

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

#### (a) Gross carrying amount and accumulated depreciation

	2018 \$'000	2017 \$'000
<b>Land</b>		
- Land at Fair Value	9,277	7,909
<b>Total Land</b>	<b>9,277</b>	<b>7,909</b>
<b>Buildings</b>		
- Buildings at Fair Value	41,109	34,562
Less Accumulated Depreciation	3,456	2,506
	37,653	32,056
<b>Total Buildings</b>	<b>37,653</b>	<b>32,056</b>
<b>Plant and Equipment</b>		
- GHA IT Alliance	13	7
- Plant and Equipment at Fair Value	8,864	8,031
Less Accumulated Depreciation	6,669	6,083
<b>Total Plant and Equipment</b>	<b>2,208</b>	<b>1,955</b>
<b>Medical Equipment</b>		
-Medical Equipment at Fair Value	4,907	4,526
Less Accumulated Depreciation and Impairment	3,420	3,119
<b>Total Medical Equipment</b>	<b>1,487</b>	<b>1,407</b>
<b>Under Construction</b>		
Assets Under Construction	919	1,375
<b>Total Assets Under Construction</b>	<b>919</b>	<b>1,375</b>
<b>TOTAL</b>	<b>51,544</b>	<b>44,702</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Land	Buildings	Plant & Equipment	Medical Equipment	Assets Under Construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2016</b>	7,909	32,821	2,345	1,554	176	44,805
Additions	-	98	269	145	1,199	1,711
Transfers	-	-	-	-	-	-
Disposals	-	-	(7)	-	-	(7)
Depreciation and Amortisation (note 4.3)	-	(863)	(652)	(292)	-	(1,807)
<b>Balance at 1 July 2017</b>	7,909	32,056	1,955	1,407	1,375	44,702
Additions	-	-	926	381	6,091	7,398
Transfers	-	6,547	-	-	(6,547)	-
Revaluation Increments	1,368	-	-	-	-	1,368
Disposals	-	-	(1)	-	-	(1)
Depreciation and Amortisation (note 4.3)	-	(950)	(672)	(301)	-	(1,923)
<b>Balance at 30 June 2018</b>	9,277	37,653	2,208	1,487	919	51,544

#### Land and buildings carried at valuation

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

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

This assessment resulted in the fair value of the land being adjusted by a managerial revaluation in 2018. The Department of Health and Human Services approved this managerial revaluation of the land asset class of \$1.368m.

#### (c) Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$'000	\$'000	\$'000	\$'000
<b>Land at fair value</b>				
Non-specialised land	1,925	-	1,925	-
Specialised land	-	-	-	-
Hospital and Aged Care Sites	7,352	-	-	7,352
Total of land at fair value	9,277	-	1,925	7,352
<b>Buildings at fair value</b>				
Non-specialised buildings	229	-	229	-
Specialised buildings	37,424	-	-	37,424
Total of building at fair value	37,653	-	229	37,424
<b>Plant and equipment at fair value</b>				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	211	-	211	-
- Plant and equipment	1,997	-	-	1,997
Total of plant, equipment and vehicles at fair value	2,208	-	211	1,997
<b>Medical equipment at fair value</b>				
- Medical equipment	1,487	-	-	1,487
Total medical equipment at fair value	1,487	-	-	1,487
<b>Assets under construction at fair value</b>				
Specialised buildings	919	-	-	919
Total Assets under construction at fair value	919	-	-	919
	51,544	-	2,365	49,179

Note

(i) Classified in accordance with the fair value hierarchy.

(ii) Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value. However, entities should consult with an independent valuer in determining whether a market approach is appropriate for vehicles with an active resale market available. If yes, a level 2 categorisation for such vehicles would be appropriate. There have been no transfers between levels during the period.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

#### (c) Fair value measurement hierarchy for assets (Continued)

#### Land at fair value

Non-specialised land  
Specialised land  
Hospital and Aged Care Sites  
Total of land at fair value

#### Buildings at fair value

Non-specialised buildings  
Specialised buildings  
Total of building at fair value

#### Plant and equipment at fair value

Plant equipment and vehicles at fair value  
- Vehicles  
- Plant and equipment  
Total of plant, equipment and vehicles at fair value

#### Medical equipment at fair value

- Medical equipment  
Total medical equipment at fair value

#### Assets under construction at fair value

Specialised buildings  
Total Assets under construction at fair value

Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
	Level 1 (i)	Level 2 (i)	Level 3 (i)
\$'000	\$'000	\$'000	\$'000
1,800	-	1,800	-
-	-	-	-
6,109	-	-	6,109
7,909	-	1,800	6,109
229	-	229	-
31,827	-	-	31,827
32,056	-	229	31,827
163	-	163	-
1,792	-	-	1,792
1,955	-	163	1,792
1,407	-	-	1,407
1,407	-	-	1,407
1,375	-	-	1,375
1,375	-	-	1,375
44,702	-	2,192	42,510

Note

(i) Classified in accordance with the fair value hierarchy.

(ii) Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value. However, entities should consult with an independent valuer in determining whether a market approach is appropriate for vehicles with an active resale market available. If yes, a level 2 categorisation for such vehicles would be appropriate.

There have been no transfers between levels during the period.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

#### (d) Reconciliation of Level 3 fair value

30 June 2018

Opening Balance

Purchases (sales)

Transfers in (out) of Level 3

Gains or losses recognised in net result

- Depreciation

Subtotal

Items recognised in other comprehensive income

- Revaluation

Subtotal

Closing Balance

Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Medical Equipment \$'000	Assets under construction \$'000
6,109	31,827	1,792	1,407	1,375
-	-	779	381	6,091
-	6,547	-	-	(6,547)
-	(950)	(574)	(301)	-
6,109	37,424	1,997	1,487	919
1,243	-	-	-	-
1,243	-	-	-	-
7,352	37,424	1,997	1,487	919

30 June 2017

Opening Balance

Purchases (sales)

Transfers in (out) of Level 3

Gains or losses recognised in net result

- Depreciation

Subtotal

Items recognised in other comprehensive income

- Revaluation

Subtotal

Closing Balance

Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Medical Equipment \$'000	Assets under construction \$'000
6,109	32,592	2,085	1,554	176
-	98	224	145	1,199
-	-	-	-	-
-	(863)	(517)	(292)	-
6,109	31,827	1,792	1,407	1,375
-	-	-	-	-
-	-	-	-	-
6,109	31,827	1,792	1,407	1,375

#### (e) Fair Value Determination

Asset Class	Examples of types assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Crown/Freehold)	- Land subject to restriction as to use and/or sale - Land in areas where there is not an active market	Level 3	Market approach	Community Service Obligation Adjustments
Specialised Buildings (a)	Specialised buildings with limited alternative uses and/or substantial customisation eg. Hospitals	Level 3	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	If there is an active resale market available	Level 2	Market approach	n.a.
Plant and equipment	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Depreciated replacement cost approach	- Cost per square metre - Useful life

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

#### Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government change are transferred at their carrying amounts.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Initial Recognition (Continued)

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

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

#### Subsequent Measurement

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

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

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

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

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

*The Valuer-General Victoria (VGV) is Bass Coast Health's independent valuation agency.*

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

#### Fair value measurement

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

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

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

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

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

These indicators, as a minimum, include:

External factors:

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

#### Valuation hierarchy

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

#### Specialised land and specialised buildings

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

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

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

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

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

#### Vehicles

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

#### Plant and equipment

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

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

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

#### Revaluations of Non-current Physical Assets

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

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

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

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

Revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 4.3: DEPRECIATION AND AMORTISATION

#### Depreciation

	2018 \$'000	2017 \$'000
Buildings	950	863
Plant and Equipment	335	289
Medical Equipment	301	292
Computers and Communication	178	172
Furniture and Equipment	61	56
Motor Vehicles	98	135

#### Total Depreciation

1,923	1,807
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#### Depreciation

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

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

	2018	2017
Buildings		
- Structure Shell Building Fabric	37 to 42 Years	37 to 42 Years
- Site Engineering Services and Central Plant	27 Years	27 Years
Central Plant		
- Fit Out	12 Years	12 Years
- Trunk Reticulated Building Systems	17 years	17 years
Plant & Equipment	5 to 10 years	5 to 10 years
Medical Equipment	5 to 20 years	5 to 20 years
Computers and Communication	4 years	4 years
Motor Vehicles	5 years	5 years
Leasehold Improvements	5 to 10 years	5 to 10 years

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 5: OTHER ASSETS AND LIABILITIES

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

#### **Structure**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 5.1: RECEIVABLES

#### CURRENT

##### Contractual

	2018 \$'000	2017 \$'000
Trade Debtors	324	502
Patient Fees	306	136
Accrued Investment Income	5	2
GHA IT Alliance	392	359
Accrued Revenue - Other	510	240
Less: Allowance for Doubtful Debts		
Patient Fees	(70)	(32)
Trade Debtors	(138)	(124)
	<u>1,329</u>	<u>1,083</u>

##### Statutory

Accrued Revenue - Department of Health & Human Services	313	215
GST Receivable	345	206
	<u>658</u>	<u>421</u>
<b>TOTAL CURRENT RECEIVABLES</b>	<u><b>1,987</b></u>	<u><b>1,504</b></u>

#### NON CURRENT

##### Statutory

Long Service Leave - Department of Health and Human Services	1,483	1,170
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<u><b>1,483</b></u>	<u><b>1,170</b></u>

#### TOTAL RECEIVABLES

	<u><b>3,470</b></u>	<u><b>2,674</b></u>
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#### (a) Movement in the allowance for doubtful debts

Balance at beginning of the year	156	116
Amounts written off during the year	(88)	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in net result	<u>140</u>	<u>40</u>

#### Balance at end of year

	<u><b>208</b></u>	<u><b>156</b></u>
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Receivables consist of:

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

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

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

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

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

Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 5.2: INVENTORIES

Pharmaceuticals - at cost  
Medical and surgical lines - at cost

#### TOTAL INVENTORIES

2018	2017
\$'000	\$'000
52	34
119	114
<b>171</b>	<b>148</b>

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

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

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

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

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

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

### NOTE 5.3: OTHER LIABILITIES

#### CURRENT

Monies Held in Trust\*  
- Patient Monies Held in Trust\*  
- Accommodation Bonds (Refundable Entrance Fees)\*

#### TOTAL CURRENT

\* Total Monies Held in Trust  
Represented by the following assets:  
Cash Assets (refer to Note 6.2)

#### TOTAL OTHER LIABILITIES

2018	2017
\$'000	\$'000
41	30
4,608	3,443
<b>4,649</b>	<b>3,473</b>
<b>4,649</b>	<b>3,473</b>

### NOTE 5.4: PREPAYMENTS AND OTHER NON-FINANCIAL ASSETS

#### CURRENT

Prepayments

#### TOTAL OTHER ASSETS

2018	2017
\$'000	\$'000
46	43
<b>46</b>	<b>43</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 5.5: PAYABLES

	2018 \$'000	2017 \$'000
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors (i)	1,872	1,644
Accrued Expenses	2,135	390
GHA IT Alliance	482	115
	<u>4,489</u>	<u>2,149</u>
<b>Statutory</b>		
GST Payable	32	23
	<u>32</u>	<u>23</u>
<b>TOTAL</b>	<u>4,521</u>	<u>2,172</u>

(i) The average credit period is 45 days.

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to Bass Coast Health prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

#### Note 5.5 (a): Maturity analysis of financial liabilities as at 30 June

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

	Total Carrying Amount \$'000	Nominal Amount \$'000	Maturity Dates			
			Less than 1 Month \$'000	1 - 3 Months \$'000	3 Months - 1 Year \$'000	1 - 5 Years \$'000
<b>2018</b>						
<b>Financial Liabilities</b>						
<i>At amortised cost</i>						
Payables (i)	4,489	4,489	4,390	99	-	-
Borrowings	3,908	3,908	150	300	1,350	2,108
Other Financial Liabilities						
- Accommodation Bonds	4,608	4,608	-	-	4,608	-
- Other	41	41	-	41	-	-
<b>Total Financial Liabilities</b>	<u>13,046</u>	<u>13,046</u>	<u>4,540</u>	<u>440</u>	<u>5,958</u>	<u>2,108</u>
<b>2017</b>						
<b>Financial Liabilities</b>						
<i>At amortised cost</i>						
Payables (i)	2,149	2,149	1,230	768	151	-
Borrowings	4,668	4,668	125	250	1,125	3,168
Other Financial Liabilities						
- Accommodation Bonds	3,443	3,443	-	-	3,443	-
- Other	30	30	-	30	-	-
<b>Total Financial Liabilities</b>	<u>10,290</u>	<u>10,290</u>	<u>1,355</u>	<u>1,048</u>	<u>4,719</u>	<u>3,168</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 6: HOW WE FINANCE OUR OPERATIONS

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

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

#### **Structure**

6.1 Borrowings

6.2 Cash and cash equivalents

6.3 Commitments for expenditure



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 6.1: BORROWINGS

	2018 \$'000	2017 \$'000
<b>Current Borrowings</b>		
Australian Dollar Borrowings		
– Department of Health & Human Services - less than one year (i)	1,800	1,500
<b>Total Australian Dollars Borrowings</b>	<u>1,800</u>	<u>1,500</u>
<b>Total Current Borrowings</b>	<u><b>1,800</b></u>	<u><b>1,500</b></u>
<b>Non-Current Borrowings</b>		
Australian Dollar Borrowings		
– Department of Health & Human Services - two to five years (i)	2,108	3,168
<b>Total Australian Dollars Borrowings</b>	<u>2,108</u>	<u>3,168</u>
<b>Total Non-Current Borrowings</b>	<u><b>2,108</b></u>	<u><b>3,168</b></u>

(i) They are unsecured loans which bear no interest.

#### (a) Maturity analysis of borrowings

Please refer to note 5.5 for the ageing analysis of borrowings.

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

Please refer to note 5.5 for the nature and extent of risks arising from borrowings.

#### (c) Defaults and breaches

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

#### Borrowing Recognition

##### Borrowings

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. 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. Fair value is determined in the manner described in Note 7.1.

### NOTE 6.2: CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

	2018 \$'000	2017 \$'000
Cash on Hand	3	3
Cash at Bank	17,773	10,727
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><b>17,776</b></u>	<u><b>10,730</b></u>
<b>Represented by:</b>		
Cash for Health Service Operations (as per cash flow statement)	12,373	6,852
GHA IT Alliance	754	405
Cash for Monies Held in Trust	4,649	3,473
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><b>17,776</b></u>	<u><b>10,730</b></u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 6.3: COMMITMENTS FOR EXPENDITURE

#### (a) Commitments

##### Capital Expenditure Commitments

###### Payable:

Land and Buildings

##### Total Capital Expenditure Commitments

2018	2017
\$'000	\$'000

700	4,825
<b>700</b>	<b>4,825</b>

##### Lease Commitments

###### Commitments in relation to leases contracted for at the reporting date:

Operating Leases

##### Total Lease Commitments

562	707
<b>562</b>	<b>707</b>

##### Operating Leases

IT Computers and Printers payable as follows:

Not later than one year

Later than one year and not later than 5 years

##### Total Operating Lease Commitments

192	199
370	508
<b>562</b>	<b>707</b>

##### Total Commitments (inclusive of GST)

less GST recoverable from the Australian Taxation Office

##### Total Commitments (exclusive of GST)

1,262	5,532
(115)	(503)
<b>1,147</b>	<b>5,029</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 7: RISKS, CONTINGENCIES & VALUATION UNCERTAINTIES

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

#### **Structure**

7.1 Financial instruments

7.2 Contingent assets and contingent liabilities

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 7.1: FINANCIAL INSTRUMENTS

#### Financial Risk Management Objectives and Policies

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

#### (a) Categorisation of financial instruments

	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
<b>2018</b>			
<b>Contractual Financial Assets</b>			
Cash and cash equivalents	17,776	-	17,776
Receivables			
- Trade Debtors	422	-	422
- Other Receivables	907	-	907
Investments and Other Financial Assets			
- Term Deposits	2,020	-	2,020
<b>Total Financial Assets (i)</b>	<b>21,125</b>	<b>-</b>	<b>21,125</b>
<b>Financial Liabilities</b>			
Payables	-	4,489	4,489
Borrowings	-	3,908	3,908
Other Financial Liabilities			
- Accommodation Bonds	-	4,608	4,608
- Other	-	41	41
<b>Total Financial Liabilities(ii)</b>	<b>-</b>	<b>13,046</b>	<b>13,046</b>
<b>2017</b>			
<b>Contractual Financial Assets</b>			
Cash and cash equivalents	10,730	-	10,730
Receivables			
- Trade Debtors	482	-	482
- Other Receivables	601	-	601
<b>Total Financial Assets (i)</b>	<b>11,813</b>	<b>-</b>	<b>11,813</b>
<b>Financial Liabilities</b>			
Payables	-	2,149	2,149
Borrowings	-	4,668	4,668
Other Financial Liabilities			
- Accommodation Bonds	-	3,443	3,443
- Other	-	30	30
<b>Total Financial Liabilities(ii)</b>	<b>-</b>	<b>10,290</b>	<b>10,290</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

#### (b) Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) \$'000	Total interest income/ (expense) \$'000	Total \$'000
<b>2018</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalents (i)	-	312	312
<b>Total Financial Assets</b>	-	312	312
<b>Financial Liabilities</b>			
At amortised cost (ii)	-	-	-
<b>Total Financial Liabilities</b>	-	-	-
<b>2017</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalents (i)	-	205	205
<b>Total Financial Assets</b>	-	205	205
<b>Financial Liabilities</b>			
At amortised cost (ii)	-	-	-
<b>Total Financial Liabilities</b>	-	-	-

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

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense measured at amortised cost.

#### Categories of financial instruments

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

Bass Coast Health recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

**Financial liabilities at amortised cost** are initially recognised on the date they are originated.

They are initially measured at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. Bass Coast Health recognises the following liabilities in this category:

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

#### Derecognition of financial assets

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

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

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

#### Impairment of financial assets

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

#### Reclassification of financial instruments

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

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

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

#### Derecognition of financial liabilities

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

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

### NOTE 7.2: CONTINGENT 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.

There are no known contingent assets or contingent liabilities for Bass Coast Health at the date of this report.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8: OTHER DISCLOSURES

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

#### **Structure**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8.1: EQUITY

	2018 \$'000	2017 \$'000
<b>(a) Surpluses</b>		
<b>Property, Plant and Equipment Revaluation Surplus <sup>1</sup></b>		
Balance at beginning of the reporting period	21,052	21,052
Revaluation Increment		
- Land	1,368	-
Balance at the end of the reporting period *	<u>22,420</u>	<u>21,052</u>
 * Represented by:		
- Land	4,996	3,628
- Buildings	17,424	17,424
	<u>22,420</u>	<u>21,052</u>
 <b>(b) Restricted Specific Purpose Surplus</b>		
Balance at beginning of the reporting period	293	293
Balance at the end of the reporting period	<u>293</u>	<u>293</u>
 <b>Total Surpluses</b>	<u>22,713</u>	<u>21,345</u>
 <b>Contributed Capital</b>		
Balance at the beginning of the reporting period	13,438	13,438
Capital Contribution received from Victorian Government	2,456	-
Balance at the end of the reporting period	<u>15,894</u>	<u>13,438</u>
 <b>(c) Accumulated Surpluses/(Deficits)</b>		
Balance at the beginning of the reporting period	2,712	(2,333)
Surplus on Acquisition	-	-
Net Result for the Year	8,972	5,045
Balance at the end of the reporting period	<u>11,684</u>	<u>2,712</u>
 <b>Total Equity at end of financial year</b>	<u>50,291</u>	<u>37,495</u>

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

#### Contributed Capital

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

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

#### Property, plant and equipment revaluation surplus

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

#### Specific restricted purpose surplus

A specific restricted purpose surplus 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

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

	2018 \$'000	2017 \$'000
<b>NET RESULT FOR THE YEAR</b>	8,972	5,045
<b>Non-cash movements</b>		
Depreciation and Amortisation	1,923	1,807
Share of Net Result of Joint Venture	(21)	(395)
Discount Interest on Loan Net Present Value	14	0
<b>Movements included in investing and financing activities</b>		
Net (gain)/loss from disposal of non financial physical assets	(14)	7
<b>Movements in assets and liabilities</b>		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	(763)	(781)
(Increase)/Decrease in Prepayments	(3)	736
Increase/(Decrease) in Payables	1,982	(1,928)
Increase/(Decrease) in Provisions	1,169	580
Change in Inventories	(23)	8
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>13,236</b>	<b>5,079</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8.3: RESPONSIBLE PERSON DISCLOSURES

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

	Period
<b>Responsible Ministers:</b>	
The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services	01/07/2017 - 30/06/2018
The Honourable Martin Foley, Minister for Housing, Disability and Ageing and Minister for Mental Health	01/07/2017 - 30/06/2018
<b>Governing Boards</b>	
Christine Hammond	01/07/2017 - 30/06/2018
Simon Jemmett	01/07/2017 - 30/06/2018
Mim Kershaw	01/07/2017 - 30/06/2018
Richard King	12/08/2017 - 30/06/2018
Tim Large	01/07/2017 - 28/06/2018
Nigel McCormick	01/07/2017 - 30/06/2018
Kate McCullough	01/07/2017 - 30/06/2018
Mary O'Connor	01/07/2017 - 30/06/2018
Don Paproth	01/07/2017 - 30/06/2018
Ian Thompson	01/07/2017 - 30/06/2018
Mary Whelan	01/07/2017 - 30/06/2018
<b>Accountable Officers</b>	
Jan Child	01/07/2017 - 30/06/2018

### Remuneration of Responsible Persons

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

	2018	2017
Income Band	\$	\$
\$0 - \$9,999	11	12
\$270,000 - \$279,999	0	1
\$320,000 - \$329,999	1	0
<b>Total Numbers</b>	<b>12</b>	<b>13</b>
<b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>\$323,975</b>	<b>\$277,104</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8.4: REMUNERATION OF EXECUTIVES

#### Remuneration of executives

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

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

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

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

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

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

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

#### Remuneration of executive officers

	Total Remuneration	
	2018	2017
	\$	\$
Short-term employee benefits	915,599	902,092
Post-employment benefits	86,635	85,422
Other long-term benefits	30,716	15,849
<b>Total Remuneration (b)</b>	<b>1,032,950</b>	<b>1,003,363</b>
<b>Total Number of executives (c)</b>	<b>7</b>	<b>9</b>
<b>Total annualised employee equivalent (AEE) (d)</b>	<b>5</b>	<b>6</b>

#### Notes:

- The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5).
- Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8.5: RELATED PARTIES

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

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

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

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report. Key management personnel of the agency include:

Key Management Personnel	Position Title	Period
Noni Bourke	Executive Director of Quality and Risk & Residential Care	01/07/2017 - 30/06/2018
Shaun Brooks	Chief Financial Officer	24/07/2017 - 30/06/2018
Jan Child	Chief Executive Officer	01/07/2017 - 30/06/2018
Paul Greenhalgh	Executive Director of Sub Acute and Community Care	01/07/2017 - 30/06/2018
Danny Luna	Acting Chief Financial Officer	01/07/2017 - 23/07/2017
Louise Sparkes	Executive Director of Access and Emergency	01/07/2017 - 27/08/2017
Louise Sparkes	Executive Director Acute Care/ Chief Nurse & Midwife	28/08/2017 - 30/06/2018
Louise Vuillermin	Executive Director of Clinical Services, Chief Nurse and Midwife	01/07/2017 - 27/08/2017
Bruce Waxman	Executive Director of Medical Services	01/07/2017 - 30/06/2018

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

COMPENSATION	2018 \$'000
Short term employee benefits	1,202
Post-employment benefits	114
Other long-term benefits	41
<b>Total</b>	<b>1,357</b>

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

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

### Significant transactions with government-related entities

Bass Coast Health received funding from the Department of Health and Human Services of \$58.0 million (2017: \$49.9 million). Bass Coast Health made payments to Ambulance Victoria of \$1.2 million (2017: \$1.3 million).

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

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

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

### Transactions with key management personnel and other related parties

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

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

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

There were no related party transactions required to be disclosed for Bass Coast Health Board of Directors and Executive Directors in 2018.

### NOTE 8.6: REMUNERATION OF AUDITORS

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

2018 \$'000	2017 \$'000
46	45
46	45

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8.7: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

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

As at 30 June 2018, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Bass Coast Health has not and does not intend to adopt these standards early.

Topic	Key Requirements	Effective date
AASB 9 <i>Financial Instruments</i>	The key changes introduced by AASB 9 include simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend Reduced Disclosure requirements.	1 January 2018
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends as follow: - Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. - Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> <li>the entity's right to receive payment of the dividend is established;</li> <li>it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>the amount can be measured reliably.</li> </ul>	1 January 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply 1 January 2018
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

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

AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify requirements for identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> <li>a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</li> <li>for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</li> <li>for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</li> </ul>	1 January 2018
AASB 2016-7 <i>Amendments to Australian Accounting Standards Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019	1 January 2019
AASB 2016-8 <i>Amendments to Australian Accounting Standards Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: <ul style="list-style-type: none"> <li>require non-contractual receivable arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and</li> <li>clarifies circumstances when a contract with a customer is within the scope of AASB 15.</li> </ul>	1 January 2019
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet which has an impact on net debt.	1 January 2019
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. The restructure of administrative arrangement will remain under AASB 1004.	1 January 2019
AASB 1059 Service Concession Arrangements: Grantor	This standard prescribes the accounting treatment of Public Private Partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. For social infrastructure PPP arrangements, this would result in an earlier recognition of financial liabilities progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on-balance sheet.	1 January 2019
AASB 17 Insurance Contracts	The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard does not currently apply to not-for-profit public sector entities. The AASB is undertaking further outreach to determine the applicability of this standard to the not-for-profit public sector.	1 January 2021

# NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2018

### NOTE 8.8: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

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

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

### NOTE 8.9: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Ownership Interest	
	2018 %	2017 %
Gippsland Health Alliance	10.61	10.46

Bass Coast Health's interest in assets employed in the above jointly controlled operations and assets is detailed below.

The amounts are included in the financial statements and consolidated financial statements under their respective categories:

	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Cash and Cash Equivalents	754	405
Receivables	131	124
Other Current Assets	261	235
<b>Total Current Assets</b>	<b>1,146</b>	<b>764</b>
<b>Non Current Assets</b>		
Property Plant and Equipment	13	7
<b>Total Non Current Assets</b>	<b>13</b>	<b>7</b>
<b>Total Assets</b>	<b>1,159</b>	<b>771</b>
<b>Current Liabilities</b>		
Payables and Accrued Expenses	56	91
Other Current Liabilities	426	24
<b>Total Current Liabilities</b>	<b>482</b>	<b>115</b>
<b>Total Liabilities</b>	<b>482</b>	<b>115</b>
<b>Net Assets</b>	<b>677</b>	<b>656</b>

Bass Coast Health's interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

<b>Revenues</b>		
GHA Revenue	1,382	1,096
Capital Income	-	359
<b>Total Revenue</b>	<b>1,382</b>	<b>1,455</b>
<b>Expenses</b>		
Information Technology and Administrative Expenses	1,359	1,060
Capital Expense	2	-
<b>Total Expenses</b>	<b>1,361</b>	<b>1,060</b>
<b>Profit</b>	<b>21</b>	<b>395</b>

### Contingent Liabilities and Capital Commitments

There are no known contingent liabilities or capital commitments for Gippsland Health Alliance at the date of this report.

### NOTE 8.10: ECONOMIC DEPENDENCY

The financial performance and position of Bass Coast Health remains positive, with the health service reporting a net surplus result before capital and specific items of \$0.716m (2017: \$2.554m), a net current asset position of \$0.823m (2017: Negative \$3.931m), resulting in a current asset ratio of 1.04 (2017: 0.76) and a cash inflow from operations of \$13.236m (2017: \$5.079m).

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





### Main Site

- 1. Wonthaggi Hospital**  
235 Graham Street, Wonthaggi Vic. 3995  
Phone: 03 5671 3333

### Satellite Sites

- 2. San Remo**  
1 Back Beach Road, San Remo Vic. 3925  
Phone: 03 5671 9200
- 3. Phillip Island Health Hub**  
50-54 Church Street, Cowes Vic. 3922  
Phone: 03 5951 2100

### Outreach Sites

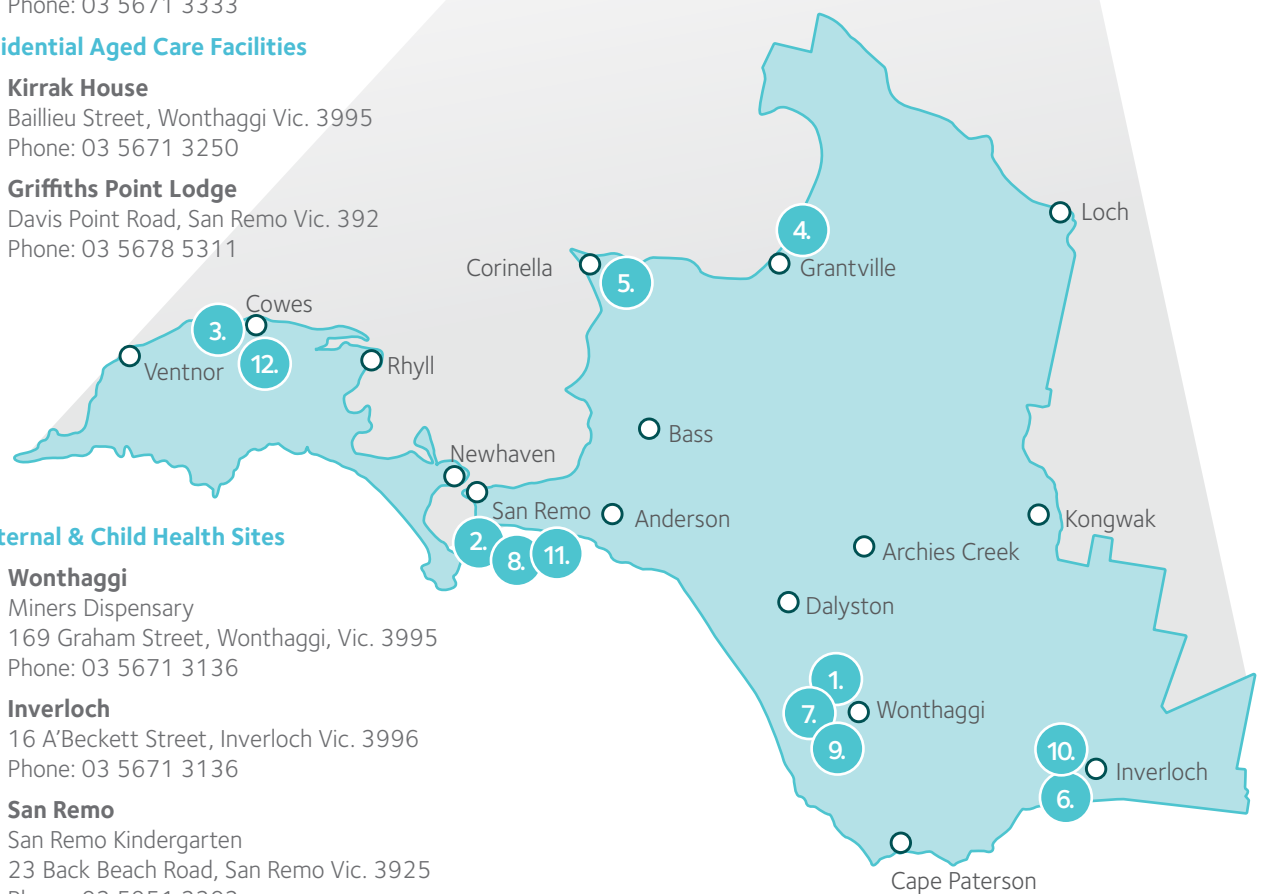
- 4. Grantville**  
Grantville Transaction Centre  
Cnr. Bass Highway & Pier Road, Grantville Vic. 3984  
Phone: 03 5671 3333
- 5. Corinella**  
Corinella & District Community Centre  
48 Smythe Street, Corinella Vic. 3984  
Phone: 03 5671 3333
- 6. Inverloch**  
14 Reilly Street, Inverloch Vic. 3996  
Phone: 03 5671 3333

### Residential Aged Care Facilities

- 7. Kirrak House**  
Baillieu Street, Wonthaggi Vic. 3995  
Phone: 03 5671 3250
- 8. Griffiths Point Lodge**  
Davis Point Road, San Remo Vic. 392  
Phone: 03 5678 5311

### Maternal & Child Health Sites

- 9. Wonthaggi**  
Miners Dispensary  
169 Graham Street, Wonthaggi, Vic. 3995  
Phone: 03 5671 3136
- 10. Inverloch**  
16 A'Beckett Street, Inverloch Vic. 3996  
Phone: 03 5671 3136
- 11. San Remo**  
San Remo Kindergarten  
23 Back Beach Road, San Remo Vic. 3925  
Phone: 03 5951 2302
- 12. Cowes**  
Phillip Island Early Learning Centre  
161 Settlement Road, Cowes Vic. 3922  
Phone: 03 5952 2938





235 Graham Street, Wonthaggi Vic. 3995  
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