segment Expense	8,923	8,419	568,942	524,720	-	-	-	-	-	-	577,865	533,139
Unallocated Expense	-	-	-	-	185,577	184,961	184,961	184,961	185,577	185,577	185,577	184,961
<b>Total Expenses</b>	<b>8,923</b>	<b>8,419</b>	<b>568,942</b>	<b>524,720</b>	<b>185,577</b>	<b>184,961</b>	<b>184,961</b>	<b>184,961</b>	<b>185,577</b>	<b>185,577</b>	<b>763,442</b>	<b>718,100</b>
<b>Net Result from Ordinary Activities</b>	<b>385</b>	<b>883</b>	<b>(10,969)</b>	<b>(7,711)</b>	<b>(5,475)</b>	<b>(17,261)</b>	<b>(17,261)</b>	<b>(17,261)</b>	<b>(4,790)</b>	<b>(16,991)</b>	<b>(16,060)</b>	<b>(24,089)</b>
Interest Expense	-	-	-	-	(1,577)	(1,617)	(1,617)	(1,617)	(1,577)	(1,577)	(1,577)	(1,617)
Interest Income	-	-	1,937	1,485	2,263	1,887	1,887	1,887	2,263	2,263	4,200	3,372
<b>Net Result for the Year</b>	<b>385</b>	<b>883</b>	<b>(9,032)</b>	<b>(6,226)</b>	<b>(4,790)</b>	<b>(16,991)</b>	<b>(16,991)</b>	<b>(16,991)</b>	<b>(13,437)</b>	<b>(13,437)</b>	<b>(13,437)</b>	<b>(22,334)</b>
<b>Other Information</b>												
Segment Assets	9,167	9,312	803,193	814,837	-	-	-	-	-	-	812,360	824,149
Unallocated Assets	-	-	-	-	362,958	359,156	359,156	359,156	362,958	362,958	362,958	359,156
<b>Total Assets</b>	<b>9,167</b>	<b>9,312</b>	<b>803,193</b>	<b>814,837</b>	<b>362,958</b>	<b>359,156</b>	<b>359,156</b>	<b>359,156</b>	<b>1,175,318</b>	<b>1,175,318</b>	<b>1,183,305</b>	<b>1,183,305</b>
Segment Liabilities	2,215	2,258	137,452	132,484	-	-	-	-	-	-	139,667	134,742
Unallocated Liabilities	-	-	-	-	64,580	64,055	64,055	64,055	64,580	64,580	64,580	64,055
<b>Total Liabilities</b>	<b>2,215</b>	<b>2,258</b>	<b>137,452</b>	<b>132,484</b>	<b>64,580</b>	<b>64,055</b>	<b>64,055</b>	<b>64,055</b>	<b>204,247</b>	<b>204,247</b>	<b>204,247</b>	<b>198,797</b>
Acquisition of Property, Plant, Equipment and Intangible Assets	44	135	23,040	24,030	45,823	23,850	23,850	23,850	45,823	45,823	68,906	48,015
Depreciation & Amortisation Expense	774	758	57,006	56,060	16,565	16,293	16,293	16,293	16,565	16,293	74,345	73,111

## **Note 26: Segment Reporting (continued)**

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

<b>Business Segments</b>	<b>Services</b>
Residential Aged Care Services (RACS) including Mental Health	Residential Aged Care Nursing Home Services Mary Guthrie House

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.

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