

VAGO

Victorian Auditor-General's Office

30 August 2010

File No: 26149/01

Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne VIC 3000

Attention: Mr S. Mitsas

Dear Sir,

Kyabram & District Health Service

I enclose for your information the audited financial report of the Kyabram & District Health Service and the audit report for the year ended 30 June 2010.

A copy of the audited financial report and the audit report have been forwarded to the Acting Chairperson, the Minister for Health, the Minister for Finance, WorkCover and the Transport Accident Commission, the Chief Executive Officer and the Secretary of the Department of Health.

Yours sincerely,



for D D R Pearson
Auditor-General

KYABRAM & DISTRICT HEALTH SERVICES

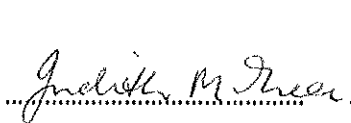
**BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND
CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION**

We certify that the attached financial statements for Kyabram & District Health Services 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 the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position at that date of Kyabram & District Health Services at 30 June 2010.

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

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



Ms Judith Greer
Acting Chairperson

Kyabram

30/08/2010



Dr Neil Cowen
Chief Executive Officer

Kyabram

30/08/2010



Ms Paula Judd
Chief Finance & Accounting Officer

Kyabram

30/08/2010

**KYABRAM & DISTRICT HEALTH SERVICES
 COMPREHENSIVE OPERATING STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
Revenue from Operating Activities	2	16,527,906	15,843,148
Revenue from Non-operating Activities	2	483,646	434,355
Employee Benefits	3	(11,772,333)	(11,273,655)
Non Salary Labour Costs	3	(1,252,563)	(1,239,110)
Supplies and Consumables	3	(1,330,132)	(1,343,556)
Other Expenses from Continuing Operations	3	<u>(2,632,341)</u>	<u>(2,122,880)</u>
Net Result Before Capital & Specific Items		24,183	298,302
Capital Purpose Income	2	857,264	1,198,575
Depreciation	4	<u>(1,650,588)</u>	<u>(657,004)</u>
NET RESULT FOR THE YEAR		<u>(769,141)</u>	<u>839,873</u>
Other Comprehensive Income			
Net fair value revaluation on Non Financial Assets		-	2,498,500
COMPREHENSIVE RESULT FOR THE YEAR		<u>(769,141)</u>	<u>3,338,373</u>

**KYABRAM & DISTRICT HEALTH SERVICES
BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	1,139,256	1,166,023
Receivables	6	885,413	360,803
Other Financial Assets	7	3,374,992	2,767,741
Inventories	8	100,365	102,441
Other Assets	9	31,779	59,304
Total Current Assets		<u>5,531,805</u>	<u>4,456,312</u>
Non-Current Assets			
Receivables	6	156,490	152,779
Property, Plant & Equipment	10	19,867,143	21,122,954
Intangible Assets	11	31,395	0
Total Non-Current Assets		<u>20,055,028</u>	<u>21,275,733</u>
TOTAL ASSETS		<u>25,586,833</u>	<u>25,732,045</u>
LIABILITIES			
Current Liabilities			
Payables	12	1,238,923	801,812
Employee Benefits and Related On-Cost Provisions	13	2,484,708	2,270,645
Other Liabilities	14	7,308	21,150
Total Current Liabilities		<u>3,730,939</u>	<u>3,093,607</u>
Non-Current Liabilities			
Employee Benefits and Related On-Cost Provisions	13	364,812	374,330
Total Non-Current Liabilities		<u>364,812</u>	<u>374,330</u>
TOTAL LIABILITIES		<u>4,095,751</u>	<u>3,467,937</u>
NET ASSETS		<u>21,491,082</u>	<u>22,264,108</u>
EQUITY			
Property, Plant & Equipment Revaluation Surplus	15	7,201,035	7,201,035
General Purpose Reserve	15	644,025	644,025
Financial Assets Available-for-Sale Revaluation Surplus	15	(8,092)	(4,207)
Contributed Capital	15	9,930,880	9,930,880
Accumulated Surpluses	15	3,723,234	4,492,375
TOTAL EQUITY		<u>21,491,082</u>	<u>22,264,108</u>
Commitments for Expenditure	18		
Contingent Liabilities and Contingent Assets	19		

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

**KYABRAM & DISTRICT HEALTH SERVICES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

2010		Equity at 1 July 2009	Comprehens ive Result	Transactions with owner in its capacity as owner	Changes due to Equity at 30 June 2010
	Note	\$	\$	\$	\$
Accumulated Surplus/(Deficit)		4,492,375	(769,141)	0	3,723,234
		4,492,375	(769,141)	0	3,723,234
Contribution by Owners	15b	9,930,880	0	0	9,930,880
		9,930,880	0	0	9,930,880
Reserves					
Property Plant and Equipment Revaluation Surplus	15a	7,201,035	0	0	7,201,035
Available for Sale Investments Revaluation Surplus	15a	(4,207)	(3,885)	0	(8,092)
General Reserve	15a	644,025	0	0	644,025
		7,840,853	(3,885)	0	7,836,968
Total Equity at the end of the financial year		22,264,108	(773,026)	0	21,491,082

KYABRAM & DISTRICT HEALTH SERVICES
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2010

2009		Equity at 1 July 2008	Comprehen sive Result	Changes due to Transactions with owner in Its capacity as owner	Equity at 30 June 2009
	Note	\$	\$	\$	\$
Accumulated Surplus/(Deficit)		3,652,502	839,873	0	4,492,375
		3,652,502	839,873	0	4,492,375
Contribution by Owners	15b	9,930,880	0	0	9,930,880
		9,930,880	0	0	9,930,880
Reserves					
Property Plant and Equipment Revaluation Surplus	15a	4,702,535	2,498,500	0	7,201,035
Available for Sale Investments Revaluation Surplus	15a	(11,090)	6,883	0	(4,207)
General Reserve	15a	644,025	0	0	644,025
		5,335,470	2,505,383	0	7,840,853
Total Equity at the end of the financial year		18,918,852	3,345,256	0	22,264,108

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

**KYABRAM & DISTRICT HEALTH SERVICES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$	2009 \$
		Inflows / (Outflows)	Inflows / (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		15,015,521	14,613,928
Patient and Resident Fees Received		920,442	1,088,164
Donations and Bequests Received		359,913	339,285
GST (Paid to)/received from ATO		(178,463)	2,903
Interest Received		188,221	421,159
Other Receipts		433,235	215,455
Employee Benefits Paid		(11,571,499)	(11,010,139)
Fee for Service Medical Officers		(1,252,563)	(1,239,110)
Payments for Supplies and Consumables		(1,409,810)	(1,339,105)
Other Payments		(1,795,371)	(1,895,010)
Cash Generated from Operations		709,626	1,197,530
Capital Grants from Government		404,014	584,422
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	16	1,113,640	1,781,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments		(611,136)	(591,147)
Payments for Non-Financial Assets		(390,954)	(641,385)
Payments for Intangible Assets		(31,395)	0
Proceeds from sale of Non-Financial Assets		13,555	70,829
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		(1,019,930)	(1,161,703)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government		0	0
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		0	0
NET INCREASE / (DECREASE) IN CASH HELD		93,710	620,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		847,220	226,971
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	940,930	847,220

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

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements are a general purpose financial report which have 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 includes Australian equivalents to International Financial Reporting Standards.

The financial statements also complies 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 AAS's.

(b) Basis of accounting preparation and measurement

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010, and the comparative information presented in these financial statements for the year ended 30 June 2009.

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 going concern basis was used to prepare the financial statements.

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.

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

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 judgements, 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 judgements. Actual results may differ from these estimates.

(b) Basis of accounting preparation and measurement (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.

(c) Reporting Entity Report

The financial statements includes all the controlled activities of Kyabram & District Health Services.

Its principle address is:
88 Fenaughty Street
Kyabram Vic 3620

(d) Rounding Of Amounts

All amounts shown in the financial statements are expressed to the nearest \$1.

Figures in the financial statements may not equal due to rounding.

(e) Functional and Presentation Currency

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

(f) 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 interest bearing liabilities in the balance sheet.

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

(h) 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.

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*).

(h) Inventories (Continued)

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.

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.

(i) Investments and Other Financial Assets

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

Kyabram & District Health Services 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.

Kyabram & District Health Services assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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 and loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 17.

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.

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 profit or loss for the period. Fair value is determined in the manner described in Note 17.

(j) **Intangible Assets**

Intangible assets represent identifiable non-monetary assets without physical substances 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.

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 entity 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 10-15 year period (2009: 10-15 years).

(k) **Property, Plant and Equipment**

Freehold and 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 depreciated replacement cost because of the short lives of the assets concerned.

(l) **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.

(l) Revaluations of Non-current Physical Assets (Continued)

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the property, plant & equipment revaluation surplus in respect of the same class of assets, they are debited directly to the property, plant & equipment 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 Kyabram & District Health Service's non-current physical assets were assessed annually to determine whether revaluation of the non-current physical assets was required.

(m) Investment Property

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Health Service.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by independent valuers. Changes in the fair value are recognised as income or expenses in the period that they arise. Investment properties are not depreciated.

Rental revenue from leasing of investment properties is recognised in the Comprehensive Operating Statement in the periods in which it is receivable on a straight line basis over the lease term.

(n) Depreciation

Assets with a cost in excess of \$1,000 (2008-09 and 2009-10) 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.

	2010	2009
Buildings		
- Structure Shell Building Fabric	38 to 52 years	38 to 52 years
- Site Engineering Services and Central Plant	20 to 23 years	20 to 23 years
Central Plant		
- Fit Out	21 to 24 years	21 to 24 years
- Trunk Reticulated Building Systems	23 to 37 years	23 to 37 years
Plant & Equipment	3 to 7 years	3 to 7 years
Medical Equipment	7 to 10 years	7 to 10 years
Computers and Communication	3 years	3 years
Furniture & Fittings	13 years	13 years
Motor Vehicles	10 years	10 years
Intangible Assets	3 years	3 years
Leasehold Improvements	6 to 7 years	6 to 7 years

(n) Depreciation (Continued)

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

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

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

Disposal of Non-Financial Assets

Any gain or loss on 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 the time.

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 reserve 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.

(p) 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.

Impairment of Financial Assets

Financial Assets have been assessed for impairment in accordance with Australian Accounting Standards. 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 order to determine an appropriate fair value at 30 June 2010 for its portfolio of financial assets, Kyabram District Health Services obtained a valuation based on the best available advice using an estimated market price through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2010. These methodologies were critiqued and considered to be consistent with the standard market valuation techniques.

Prices obtained from both sources were compared and were generally consistent with the full portfolio. The above valuation process was used to quantify the level of impairment on the portfolio of financial assets as at year end.

(q) 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.

(r) Provisions

Provisions are recognised when 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.

(s) Interest Bearing Liabilities

Interest bearing liabilities in the Balance Sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method. Fair value is determined in the manner described in Note 17.

(t) 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 operating cash flow.

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

(u) 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 the Health Service are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(u) **Employee Benefits (Continued)**

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 Kyabram & District Health Services 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 Kyabram & District Health Services does not expect to settle within 12 months; and
- nominal value - component that Kyabram & District Health Services 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.

Superannuation

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

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 the Kyabram & District Health Services are entitled to receive superannuation benefits and Kyabram & District Health Services 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 Kyabram & District Health Services are as follows:

Fund	Contributions Paid or Payable for the year		
	2010 \$		2009 \$
<u>Defined Benefit Plans:</u>	Health Super	68,882	73,919
<u>Defined Contribution Plans:</u>	Health Super	833,068	853,316
	HESTA	110,658	46,563

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

(u) Employee Benefits (Continued)

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.

On-Costs

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

(v) 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*.

(w) Residential Aged Care Service

The Residential Aged Care Service operations are an integral part of Kyabram & District Health Services 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.

The Residential Aged Care has a separate Committee of Management and is substantially funded from Commonwealth bed-day subsidies.

(x) Joint Ventures

Interests in jointly controlled assets are accounted for by recognising in Kyabram & District Health Service's financial statements, its share of assets, liabilities and any revenue and expenses of such joint ventures. Details of joint ventures are set out in Note 21.

(y) Intersegment Transactions

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

(z) 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.

(z) Leases (Continued)

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.

(aa) Income Recognition

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

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

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

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

Indirect Contributions 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.

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 specific restricted purpose reserve.

Interest Revenue

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

- (aa) **Income Recognition (Continued)**
Sale of investments
The profit/loss on the sale of investments is recognised when the investment is realised.
- (ab) **Fund Accounting**
Kyabram & District Health Services operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Kyabram & District Health Service's Capital and Specific Purpose Funds include unspent capital donations and receipts from fundraising activities conducted solely in respect of these funds.
- (ac) **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 include Residential Aged Care Services (RACS) and are also funded from other sources such as the Commonwealth, patients and residents, while *Services Supported by Hospital and Community Initiatives* (Non HSA) are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.
- (ad) **Resources Provided and Received Free of Charge or for Nominal Consideration**
Resources provided or received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another entity or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.
- (ae) **Amalgamations and Mergers**
Assets and liabilities of the acquired (amalgamated) Health Services are taken up at book value at date of acquisition (amalgamation). Crown assets acquired remain the property of the Crown, however they are reported as assets of the Health Services, because effective control passes to the entity along with a substantial benefit.
- (af) **Property, Plant & Equipment Revaluation Surplus**
The property, plant & equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.
- (ag) **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.
- (ah) **General Reserves**
No General Reserves are in existence at the date of this report.
- (ai) **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.
- (aj) **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.

(ak) Commitments

Commitments are not recognised on the Balance Sheet. Commitments are disclosed at their nominal value and are inclusive of the GST payable.

(ai) 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.

(am) 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 Kyabram & District Health Services. 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 revenues and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The Net result Before Capital & Specific Items is used by the management of Kyabram & District Health Services, 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 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 (m)
- * Depreciation and amortisation, as described in Note 1 (n)
- * Assets provided or received free of charge, as described in Note 1 (ad)
- * Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold (Note 1 (n)), 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.

(an) **Category Groups**

Kyabram & District Health Services 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.

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

Primary Health comprises revenue/expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

Off Campus, Ambulatory Services (Ambulatory) comprises all recurrent health revenue/expenditure on public hospital type services including palliative care facilities and rehabilitation 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 psycho geriatric 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).

(ao) New Accounting Standards and Interpretations

Certain new Australian accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for the reporting period ending 30 June 2010. Kyabram & District Health Services has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on Health Service's Annual Statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 January 2010	Terminology and editorial changes. Impact minor.
AASB 2009-9 Amendments to Australian Accounting Standards - additional exemptions for first-time adopters [AASB 1]	Applies to Health Services adopting Australian Accounting Standards for the first time, to ensure Health Services will not face undue cost or effort in the transition process in particular situations.	Beginning 1 January 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 124 Related party disclosures (Dec 2009)	Government related Health Services have been granted partial exemption with certain disclosure requirements.	Beginning 1 January 2011	Preliminary assessment suggests that impact is insignificant. However, the Health Services is still assessing the detailed impact and whether to early adopt.
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 Health Services 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 January 2011	AASB 8 does not apply to Health Services therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.

(ao) New Accounting Standards and Interpretations (Continued)

AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendments to Interpretation 14 arising from the issuance of <i>Prepayments of a minimum funding requirement</i>	Beginning 1 January 2011	Expected to have no significant impact.
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 <i>Financial instruments: recognition and measurement</i> (AASB 139 <i>financial Instruments: recognition and measurement</i>).	Beginning 1 January 2013	Detail of impact is still being assessed.
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 gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 January 2013	Detail of impact is still being assessed.

Kyabram District Health Services
Notes to the Financial Statements
30 June 2010

Note 2: REVENUE	HSA 2010 \$	HSA 2009 \$	Non HSA 2010 \$	Non HSA 2009 \$	TOTAL 2010 \$	TOTAL 2009 \$
Revenue from Operating Activities						
Government Grants						
- Department of Health	13,057,205	12,224,213	0	0	13,057,205	12,224,213
- Commonwealth Government						
- Residential Aged Care Subsidy	2,036,204	1,958,395	0	0	2,036,204	1,958,395
Total Government Grants	15,093,409	14,182,608	0	0	15,093,409	14,182,608
Indirect Contributions by Department of Health						
- Insurance	196,810	177,812	0	0	196,810	177,812
- Long Service Leave	0	145,892	0	0	0	145,892
Total Indirect Contributions by Department of Health	196,810	323,704	0	0	196,810	323,704
Patient and Resident Fees						
- Patient and Resident Fees (refer Note 2b)	535,785	438,729	0	0	535,785	438,729
- Residential Aged Care (refer Note 2b)	493,598	546,068	0	0	493,598	546,068
Total Patient & Resident Fees	1,029,383	984,797	0	0	1,029,383	984,797
Loddon Mallee Rural Health Alliance	75,257	132,936	0	0	75,257	132,936
Other Revenue from Operating Activities	133,047	219,103	0	0	133,047	219,103
Sub-Total Revenue from Operating Activities	16,527,906	15,843,148	0	0	16,527,906	15,843,148
Revenue from Non-Operating Activities						
Interest and Dividends	0	0	194,085	182,539	194,085	182,539
Catering	0	0	135,100	123,165	135,100	123,165
Property Income	0	0	154,461	128,651	154,461	128,651
Sub-Total Revenue from Non-Operating Activities	0	0	483,646	434,355	483,646	434,355
Revenue from Capital Purpose Income						
State Government Capital Grants						
- Targeted Capital Works and Equipment	404,014	584,422	0	0	404,014	584,422
- Loddon Mallee Rural Health Alliance	29,076	141,790	0	0	29,076	141,790
Residential Accommodation Payments (refer Note 2b)	0	0	68,293	67,621	68,293	67,621
Assets Received Free of Charge (refer Note 2d)	0	0	0	77,000	0	77,000
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	0	0	(4,032)	(11,543)	(4,032)	(11,543)
Donations and Bequests	0	0	359,913	339,285	359,913	339,285
Sub-Total Revenue from Capital Purpose Income	433,090	726,212	424,174	472,363	857,264	1,198,575
Total Revenue (refer Note 2a)	16,960,996	16,569,360	907,820	906,718	17,868,816	17,476,078

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.

This note relates to revenues above the net result line only, and does not reconcile to comprehensive income.

Note 2a: ANALYSIS OF REVENUE BY SOURCE

	Admitted Patients 2010 \$	Residential Aged Care 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Other 2010 \$	TOTAL 2010 \$
Revenue from Services Supported by Health Services Agreement						
Government Grants	9,710,292	3,033,866	844,136	1,395,195	109,920	15,093,409
Indirect Contributions by Department of Health	0	0	0	0	196,810	196,810
Patient and Resident Fees (refer Note 2b)	378,396	493,598	94,663	62,726	0	1,029,383
Capital Purpose Income (refer Note 2)	433,090	0	0	0	0	433,090
Loddon Mallee Rural Health Alliance	75,257	0	0	0	0	75,257
Other Revenue from Operating Activities	89,263	16,695	4,355	19,977	2,757	133,047
Sub-Total Revenue from Services Supported by Health Services Agreement	10,686,298	3,544,159	943,154	1,477,898	309,487	16,960,996
Revenue from Services Supported by Hospital and Community Initiatives						
Catering	80,431	29,227	15,276	10,166	0	135,100
Bank & Investment Income	122,274	44,640	11,645	15,526	0	194,085
Property Income	20,265	7,398	1,930	7,557	117,311	154,461
Other Activities						
Capital Purpose Income (refer Note 2)	0	68,293	0	0	355,881	424,174
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	222,970	149,558	28,851	33,249	473,192	907,820
Total Revenue	10,909,268	3,693,717	972,005	1,511,147	782,679	17,868,816

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 2009 \$	Residential Aged Care 2009 \$	Aged Care 2009 \$	Primary Health 2009 \$	Other 2009 \$	TOTAL 2009 \$
Revenue from Services Supported by Health Services Agreement						
Government Grants	9,044,215	3,029,178	864,833	1,231,266	13,116	14,182,608
Indirect Contributions by Department of Health	0	0	0	0	323,704	323,704
Patient and Resident Fees (refer Note 2b)	329,274	546,068	93,619	15,699	137	984,797
Capital Purpose Income (refer Note 2)	726,212	0	0	0	0	726,212
Loddon Mallee Rural Health Alliance	132,936	0	0	0	0	132,936
Other	42,785	36,397	6,843	129,641	3,437	219,103
Sub-Total Revenue from Services Supported by Health Services Agreement	10,275,422	3,611,643	965,295	1,376,606	340,394	16,569,360
Revenue from Services Supported by Hospital and Community Initiatives						
Catering	47,275	51,768	6,200	1,681	16,241	123,165
Bank & Investment Income	102,222	34,682	25,555	20,079	0	182,538
Property Income	24,676	0	0	4,971	99,005	128,652
Other Activities						
Capital Purpose Income (refer Note 2)	0	144,621	0	0	327,742	472,363
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	174,173	231,071	31,755	26,731	442,988	906,718
TOTAL REVENUE FROM ALL SOURCES	10,449,595	3,842,714	997,050	1,403,337	783,382	17,476,078

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

	2010	2009
Patient and Resident Fees Raised	2010	2009
Recurrent:	\$	\$
Acute		
- Inpatients	378,396	329,274
Residential Aged Care		
- Nursing Home	493,598	546,068
Aged Care	94,663	93,619
Primary Health Fees	62,726	15,836
TOTAL RECURRENT	<u>1,029,383</u>	<u>984,797</u>
Capital Purpose:		
Residential Accommodation Payments (*)	68,293	67,621
TOTAL CAPITAL	<u>68,293</u>	<u>67,621</u>

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

NOTE 2c: NET GAIN/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS

	2010	2009
	\$	\$
Proceeds from Disposal of Non Current Assets		
- Motor Vehicles	13,555	70,829
Total Proceeds from Disposal of Non Current Assets	<u>13,555</u>	<u>70,829</u>
Less: Written Down Value of Non Current Assets Sold		
- Motor Vehicles	17,587	82,372
Total Written Down Value of Non Current Assets Sold	<u>17,587</u>	<u>82,372</u>
NET GAINS/(LOSSES) ON DISPOSAL OF NON CURRENT ASSETS	<u>(4,032)</u>	<u>(11,543)</u>

NOTE 2d: ASSETS RECEIVED FREE OF CHARGE OR FOR NOMINAL CONSIDERATION

	2010	2009
	\$	\$
During the reporting period, the fair value of assets received free of charge, was as follows:		
Plant & Equipment	0	77,000
TOTAL	<u>0</u>	<u>77,000</u>

Assets received include computer related hardware from LMHA Network Ltd, an organisation whom the Health Service makes contributions to throughout the year for technology enhancements and support.

Kyabram District Health Services
Notes to the Financial Statements
30 June 2010

Note 3: EXPENSES	HSA 2010 \$	HSA 2009 \$	Non HSA 2010 \$	Non HSA 2009 \$	TOTAL 2010 \$	TOTAL 2009 \$
Employee Benefits						
Salaries & Wages	10,176,943	9,736,102	130,591	116,646	10,307,534	9,852,748
Work Cover Premium	150,427	147,989	98	97	150,525	148,086
Long Service Leave	298,186	295,669	3,480	3,451	301,666	299,120
Superannuation (refer Note 1(u))	1,012,608	973,701	0	0	1,012,608	973,701
Total Employee Benefits	11,638,164	11,153,461	134,169	120,194	11,772,333	11,273,655
Non Salary Labour Costs						
Fee for Service Medical Officers	1,252,563	1,239,110	0	0	1,252,563	1,239,110
Total Non Salary Labour Costs	1,252,563	1,239,110	0	0	1,252,563	1,239,110
Supplies and Consumables						
Drug Supplies	142,640	161,506	0	0	142,640	161,506
Medical, Surgical Supplies and Prosthesis	527,627	531,780	69	70	527,696	531,850
Pathology Supplies	268,272	270,115	133	134	268,405	270,249
Food Supplies	329,975	320,330	61,416	59,621	391,391	379,951
Total Supplies and Consumables	1,268,514	1,283,731	61,618	59,825	1,330,132	1,343,556
Other Expenses from Continuing Operations						
Domestic Services & Supplies	145,622	143,234	2,255	2,218	147,877	145,452
Fuel, Light, Power and Water	273,518	235,969	0	0	273,518	235,969
Repairs & Maintenance	397,037	332,757	3,426	3,258	400,463	336,015
Patient Transport	308,332	315,051	0	0	308,332	315,051
Other Administrative Expenses	1,472,404	1,066,596	17,347	12,347	1,489,751	1,078,943
Audit Fees						
- VAGO - Audit of Financial Statements	12,400	11,450	0	0	12,400	11,450
Total Other Expenses from Continuing Operations	2,609,313	2,105,057	23,028	17,823	2,632,341	2,122,880
Depreciation	0	0	1,650,588	657,004	1,650,588	657,004
Total	0	0	1,650,588	657,004	1,650,588	657,004
Total Expenses	16,768,554	15,781,359	1,869,403	854,846	18,637,957	16,636,205

Note 3a: ANALYSIS OF EXPENSE BY SOURCE

	Admitted Patients 2010 \$	Residential Aged Care 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Other 2010 \$	TOTAL 2010 \$
Services Supported by Health Service Agreement						
Employee Benefits	6,416,238	3,105,190	727,039	1,389,697	0	11,638,164
Non Salary Labour Costs	1,252,563	0	0	0	0	1,252,563
Supplies and Consumables	1,032,173	161,076	34,132	41,133	0	1,268,514
Other Expenses	1,610,584	637,786	150,952	209,991	0	2,609,313
Sub-Total Expenses from Services Supported by Health Services Agreement	10,311,558	3,904,052	912,123	1,640,821	0	16,768,554
Services Supported by Hospital and Community Initiatives						
Employee Benefits	0	0	0	0	134,169	134,169
Supplies and Consumables	0	0	0	0	61,618	61,618
Other Expenses	0	0	0	0	23,028	23,028
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	0	0	0	0	218,815	218,815
Expenditure using Capital Purpose Income						
Sub-total Expenditure using Capital Purpose Income	0	0	0	0	0	0
Depreciation and Amortisation (refer Note 4)	921,566	312,675	230,393	181,020	4,934	1,650,588
Sub-total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives	921,566	312,675	230,393	181,020	4,934	1,650,588
TOTAL EXPENSES	11,233,124	4,216,727	1,142,516	1,821,841	223,749	18,637,957

Note 3a: ANALYSIS OF EXPENSE BY SOURCE (Continued)

	Admitted Patients 2009 \$	Residential Aged Care 2009 \$	Aged Care 2009 \$	Primary Health 2009 \$	Other 2009 \$	TOTAL 2009 \$
Services Supported by Health Service Agreement						
Employee Benefits	6,063,956	3,100,612	797,738	1,191,155	0	11,153,461
Non Salary Labour Costs	1,239,110	0	0	0	0	1,239,110
Supplies and Consumables	1,002,706	249,536	22,467	9,022	0	1,283,731
Other Expenses	1,353,386	365,797	198,020	187,854	0	2,105,057
Sub-Total Expenses from Services Supported by Health Services Agreement	9,659,158	3,715,945	1,018,225	1,388,031	0	15,781,359
Services Supported by Hospital and Community Initiatives						
Employee Benefits	0	0	0	0	120,194	120,194
Supplies and Consumables	0	0	0	0	59,825	59,825
Other Expenses	0	0	0	0	17,823	17,823
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	0	0	0	0	197,842	197,842
Services Supported by Capital Sources						
Depreciation and Amortisation (refer Note 4)	366,822	124,458	91,706	72,054	1,964	657,004
TOTAL EXPENSES	10,025,980	3,840,403	1,109,931	1,460,085	199,806	16,636,205

Kyabram District Health Services
Notes to the Financial Statements

30 June 2010

NOTE 4: DEPRECIATION	2010	2009
	\$	\$
Depreciation		
Land Improvements	10,910	12,546
Buildings	1,300,383	283,062
Plant & Equipment		
- Plant	296,970	324,073
- Joint Venture	3,648	955
- Motor Vehicles	38,677	36,368
TOTAL DEPRECIATION	1,650,588	657,004

NOTE 5: 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.

	2010	2009
	\$	\$
Cash on Hand	1,400	3,402
Cash at Bank	1,137,856	1,162,621
TOTAL CASH AND CASH EQUIVALENTS	1,139,256	1,166,023

Represented by:

Cash for Health Service Operations (as per Cash Flow Statement)	940,930	847,220
Cash for Loddon Mallee Rural Health Alliance	191,018	297,653
Cash for Monies Held in Trust	7,308	21,150
TOTAL	1,139,256	1,166,023

NOTE 6: RECEIVABLES

CURRENT

Contractual

Trade Debtors	310,824	104,044
Patient Fees	51,368	79,029
Accrued Investment Income	23,255	17,391
Accrued Revenue - Other	174,476	38,115
Loddon Mallee Rural Health Alliance Receivables	31,841	8,165
Less Allowance for Doubtful Debts		
Patient fees	1,885	0
	589,879	246,744

Statutory

GST Receivable - Health Service	288,556	110,093
GST Receivable - Loddon Mallee Rural Health Alliance	6,978	3,966
	295,534	114,059

TOTAL CURRENT RECEIVABLES	885,413	360,803
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Kyabram District Health Services
Notes to the Financial Statements
30 June 2010

NOTE 6: RECEIVABLES (Continued)

	2010	2009
NON CURRENT	\$	\$
Statutory		
Long Service Leave - DH	156,490	152,779
TOTAL NON-CURRENT RECEIVABLES	156,490	152,779
TOTAL RECEIVABLES	1,041,903	513,582
(a) Movement in the allowance for doubtful debts	2010	2009
	\$	\$
Balance at beginning of year	0	0
Increase/(decrease) in allowance recognised in profit or loss	1,885	0
Balance at end of year	1,885	0

(b) Ageing analysis of receivables

Please refer to note 17(b) for the ageing analysis of receivables

(c) Nature and extent of risk arising from receivables

Please refer to note 17(b) for the nature and extent of credit risk arising from receivables

NOTE 7: OTHER FINANCIAL ASSETS

	Operating Fund		Total	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
Managed Funds	784,307	732,850	784,307	732,850
Term Deposits	2,590,685	2,034,891	2,590,685	2,034,891
Total Current	3,374,992	2,767,741	3,374,992	2,767,741
Represented by:				
Health Service Investments	3,374,992	2,767,741	3,374,992	2,767,741
TOTAL	3,374,992	2,767,741	3,374,992	2,767,741

(b) Ageing analysis of other financial assets

Please refer to note 17(b) for the ageing analysis of other financial assets

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

Please refer to note 17(b) for the nature and extent of credit risk arising from other financial assets

NOTE 8: INVENTORIES

	2010	2009
	\$	\$
CURRENT		
Pharmaceuticals - at cost	30,927	35,270
Laundry Supplies - at cost	69,438	67,171
TOTAL INVENTORIES	100,365	102,441

Inventories held by the Health Service are held for short periods of time with regular turnover. There is no material loss of service potential in inventories held at the end of the year.

NOTE 9: OTHER ASSETS

	2010	2009
	\$	\$
Health Service Prepayments	24,600	55,462
Loddon Mallee Rural Health Alliance Prepayments	7,179	3,842
TOTAL	31,779	59,304

**Kyabram District Health Services
Notes to the Financial Statements**

30 June 2010

NOTE 10: PROPERTY, PLANT & EQUIPMENT	2010	2009
	\$	\$
Land		
- Land at Fair Value	1,134,000	1,134,000
- Land Improvements at Fair Value	590,000	590,000
Less Accumulated Depreciation	10,910	0
Total Land	1,713,090	1,724,000
Buildings		
- Buildings at Fair Value	17,522,000	17,522,000
Less Accumulated Depreciation	1,300,383	0
Total Buildings	16,221,617	17,522,000
Plant & Equipment		
- Loddon Mallee Rural Health Alliance at Cost	25,398	2,998
Less Accumulated Depreciation	4,638	0
- Plant and Equipment at Fair Value	1,852,796	1,551,112
Less Accumulated Depreciation	296,970	0
Total Plant and Equipment	1,576,586	1,554,110
Motor Vehicles		
- Motor Vehicles at Fair Value	359,357	322,844
Less Accumulated Depreciation	38,677	0
Total Motor Vehicles	320,680	322,844
Work in Progress		
- Work in Progress at Cost	35,170	0
Total Work in Progress	35,170	0
TOTAL	19,867,143	21,122,954

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

	Land	Land Improve.	Buildings	Plant & Equipment	Motor Vehicles	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2008	1,025,115	621,186	15,173,913	1,498,305	298,958	24,015	18,641,492
Additions	0	5,145	41,054	452,560	142,626	0	641,385
Loddon Mallee Rural Health Alliance	0	0	0	3,953	0	0	3,953
Assets Received Free of Charge (refer note 2d)	0	0	0	77,000	0	0	77,000
Disposals	0	0	0	0	(82,372)	0	(82,372)
Transfers	0	0	176,695	(152,680)	0	(24,015)	0
Revaluation Increments/(Decrements)	108,885	(23,785)	2,413,400	0	0	0	2,498,500
Depreciation and Amortisation	0	(12,546)	(283,062)	(325,028)	(36,368)	0	(657,004)
Balance at 1 July 2009	1,134,000	590,000	17,522,000	1,554,110	322,844	0	21,122,954
Additions	0	0	0	301,684	54,100	35,170	390,954
Loddon Mallee Rural Health Alliance	0	0	0	21,410	0	0	21,410
Disposals	0	0	0	0	(17,587)	0	(17,587)
Depreciation and Amortisation	0	(10,910)	(1,300,383)	(300,618)	(38,677)	0	(1,650,588)
Balance at 30 June 2010	1,134,000	579,090	16,221,617	1,576,586	320,680	35,170	19,867,143

NOTE 10: PROPERTY, PLANT & EQUIPMENT (Continued)

Land and buildings carried at valuation

An independent valuation of the Health Service's land & buildings was performed by the Valuer-General Victoria to determine the value of the land and buildings. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Plant & Equipment at Fair Value

A valuation of Kyabram and District Health Service's plant and equipment was undertaken by management to determine the fair value of the plant and equipment. The effective date of the valuation is 30 June 2010.

NOTE 11: INTANGIBLE ASSETS

	2010	2009
	\$	\$
Development Costs Capitalised	31,395	0
Less Acc'd Amortisation	0	0
Total Written Down Value	31,395	0

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year:

	Development Costs	Total
	\$	\$
Balance at 1 July 2009	0	0
Additions	31,395	31,395
Balance at 30 June 2010	31,395	31,395

NOTE 12: PAYABLES

	2010	2009
	\$	\$
CURRENT		
Contractual		
Trade Creditors	908,647	507,440
Accrued Audit Fees	12,400	7,550
Accrued Expenses	109,944	129,604
Loddon Mallee Rural Health Alliance Payables	13,832	32,218
	1,044,823	676,812
Statutory		
DH	194,100	125,000
	194,100	125,000
TOTAL	1,238,923	801,812

(a) Maturity analysis of payables

Please refer to Note 17c for the ageing analysis of payables

(b) Nature and extent of risk arising from payables

Please refer to note 17c for the nature and extent of risks arising payables

NOTE 13: EMPLOYEE BENEFITS AND RELATED ON-COSTS PROVISIONS	2010	2009
	\$	\$
Current Provisions		
Employee Benefits		
- unconditional and expected to be settled within 12 months	1,127,478	949,970
- unconditional and expected to be settled after 12 months	1,085,946	1,161,072
Provisions related to employee benefit on-costs		
- unconditional and expected to be settled within 12 months (nominal value)	157,803	71,822
- unconditional and expected to be settled after 12 months (present value)	113,481	87,781
Total Current Provisions	2,484,708	2,270,645
Non-Current Provisions		
Employee Benefits	330,296	337,173
Provisions related to employee benefit on-costs	34,516	37,157
Total Non-Current Provisions	364,812	374,330
Current Employee Benefits		
Unconditional Long Service Leave Entitlements	1,085,946	994,732
Annual Leave Entitlements	833,890	851,483
Accrued Salaries and Wages	280,187	248,422
Accrued Days Off	13,401	16,405
Non-Current Employee Benefits		
Conditional Long Service Leave Entitlements (present value)	330,296	337,173
Total Employee Benefits	2,543,720	2,448,215
On-Costs		
Current On-Costs	271,284	159,603
Non-Current On-Costs	34,516	37,157
Total On-Costs	305,800	196,760
Total Employee Benefits and Related On-Costs	2,849,520	2,644,975
Movement in Long Service Leave:		
Balance at start of year	1,331,905	1,218,516
Provision made during the year	301,666	299,120
Settlement made during the year	(217,329)	(185,731)
Balance at end of year	1,416,242	1,331,905
NOTE 14: OTHER LIABILITIES	2010	2009
	\$	\$
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	4,387	12,565
- Men's Shed Trust	2,921	0
- Employee Clearing Accounts	0	8,585
TOTAL CURRENT	7,308	21,150
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 5)	7,308	21,150
TOTAL	7,308	21,150

**Kyabram District Health Services
Notes to the Financial Statements**

30 June 2010

NOTE 15: EQUITY	2010	2009
	\$	\$
(a) Reserves		
Property, Plant & Equipment Revaluation Surplus ¹		
Balance at beginning of the reporting period	7,201,035	4,702,535
Revaluation Increment/(Decrement)		
- Land	0	108,885
- Land Improvements	0	(23,785)
- Buildings	0	2,413,400
Balance at the end of the reporting period	<u>7,201,035</u>	<u>7,201,035</u>
Represented by:		
- Land	1,094,000	1,094,000
- Land Improvements	533,575	533,575
- Buildings	5,573,460	5,573,460
	<u>7,201,035</u>	<u>7,201,035</u>
Financial Assets Available-for-Sale Revaluation Surplus ²		
Balance at beginning of the reporting period	(4,207)	(11,090)
Valuation gain/(loss) recognised	(3,885)	6,883
Balance at the end of the reporting period	<u>(8,092)</u>	<u>(4,207)</u>
General Purpose Reserve		
Balance at the beginning of the reporting period	644,025	644,025
Balance at the end of the reporting period	<u>644,025</u>	<u>644,025</u>
Represented by:		
- Co-Generation Maintenance Reserve	139,502	139,502
- Nursing Home Improvement Reserve	504,523	504,523
	<u>644,025</u>	<u>644,025</u>
 (¹) The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment.		
 (²) The financial assets 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 the financial asset, and is effectively realised, is recognised in the profit and loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the profit and loss.		
Total Reserves	<u>7,836,968</u>	<u>7,840,853</u>
(b) Contributed Capital		
Balance at the beginning of the reporting period	<u>9,930,880</u>	<u>9,930,880</u>
Balance at the end of the reporting period	<u>9,930,880</u>	<u>9,930,880</u>
(c) Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	4,492,375	3,652,502
Net Result for the Year	(769,141)	839,873
Balance at the end of the reporting period	<u>3,723,234</u>	<u>4,492,375</u>
(d) Total Equity at end of financial year	<u>21,491,082</u>	<u>22,264,108</u>

NOTE 16: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2010	2009
	\$	\$
NET RESULT FOR THE YEAR	(769,141)	839,873
Depreciation & Amortisation	1,650,588	657,004
Resources Provided Free of Charge	0	(77,000)
Net (Gain)/Loss from Sale of Plant and Equipment	4,032	11,543
Share of Net Result of Associates & Joint Ventures Accounted for using the Equity Method	36,814	(284,406)
Change in Operating Assets & Liabilities, Net of Effect from Restructuring		
(Increase)/Decrease in Receivables	(323,170)	300,184
(Increase)/Decrease in Prepayments	30,862	(55,462)
(Increase)/Decrease in Inventories	2,076	(1,796)
Increase/(Decrease) in Payables	277,034	128,496
Increase/(Decrease) in Employee Benefits	204,545	263,516
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,113,640	1,781,952

NOTE 17: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Kyabram and District Health Services' principal financial instruments comprise of:

- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- Investments in Equities and Managed Investment Schemes
- Payables (excluding statutory receivables)

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

Categorisation of financial instruments

Details of each category, in accordance with AASB 139, shall be disclosed either on the face of the balance sheet or in the notes.

	Carrying Amount	Carrying Amount
	2010	2009
	\$	\$
Financial Assets		
Cash and cash equivalents	1,139,256	1,166,023
Loans and Receivables	3,180,564	2,281,635
Available for sale	784,307	732,850
Total Financial Assets (i)	5,104,127	4,180,508
Financial Liabilities		
At amortised cost	1,052,131	697,962
Total Financial Liabilities (ii)	1,052,131	697,962

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

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

NOTE 17: FINANCIAL INSTRUMENTS (Continued)
Net holding gain/(loss) on financial instruments by category

	Carrying Amount 2010 \$	Carrying Amount 2009 \$
Financial Assets		
Cash and cash equivalents(i)	0	0
Loans and Receivables(i)	194,085	182,539
Available for sale(i)	(3,885)	6,883
Total Financial Assets	190,200	189,422

Financial Liabilities		
At amortised cost	0	0
Total Financial Liabilities	0	0

(i) For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

(ii) For financial liabilities measure at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and

(b) Credit Risk

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

Ageing analysis of financial asset as at 30 June

	Consol'd Carrying Amount \$	Not Past due and not impaired \$	Past Due But Not Impaired				Impaired Financial Assets \$
			Less than 1 Month \$	1 - 3 Months \$	3 Months - 1 Year \$	1 - 5 Years \$	
2010							
Financial Assets							
Cash and Cash Equivalents	1,139,256	1,139,256	0	0	0	0	0
Receivables							
- Trade Debtors	362,192	0	304,893	30,665	26,634	0	0
- Other Receivables	227,687	227,687	0	0	0	0	0
Other Financial Assets							
- Term Deposit	2,590,685	2,590,685	0	0	0	0	0
- Managed Funds	784,307	784,307	0	0	0	0	0
Total Financial Assets	5,104,127	4,741,935	304,893	30,665	26,634	0	0
2009							
Financial Assets							
Cash and Cash Equivalents	1,166,023	1,166,023	0	0	0	0	0
Receivables							
- Trade Debtors	183,073	0	154,111	15,500	13,462	0	0
- Other Receivables	63,671	63,671	0	0	0	0	0
Other Financial Assets							
- Term Deposit	2,034,891	2,034,891	0	0	0	0	0
- Managed Funds	732,850	732,850	0	0	0	0	0
Total Financial Assets	4,180,508	3,997,435	154,111	15,500	13,462	0	0

NOTE 17: FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity Risk

The following table discloses the contractual maturity analysis for Kyabram and District Health Services' 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

	Total Carrying Amount	Contractual Cash Flows	Maturity Dates			
			Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years
	\$	\$	\$	\$	\$	\$
2010						
Financial Liabilities						
Payables	1,044,823	1,044,823	1,044,823	0	0	0
Other Financial Liabilities	7,308	7,308	7,308	0	0	0
Total Financial Liabilities	1,052,131	1,052,131	1,052,131	0	0	0
2009						
Financial Liabilities						
Payables	676,812	676,812	676,812	0	0	0
Other Financial Liabilities	21,150	21,150	21,150	0	0	0
Total Financial Liabilities	697,962	697,962	697,962	0	0	0

(d) Market Risk

Kyabram and District Health Services' 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

Kyabram and District Health Services 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's arise primarily through the Kyabram and District Health Services' other financial assets. Minimisation of risk is achieved by mainly holding fixed rate or non-interest bearing financial instruments. For financial assets the Hospital mainly holds financial assets with relatively even maturity profiles.

Other Price Risk

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

NOTE 17: FINANCIAL INSTRUMENTS (Continued)

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

	Weighted Average Effective Interest Rate (%)	Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate \$	Variable Interest Rate \$	Non - Interest Bearing \$
2010					
Financial Assets					
Cash and Cash Equivalents	4.50	1,139,256	0	1,137,856	1,400
Receivables					
- Trade Debtors	0.00	362,192	0	0	362,192
- Other Receivables	0.00	227,687	0	0	227,687
Other Financial Assets					
- Term Deposit	6.01	2,590,685	2,590,685	0	0
- Managed Funds	0.00	784,307	0	732,850	0
Total Financial Assets		5,104,127	2,590,685	1,870,706	591,279
Financial Liabilities					
Payables	0.00	1,044,823	0	0	1,044,823
Other Financial Liabilities	0.00	7,308	0	0	7,308
Total Financial Liabilities		1,052,131	0	0	1,052,131
2009					
Financial Assets					
Cash and Cash Equivalents	2.65	1,166,023	0	1,162,621	3,402
Receivables					
- Trade Debtors	0.00	183,073	0	0	183,073
- Other Receivables	0.00	63,671	0	0	63,671
Other Financial Assets					
- Term Deposit	5.32	2,034,891	2,034,891	0	0
- Managed Funds	0.00	732,850	0	732,850	0
Total Financial Assets		4,180,508	2,034,891	1,895,471	250,146
Financial Liabilities					
Payables	0.00	676,812	0	0	676,812
Other Financial Liabilities	0.00	21,150	0	0	21,150
Total Financial Liabilities		697,962	0	0	697,962

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Kyabram and District Health Service believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Westpac Banking Corporation).

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 6%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2%

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

NOTE 17: FINANCIAL INSTRUMENTS (Continued)

	Carrying Amount	Interest Rate Risk				Other Price Risk			
		-1% Profit	-1% Equity	+1% Profit	+1% Equity	-1% Profit	-1% Equity	+1% Profit	+1% Equity
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and Cash Equivalents	1,139,256	(11,393)	(11,393)	11,393	11,393	0	0	0	0
Receivables									
- Trade Debtors	362,192	0	0	0	0	0	0	0	0
- Other Receivables	227,687	0	0	0	0	0	0	0	0
Other Financial Assets									
- Term Deposit	2,590,685	(25,907)	(25,907)	25,907	25,907	0	0	0	0
- Managed Funds	784,307	0	0	0	0	(7,843)	(7,843)	7,843	7,843
Financial Liabilities									
Payables	1,044,823	0	0	0	0	0	0	0	0
Other Financial Liabilities	7,308	0	0	0	0	0	0	0	0
		(37,299)	(37,299)	37,299	37,299	(7,843)	(7,843)	7,843	7,843
2009									
Financial Assets									
Cash and Cash Equivalents	1,166,023	(11,660)	(11,660)	11,660	11,660	0	0	0	0
Receivables									
- Trade Debtors	183,073	0	0	0	0	0	0	0	0
- Other Receivables	63,671	0	0	0	0	0	0	0	0
Other Financial Assets									
- Term Deposit	2,034,891	(20,349)	(20,349)	20,349	20,349	0	0	0	0
- Managed Funds	732,850	0	0	0	0	(7,329)	(7,329)	7,329	7,329
Financial Liabilities									
Payables	676,812	0	0	0	0	0	0	0	0
Other Financial Liabilities	21,150	0	0	0	0	0	0	0	0
		(32,009)	(32,009)	32,009	32,009	(7,329)	(7,329)	7,329	7,329

(e) Fair Value

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

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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 disposals of the securities.

These cash flows are then discounted back to their present value using a discount rate of 5.16%.

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

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

NOTE 17: FINANCIAL INSTRUMENTS (Continued)

Comparison between carrying amount and fair value

	Consol'd	Fair Value	Consol'd	Fair Value
	Carrying Amount		Carrying Amount	
	2010	2010	2009	2009
	\$	\$	\$	\$
Financial Assets				
Cash and Cash Equivalents	1,139,256	1,139,256	1,166,023	1166023
Receivables				
- Trade Debtors	362,192	362,192	183,073	183073
- Other Receivables	227,687	227,687	63,671	63671
Other Financial Assets				
-Term Deposits	2,590,685	2,590,685	2,034,891	2034891
Total Financial Assets	4,319,820	4,319,820	3,447,658	3,447,658
Financial Liabilities				
Payables	1,044,823	1044823	676,812	676812
-Other	7,308	7308	21,150	21150
Total Financial Liabilities	1,052,131	1,052,131	697,962	697,962

(e) Fair Value

Financial assets measured at fair value

	Carrying amount as at 30 June \$	Fair value measurement at the end of reporting period using:		
		Level 1 \$	Level 2 \$	Level 3 \$
2010				
Financial assets at fair value through profit & loss				
Available for sale financial assets				
-Equities and managed funds	784,307	784,307	0	0
Total Financial Assets	784,307	784,307	0	0
2009				
Financial assets at fair value through profit & loss				
Available for sale financial assets				
-Equities and managed funds	732,850	732,850	0	0
Total Financial Assets	732,850	732,850	0	0

NOTE 18: COMMITMENTS

There are no known capital or leasing commitments as at the date of this report.

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no known contingent assets or liabilities for Kyabram & District Health Services as at the date of this report.

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Kyabram & District Health Service

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of the Kyabram & District Health Service which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the board member's, accountable officer's and chief finance & accounting officer's declaration, has been audited.

The Board Members' Responsibility for the Financial Report

The board members of the Kyabram & District Health Service are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

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

Auditor's Responsibility

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

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Kyabram & District Health Service for the year ended 30 June 2010. The board members of the health service are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the health service's web site.


Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Kyabram & District Health Service as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
30 August 2010



D D R Pearson
Auditor-General