

OTWAY HEALTH & Community Services



Financials 2010 - 2011





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VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Otway Health and Community Services

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of Otway Health and Community Services which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board member's, accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Otway Health and Community Services are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

Level 24, 35 Collins Street, Melbourne Vic. 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

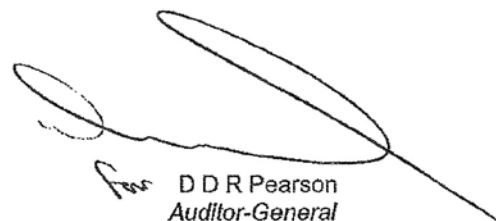
Opinion

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

Matters Relating to the Electronic Publication of the Audited Financial Report

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

MELBOURNE
22 August 2011



D D R Pearson
Auditor-General

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Auditing in the Public Interest

OTWAY HEALTH AND COMMUNITY SERVICES

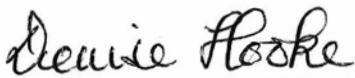
Board Member's, accountable officer's and chief finance & accounting officer's declaration

We certify that the attached financial statements for Otway Health and Community 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 forming part of the financial report, presents fairly the financial transactions during the year ended 30 June 2011 and the financial position of Otway Health and Community Services at 30 June 2011.

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

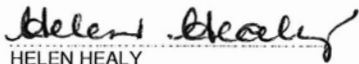
We authorise the attached financial statements for issue on this day.



DENISE HOOKE
Chairperson (on behalf of the Board)



LINDA WEST
Accountable Officer



HELEN HEALY
Chief Finance and Accounting Officer

Dated the 19th day of August, 2011

OTWAY HEALTH AND COMMUNITY SERVICES

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Revenue from Operating Activities	2	6,227,648	5,691,235
Revenue from Non-operating Activities	2	302,151	231,523
Employee Expenses	3	(4,339,190)	(4,015,148)
Non Salary Labour Costs	3	(185,231)	(171,812)
Supplies & Consumables	3	(203,859)	(185,271)
Other Expenses From Continuing Operations	3	(1,644,730)	(1,036,897)
Share of net result of Joint Ventures Accounted for using the Equity Method	8	-	(32,862)
Net Result Before Capital & Specific Items		156,789	480,768
Capital Purpose Income	2	236,298	50,725
Specific Income	2c	-	-
Depreciation and Amortisation	4	(506,891)	(492,973)
NET RESULT FOR THE PERIOD		(113,804)	38,520
COMPREHENSIVE RESULT FOR THE YEAR		(113,804)	38,520

This statement should be read in conjunction with the accompanying notes

OTWAY HEALTH AND COMMUNITY SERVICES

BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	237,731	299,896
Receivables	6	471,089	335,143
Investments and other Financial Assets	7	3,906,305	3,594,305
Prepayments		19,854	15,417
Total Current Assets		4,634,979	4,244,761
Non-Current Assets			
Investments Accounted for using the Equity Method	8	-	41,781
Property, Plant & Equipment	9	9,625,508	9,868,658
Total Non-Current Assets		9,625,508	9,910,439
TOTAL ASSETS		14,260,487	14,155,200
LIABILITIES			
Current Liabilities			
Payables	10	199,837	115,367
Employee Benefits	11	666,369	570,301
Other Liabilities	12	1,924,078	1,901,477
Total Current Liabilities		2,790,284	2,587,145
Non-Current Liabilities			
Employee Benefits	11	209,293	193,341
Total Non-Current Liabilities		209,293	193,341
TOTAL LIABILITIES		2,999,577	2,780,486
NET ASSETS		11,260,910	11,374,714
EQUITY			
Property, Plant & Equipment Asset Revaluation Reserve	13	2,618,828	2,618,828
Asset Replacement Reserve	13	185,902	185,902
Restricted Specific Purpose Reserve	13	504,427	504,427
Contributed Capital	13	3,787,544	3,787,544
Accumulated Surpluses	13	4,164,209	4,278,013
TOTAL EQUITY	13	11,260,910	11,374,714
Contingent Liabilities and Contingent Assets	16		
Commitments for Expenditure	15		

This statement should be read in conjunction with the accompanying notes

OTWAY HEALTH AND COMMUNITY SERVICES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Note	Plant & Equipment Revaluation Surplus	Restricted Purpose Reserves	Asset Replacement Reserves	Contribution by Owners	Accumulated Surplus / (Deficits)	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2009		2,618,828	504,427	187,283	3,787,544	4,238,112	11,336,194
Net Result for the year		-	-	-	-	38,520	38,520
Transfers (to)/from Reserves		-	(1,381)			1,381	-
Balance at 30 June 2010	13	2,618,828	504,427	185,902	3,787,544	4,278,013	11,374,714
Net Result for the year		-	-	-	-	(113,804)	(113,804)
Balance at 30 June 2011	13	2,618,828	504,427	185,902	3,787,544	4,164,209	11,260,910

This statements should be read in conjunction with the accompanying notes

OTWAY HEALTH AND COMMUNITY SERVICES

CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		4,542,844	4,320,648
Patient and Resident Fees Received		422,689	443,720
Donations & Bequests Received		15,425	455,235
Interest Received		217,915	144,034
Other Receipts		1,195,757	522,441
GST received from/(paid to) ATO		106,284	87,654
Employee Expenses Paid		(4,227,170)	(4,041,645)
Non Salary Labour Costs		(185,231)	(171,812)
Payments for Supplies & Consumables		(203,859)	(185,271)
Other Payments		(1,623,197)	(1,115,583)
Cash Generated from Operations		261,457	459,421
Capital Grants from Government		4,314	14,199
Capital Donations and Bequests Received		170,000	(1,475)
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	435,771	472,145
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment		(819,932)	(382,833)
Proceeds from Sale of Property, Plant & Equipment		583,229	25,136
Payments for Purchase of Investments		(261,233)	(31,715)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(497,936)	(389,412)
NET INCREASE/(DECREASE) IN CASH HELD		(62,165)	82,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		299,896	217,163
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	237,731	299,896

This Statement should be read in conjunction with the accompanying notes

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

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**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These financial statements are a general purpose financial report which have been prepared on in accordance with the Financial Management Act 1994 and applicable Australian Accounting Standards (AASs) and Australian Accounting Interpretations and other mandatory reporting 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" entities under the AAS's.

The annual financial statements were authorised for issue by the Board of the Health Service on August 19, 2011

(b) Basis of preparation

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

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

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

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

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

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

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

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

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

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

(c) Reporting Entity

The financial statements include all the controlled activities of the Otway Health and Community Services.

Its principle address is:
37-43 McLachlan Street
Apollo Bay VIC 3233

(d) Jointly Controlled Assets

Interests in jointly controlled assets are accounted for by recognising in the Health Service's financial statements its proportionate share of the assets, liabilities and any income and expenses of such assets.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Scope and Presentation of Financial Statements

Fund Accounting

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

Services Supported by Health Services Agreement and Services Supported by Hospital and Community Initiatives

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

Comprehensive operating statement

The Comprehensive Operating Statement includes the subtotal entitled 'Net Result Before Capital & Specific Items' to enhance the understanding of the financial performance of the Health Service. This subtotal reports the result excluding such items as capital grants, assets received or provided free of charge, depreciation, and items of 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 the Health Service, 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 or plant and equipment. It also includes donations of plant and equipment. Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Specific income/expense, comprises the following items, where material:
 - Voluntary departure packages
 - Non-Current asset revaluation increments/decrements
- Impairment of financial and non-financial assets including all impairment losses (and reversal of previous impairment losses) which have been recognised in accordance with Note 1 (i) and (j)
- Depreciation and amortisation, as described in note 1 (h)
- Assets provided or received free of charge (refer to Note 1 (g) and (h))
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

Balance sheet

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

Statement of changes in equity

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

Cash flow statement

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

(f) Change in Accounting Policies

The Health Service had a 3.07% interest in the joint venture of South West Alliance for Rural Health (SWARH) as at 30 June 2010 amounting to \$41,781. This investment in the joint venture was previously treated as an investment in a jointly controlled entity. From 1 July 2010, this investment has been accounted for as an interest in a jointly controlled asset. The change in accounting policy is as a result of a review of the accounting treatment under the joint venture agreement.

As at 30 June 2011 this investment is disclosed as a Jointly Controlled Asset, split into the relative class of revenue, expenditure, assets and liabilities per the Health Service's share of SWARH's results and position. For the year ended 30 June 2010 the impact of this change is nil.

Previous disclosure 2009/10 Published Financial Statements:

- recognition of Health Services share of operating result of SWARH \$(32,862), as an individual line item in the Comprehensive Operating Statement; and
- investment accounted for using the equity method as a non current asset in the balance sheet for \$41,781

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Change in Accounting Policies (Continued)

Under New Accounting Policy this investment would have been disclosed in 2009/10 as follows:

- Revenue class items amounting to \$173,342, expenditure class items amounting to \$(206,204). Net result \$(32,862); and
- Current assets items amounting to \$382,520, non current asset items amounting to \$6,260 and current liability items amounting to \$(343,121) and non current liabilities items amounting to \$(3,878). Resulting in a net asset position for the investment in SWARH jointly controlled assets of \$41,781.

Refer to Note 8 Investment accounted for using the equity method for disclosure relating to 2009/10 and to Note 18 Interest In Jointly Controlled Asset for the disclosure of this investment in 2010/11

(g) Income recognition

Revenue is recognised in accordance with AASB 118 Revenue and is recognised as to the extent it is probable that the economic benefits will flow to the Health Service and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

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

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

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

Indirect Contributions

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.

Donations and Bequests

Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a reserve, such as the specific restricted purpose reserve.

Interest Revenue

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

Sale of investments

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

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 Health Service 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.

(h) Expense Recognition

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

Employee expenses

Employee expenses include:

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

Defined contribution plans

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

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Expense Recognition (Continued)

Defined benefit plans

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based on actuarial advice.

Employees of the Health Service are entitled to receive superannuation benefits and the Health Service contributes to both the defined benefit and defined contribution plans. The defined benefit plan(s) provide benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by the Health Service are as follows:

		Contributions Paid	
		2011	2010
<u>Defined benefit plans:</u>	State Superannuation Fund	8,867	11,169
<u>Defined contribution plans:</u>	Hesta	82,406	78,299
	VicSuper	244,722	241,695
Total		335,995	331,163

Depreciation

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

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

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

	2011	2010
Buildings		
- Structure Shell Building Fabric	Up to 60 years	Up to 60 years
- Site Engineering Services and Central Plant	Up to 30 years	Up to 30 years
Central Plant		
- Fit Out	Up to 30 years	Up to 30 years
- Trunk Reticulated Building Systems	Up to 40 years	Up to 40 years
Plant & Equipment	Up to 15 years	Up to 15 years
Medical Equipment	Up to 15 years	Up to 15 years
Computers & Communications	Up to 15 years	Up to 15 years
Furniture & Fittings	Up to 15 years	Up to 15 years
Motor Vehicles	Up to 7 years	Up to 7 years
Leasehold Improvements	Up to 10 years	Up to 10 years

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

(i) Financial Assets

Cash and Cash Equivalents

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

Receivables

Receivables consist of:

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

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

Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

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

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

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment 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.

Investments are classified in the following categories:

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

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

The Health Service 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.

Loans and receivables

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

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

Held-to-maturity investments

Where the Health Service has the positive intent and ability to hold investments to maturity, they are stated 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.

Impairment of Financial Assets

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

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off and allowance for doubtful receivables are recognised as expenses in the net result.

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

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

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

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.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Non-Financial Assets

Inventories

The value of supplies held at balance date is not considered to be material. The cost of supplies is charged to operating expenses when incurred.

Non-financial Physical Assets Classified as Held for Sale

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

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

Property, Plant and Equipment

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

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

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

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

Revaluations of Non-Current Physical Assets

Non-current physical assets measured at fair value are revalued in accordance with FRD103D 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 class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

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

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation surplus are normally not transferred to accumulated funds on derecognition of the relevant asset.

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

Other non-financial assets

Prepayments

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

Disposal of Non-Financial Assets

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

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(j) Non-Financial Assets (Continued)
Impairment of Non-Financial Assets**

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

- financial assets;
- investment property that is measured at fair value; and
- non-current physical assets held for sale.

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

It is deemed that, in the event of the loss or destruction 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.

**(k) Liabilities
Payables**

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, then subsequently carried at amortised cost and represent liabilities for goods and services provided to the health service prior to the end of the financial year that are unpaid, and arise when the health service becomes obliged to make future payments in respect of the purchase of these goods and services.

The normal credit terms are usually Nett 30 days.

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 expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date, classified as current liabilities and measured at nominal values.

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

Long Service Leave

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

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

The components of this current LSL liability are measured at:

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

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

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

Termination Benefits

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

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

OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Liabilities (Continued)

Superannuation Liabilities

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

(l) 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.

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.

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.

(m) Equity

Contributed Capital

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

Property, Plant & Equipment Revaluation Surplus

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

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.

(n) Commitments for Expenditure

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

(o) 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.

(p) Goods and Services Tax

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

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

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

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

(q) Rounding Off

All amounts shown in the Financial Statements are expressed to the nearest dollar.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for financial years ending 30 June 2011. Health Service has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 9 <i>Financial instruments</i>	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 Jan 2013	Detail of impact is still being assessed.
AASB 124 <i>Related Party Disclosures (Dec 2009)</i>	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, the Health Service is still assessing the detailed impact and whether to early adopt.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2009-11 <i>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]</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-12 <i>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]</i>	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments. Detail of impact is still being assessed.
AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]</i>	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]</i>	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-5 <i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]</i>	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]</i>	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets. Detail of impact is still being assessed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i>	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]</i>	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 <i>Investment Property</i> .	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-9 <i>Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]</i>	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]</i>	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]</i>	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</i>	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: REVENUE

	HSA		H&CI		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Revenue from Operating Activities						
Government Grants						
- Department of Health	3,323,846	3,031,364	3,500	140,582	3,327,346	3,171,946
- Commonwealth Government	744,699	726,352	317,285	323,369	1,061,984	1,049,721
- State Government - Other	66,580	57,245	26,784	33,160	93,364	90,405
Total Government Grants	4,135,125	3,814,961	347,569	497,111	4,482,694	4,312,072
Indirect Contribution by Department of Health						
- Insurance	133,297	101,486	-	-	133,297	101,486
- Long Service Leave	-	(25,712)	-	-	-	(25,712)
Total Indirect Contribution by Department of Health	133,297	75,774	-	-	133,297	75,774
Patient and Resident Fees						
- Patient and Resident Fees (refer note 2a)	19,484	16,023	-	-	19,484	16,023
- Residential Aged Care (refer note 2a)	398,100	459,187	-	-	398,100	459,187
Total Patient and Resident Fees	417,584	475,210	-	-	417,584	475,210
Donations & Bequests	15,026	455,235	399	-	15,425	455,235
Other Operating Revenue						
- Contributions from Local Government	46,097	23,708	-	-	46,097	23,708
- Miscellaneous	850,288	268,262	282,263	80,974	1,132,551	349,236
Sub-Total Revenue from Operating Activities	5,597,417	5,113,150	630,231	578,085	6,227,648	5,691,235
Revenue from Non-Operating Activities						
Interest	236,878	162,603	-	-	236,878	162,603
Property Income	65,273	66,705	-	2,215	65,273	68,920
Sub-Total Revenue from Non-Operating Activities	302,151	229,308	-	2,215	302,151	231,523
Revenue from Capital Purpose Income						
State Government Capital Grants						
- Targeted Capital Works and Equipment	4,314	14,199	-	-	4,314	14,199
Donations & Bequests	176,780	6,024	-	-	176,780	6,024
Residential Accommodation payments (refer 2a)	28,166	29,894	-	-	28,166	29,894
Net Gain/(Loss) on Disposal of Non-Current Assets (refer note 2b)	27,038	608	-	-	27,038	608
Sub-Total Revenue from Capital Purpose Income	236,298	50,725	-	-	236,298	50,725
Share of net result of Joint Ventures Accounted for using the Equity Model (refer note 8)	-	(32,862)	-	-	-	(32,862)
Total Revenue	6,135,866	5,360,321	630,231	580,300	6,766,097	5,940,621

Indirect contributions by Department of Health:

The 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.

Analysis of Revenue by Source

Otway Health & Community Services provides services supported by a Multi Purpose Service (MPS) agreement. Accordingly it is not possible to analyse revenue by source as it is at the discretion of the Board of Management as to how to allocate grant income received. As a MPS Otway Health & Community Services is not required to provide segment information in relation to its Residential Aged Care Service (RACS).

Note 2a: Patient and Resident Fees

Recurrent:

	2011	2010
	\$	\$
Acute		
- Inpatients	19,484	16,023
Residential Aged Care		
- Generic	398,100	459,187
Total Recurrent	417,584	475,210

Capital Purpose:

Residential Accommodation Payments	28,166	29,894
Total Capital	28,166	29,894

OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

	2011	2010
	\$	\$
Proceeds from Disposals of Assets		
Land	170,000	-
Buildings	190,720	-
Motor Vehicles	222,509	25,136
Total Proceeds from Disposals of Assets	<u>583,229</u>	<u>25,136</u>
Less: Written-Down Value of Assets Sold		
Land	170,000	-
Buildings	168,442	-
Motor Vehicles	217,749	24,528
Total Written-Down Value of Assets Sold	<u>556,191</u>	<u>24,528</u>
Net gains/(losses) on disposal	<u>27,038</u>	<u>608</u>

Note 3: Analysis of Expenses

	HSA		H&CI		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Employee Expenses						
Salaries and Wages	3,509,758	3,274,749	360,079	329,844	3,869,837	3,604,593
Work cover	25,165	18,002	6,660	6,761	31,825	24,763
Superannuation	303,188	300,259	32,807	30,904	335,995	331,163
Long Service Leave	93,830	48,044	7,703	6,585	101,533	54,629
Total Employee Expenses	<u>3,931,941</u>	<u>3,641,054</u>	<u>407,249</u>	<u>374,094</u>	<u>4,339,190</u>	<u>4,015,148</u>
Non-Salary Labour Costs						
Fee for Service Medical Officers	185,231	171,812	-	-	185,231	171,812
Total Non-Salary Labour Costs	<u>185,231</u>	<u>171,812</u>	<u>-</u>	<u>-</u>	<u>185,231</u>	<u>171,812</u>
Supplies & Consumables						
Drug Supplies	24,293	22,253	-	-	24,293	22,253
Medical, Surgical Supplies and Prosthesis	49,097	44,487	-	-	49,097	44,487
Food Supplies	102,543	92,783	27,926	25,748	130,469	118,531
Total Supplies & Consumables	<u>175,933</u>	<u>159,523</u>	<u>27,926</u>	<u>25,748</u>	<u>203,859</u>	<u>185,271</u>
Other Expenses from Continuing Operations						
Domestic Services & Supplies	112,678	122,696	8,006	10,766	120,684	133,462
Fuel, Light, Power & Water	77,414	64,802	-	1,434	77,414	66,236
Insurance costs funded by Department of Health	133,277	101,848	-	-	133,277	101,848
Motor Vehicle Expenses	57,016	38,080	-	-	57,016	38,080
Repairs & Maintenance	122,711	39,656	-	-	122,711	39,656
Maintenance Contracts	40,044	52,984	-	-	40,044	52,984
Patient Transport	4,555	-	-	-	4,555	-
Lease Expenses	45,617	34,711	-	-	45,617	34,711
Other Administrative Expenses	975,824	397,579	60,088	161,427	1,035,912	559,006
Audit Fee						
- VAGO - Audit of Annual Financial Statements	7,500	10,914	-	-	7,500	10,914
- Other	-	-	-	-	-	-
Total Other Expenses from Continuing Operations	<u>1,576,636</u>	<u>863,270</u>	<u>68,094</u>	<u>173,627</u>	<u>1,644,730</u>	<u>1,036,897</u>
Depreciation and Amortisation (refer note 4)	<u>506,891</u>	<u>492,973</u>	<u>-</u>	<u>-</u>	<u>506,891</u>	<u>492,973</u>
Total Expenses	<u>6,376,632</u>	<u>5,328,632</u>	<u>503,269</u>	<u>573,469</u>	<u>6,879,901</u>	<u>5,902,101</u>

Analysis of Expenses by Source

Otway Health & Community Services provides services supported by a Multi Purpose Service (MPS) agreement. Accordingly it is not meaningful to analyse expenses by source.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 4: DEPRECIATION

	2011 \$	2010 \$
Buildings	351,532	350,157
Plant & Equipment	140,142	119,698
Medical Equipment	15,217	23,118
	<u>506,891</u>	<u>492,973</u>

NOTE 5: CASH AND CASH EQUIVALENTS

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

Cash on Hand	651	651
Cash at Bank	237,080	299,245
	<u>237,731</u>	<u>299,896</u>
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	<u>237,731</u>	<u>299,896</u>

NOTE 6: RECEIVABLES

CURRENT

Contractual

Trade Debtors	130,977	200
Patient Fees	79,741	84,846
Accrued Investment Income	70,537	51,574
Accrued Revenue	171,564	164,784
	<u>452,819</u>	<u>301,404</u>

Statutory

GST Receivable	18,270	33,739
	<u>18,270</u>	<u>33,739</u>
TOTAL RECEIVABLES	<u>471,089</u>	<u>335,143</u>

(a) Movement in the Allowance for Doubtful Debts

Balance at beginning of year	-	-
Amounts written off during the year	-	-
Increase in Allowance recognised in profit or loss	-	-
Balance at end of year	<u>-</u>	<u>-</u>

(b) Ageing of Receivables

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

(c) Nature and extent of risk arising from Receivables

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

NOTE 7: INVESTMENTS AND OTHER FINANCIAL ASSETS

CURRENT

24 Hour At Call Account	45,066	34,092
Aust. Dollar Term Deposits	3,860,932	3,558,438
Hi-Yield Investment Account	307	1,775
TOTAL	<u>3,906,305</u>	<u>3,594,305</u>

Represented by:

Multi-Purpose Service Investments	1,982,227	1,692,828
Accommodation Bonds (Refundable Entrance Fees)	1,924,078	1,901,477
	<u>3,906,305</u>	<u>3,594,305</u>

(a) Ageing of Other Financial Assets

Please refer to note 17 (c) for the ageing analysis of Investments and Other Financial Assets

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

Please refer to note 17 (c) for the nature and extent of credit risk arising from Investments and Other Financial Assets

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in Jointly Controlled Entities	Principal Activity	Country of Incorporation	Ownership Interest		Published Fair Value	
			2011 %	2010 %	2011 \$	2010 \$
South West Alliance of Rural Health (SWARH)	Information Technology	Australia	0.00%	3.07%	-	41,781

The Otway Health and Community Services has a joint venture interest in the South Western Alliance of Rural Health whose principal activity is the implementing and processing of an information technology system and an associated telecommunication service suitable for use by each member.

The Services' share of assets, liabilities and operating result is:

	2011 \$	2010 \$
Current Assets	-	382,520
Non-Current Assets	-	6,260
Share of Total Assets	-	388,780
Current Liabilities	-	343,121
Non-Current Liabilities	-	3,878
Share of Total Liabilities	-	346,999
Net Share of Joint Venture Assets	-	41,781
Share of Current Year Profit/(Loss)	-	(32,862)
Operating Contract Commitments	-	244,575
Operating Lease Commitments	-	274,769
Capital Commitments	-	-

As disclosed in Note 1 (f) there has been a change in accounting policy in the treatment of this asset. Refer to Note 18 for disclosure in respect of 2011 for treatment as a jointly controlled asset.

NOTE 9: PROPERTY, PLANT & EQUIPMENT

Land

Land at Fair Value	4,027,000	4,015,000
	<u>4,027,000</u>	<u>4,015,000</u>

Buildings

Buildings at Fair Value	5,437,326	5,326,835
Less Accumulated Depreciation	695,131	350,157

Total Buildings	<u>4,742,195</u>	<u>4,976,678</u>
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Plant & Equipment

Plant and Equipment at Fair Value	1,452,169	1,352,042
Less Accumulated Depreciation	624,795	519,218

Total Plant & Equipment	<u>827,374</u>	<u>832,824</u>
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Medical Equipment

Medical Equipment at Fair Value	268,936	268,936
Less Accumulated Depreciation	239,997	224,780

Total Medical Equipment	<u>28,939</u>	<u>44,156</u>
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Total Property, Plant & Equipment	<u>9,625,508</u>	<u>9,868,658</u>
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Land and buildings carried at valuation

An Independent valuation of the Health Service's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2009.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9: PROPERTY, PLANT & EQUIPMENT (Continued)

Reconciliations of the carrying amounts of each class of land, buildings, plant & equipment and communication at the beginning and end of the previous and current financial year are set out below.

	Land \$	Buildings \$	Plant & Equipment \$	Medical Equipment \$	Total \$
Balance at 1 July 2009	4,015,000	5,323,000	616,880	48,446	10,003,326
Additions	-	3,835	360,170	18,828	382,833
Disposals	-	-	(24,528)	-	(24,528)
Depreciation expense (note 4)	-	(350,157)	(119,698)	(23,118)	(492,973)
Balance at 1 July 2010	<u>4,015,000</u>	<u>4,976,678</u>	<u>832,824</u>	<u>44,156</u>	<u>9,868,658</u>
Additions	182,000	285,491	352,441	-	819,932
Disposals	(170,000)	(168,442)	(217,749)	-	(556,191)
Depreciation expense (note 4)	-	(351,532)	(140,142)	(15,217)	(506,891)
Balance at 30 June 2011	<u>4,027,000</u>	<u>4,742,195</u>	<u>827,374</u>	<u>28,939</u>	<u>9,625,508</u>

NOTE 10: PAYABLES

	2011 \$	2010 \$
CURRENT		
Contractual		
Trade Creditors	109,930	99,791
Accrued Expenses	38,333	7,000
Income in Advance	51,574	8,576
TOTAL	<u>199,837</u>	<u>115,367</u>

(a) Maturity analysis of payables

Please refer to note 17d for the ageing analysis of contractual payables

(b) Nature and extent of risk arising from payables

Please refer to note 17d for the nature and extent of risks arising from contractual payables

NOTE 11: EMPLOYEE BENEFITS

CURRENT		
Unconditional Long Service Leave Entitlements	274,630	264,814
Accrued Wages and Salaries	44,710	34,289
Annual Leave	335,445	259,305
Accrued Days Off	11,584	11,893
TOTAL*	<u>666,369</u>	<u>570,301</u>
*Current Employee Benefits that:		
Expected to be utilised within 12 months (nominal value)	534,396	471,545
Expected to be utilised after 12 months (present value)	131,973	98,756
	<u>666,369</u>	<u>570,301</u>
NON-CURRENT		
Conditional Long Service Leave Entitlements (present value)	<u>209,293</u>	<u>193,341</u>
TOTAL EMPLOYEE ENTITLEMENTS	<u>875,662</u>	<u>763,642</u>
Movement in Long Service Leave:		
Balance July 1	458,155	416,916
Provision made during the year	108,187	80,286
Settlement made during the year	(82,419)	(39,047)
Balance June 30	<u>483,923</u>	<u>458,155</u>

NOTE 12: OTHER LIABILITIES

CURRENT		
Accommodation Bonds (Refundable Entrance Fees)	1,924,078	1,901,477
	<u>1,924,078</u>	<u>1,901,477</u>
Represented by the following assets:		
Investments and Other Financial Assets (refer Note 7)	<u>1,924,078</u>	<u>1,901,477</u>

OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 13: EQUITY

(a) Reserves

Property, Plant & Equipment Revaluation Surplus

	2011 \$	2010 \$
Balance at the beginning of the reporting period	2,618,828	2,618,828
Revaluation Increments/(Decrements)		
- Land	-	-
- Buildings	-	-
Balance at the end of the reporting period	<u>2,618,828</u>	<u>2,618,828</u>
Represented by:		
- Land	2,230,337	2,230,337
- Buildings	388,491	388,491
	<u>2,618,828</u>	<u>2,618,828</u>

Asset Replacement Reserve

Asset Replacement Reserve at the beginning of the reporting period	185,902	187,283
Transfers (to)/from retained earnings	-	(1,381)
Balance at the end of the reporting period	<u>185,902</u>	<u>185,902</u>

The asset replacement reserve arises from a Board decision to re-invest the surpluses from Sea Mist Villas into capital expenditure

Restricted Specific Purpose Reserve

Balance at Beginning of Reporting Period	504,427	504,427
Transfers (to)/from retained earnings	-	-
Balance at the end of the reporting period	<u>504,427</u>	<u>504,427</u>

(b) Contributed Capital

Balance at Beginning of Reporting Period	3,787,544	3,787,544
Capital Contribution received from the Victorian Government	-	-
Balance at the end of the reporting period	<u>3,787,544</u>	<u>3,787,544</u>

(c) Accumulated Surplus / (Deficit)

Balance at Beginning of Reporting Period	4,278,013	4,238,112
Transfers to and from Reserves	-	1,381
Net Surplus/(Deficit) for the year	(113,804)	38,520
Balance at the end of the reporting period	<u>4,164,209</u>	<u>4,278,013</u>

(d) Total Equity at end of financial year

	<u>11,260,910</u>	<u>11,374,714</u>
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NOTE 14: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 \$	2010 \$
Net Result for the Year	(113,804)	38,520
Non-Cash Movements		
Depreciation	506,891	492,973
Joint Venture Equity Result	-	32,862
Net Gain/(Loss) from Sale of Plant and Equipment	(27,038)	(608)
Change in Operating Assets & Liabilities		
Increase/(Decrease) in Employee Entitlements	112,020	(26,497)
Increase/(Decrease) in Payables	84,470	(19,565)
Increase/(Decrease) in Monies Held in Trust	(28,166)	(29,894)
Decrease/(Increase) in Prepayments	(4,437)	(2,917)
Decrease/(Increase) in Receivables	(94,165)	(12,729)
Net Cash Inflow From Operating Activities	<u>435,771</u>	<u>472,145</u>

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 15: COMMITMENTS

Non-cancellable Operating Leases

Operating lease commitments in respect of computers, photocopiers and property payable as follows:

	2011 \$	2010 \$
Not Later than 1 year	37,289	31,902
Later than 1 year and not later than 5 years	38,896	39,620
	<u>76,185</u>	<u>71,522</u>

NOTE 16: CONTINGENT LIABILITIES & CONTINGENT ASSETS

The service has received funding in relation to a social housing innovation project. Under the agreement entered into with the Department of Health the service is required to continue to manage the project for a period of 40 years expiring in 2043. Should the project cease within this time the service is required to repay monies to the Department of Health under an agreed formula specified in the agreement. It is the intention of Otway Health & Community Services to comply with the conditions of the agreement and no amount is considered to be refundable, contingent or otherwise.

NOTE 17: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Health Service's principal financial instruments comprise of:

- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)
- Accommodation Bonds

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, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

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

(b) Categorisation of Financial Instruments

Financial Assets

Cash and Cash Equivalents
Loans and Receivables

	Carrying Amount	
	2011 \$	2010 \$
Cash and Cash Equivalents	237,731	299,896
Loans and Receivables	4,359,124	3,895,709
	<u>4,596,855</u>	<u>4,195,605</u>

Financial Liabilities

At Amortised Cost

At Amortised Cost	2,123,915	2,016,844
	<u>2,123,915</u>	<u>2,016,844</u>

No net holding gain or loss was made in respect of any of the above categories of financial instruments with the exception of interest revenue which is disclosed in note 2.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 17: Financial Instruments (continued)

(c) Credit Risk

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

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Health Service's policy to deal where possible with entities with high credit ratings. Trade and Other receivables that are not either past due nor impaired are considered to be of high credit quality.

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

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

The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The health service does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

Ageing analysis of financial assets as at 30 June 2011

	Carrying Amount	Not Past Due And Not Impaired	Not Less than 1 Month	1-3 Months	Past Due But Not Impaired		Impaired Financial Assets
	\$	\$	\$	\$	3 Months - 1 Year	1-5 Years	\$
2011							
Financial Assets							
Cash and Cash Equivalents	237,731	237,731	-	-	-	-	-
Receivables							
- Trade Debtors	130,977	130,977	-	-	-	-	-
- Other Receivables	321,842	308,594	2,293	5,242	5,713	-	-
Other Financial Assets							
- Term Deposit	3,906,305	3,906,305	-	-	-	-	-
Total Financial Assets	4,596,855	4,583,607	2,293	5,242	5,713	-	-
2010							
Financial Assets							
Cash and Cash Equivalents	299,896	299,896	-	-	-	-	-
Receivables							
- Trade Debtors	200	200	-	-	-	-	-
- Other Receivables	301,204	286,532	-	6,482	8,190	-	-
Other Financial Assets							
- Term Deposit	3,594,305	3,594,305	-	-	-	-	-
Total Financial Assets	4,195,605	4,180,933	-	6,482	8,190	-	-

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

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

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 17: Financial Instruments (continued)

(d) Liquidity Risk

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

The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Health Service manages its liquidity risk by monitoring forecast cash flows and ensuring that liquid assets are available.

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

Maturity Analysis of financial liabilities as at 30 June

	Carrying Amount	Contractual Cash Flows	Maturity Dates				
			Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
	\$	\$	\$	\$	\$	\$	\$
2011							
Payables	199,837	199,837	199,837	-	-	-	-
Other Financial Liabilities							
- Accommodation Bonds	1,924,078	1,924,078	-	1,924,078	-	-	-
Total Financial Liabilities	2,123,915	2,123,915	199,837	1,924,078	-	-	-
2010							
Payables	115,367	115,367	115,367	-	-	-	-
Other Financial Liabilities							
- Accommodation Bonds	1,901,477	1,901,477	-	1,901,477	-	-	-
Total Financial Liabilities	2,016,844	2,016,844	115,367	1,901,477	-	-	-

(e) Market Risk

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

Currency Risk

The Health Service has no exposure to foreign currency risk.

Interest Rate Risk

Exposure to interest rate risk might arise primarily through the Health Service's interest bearing assets and liabilities. The Health Service currently has no interest bearing liabilities and is unlikely to have any into the future as interest bearing liabilities can only be entered into with the approval of the Department of Treasury and Finance.

Other Price Risk

The Health Service is exposed to insignificant other price risk

	Weighted Average Interest Rates	Interest Rate Exposure			
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2011					
Financial Assets					
Cash and Cash Equivalents	0.50	237,731	-	237,731	-
Receivables					
- Trade Debtors	0.00	130,977	-	-	130,977
- Other Receivables	0.00	321,842	-	-	321,842
Other Financial Assets - Term Deposit	6.06	3,906,305	3,906,305	-	-
		4,596,855	3,906,305	237,731	452,819
Financial Liabilities					
Payables	0.00	199,837	-	-	199,837
Other Financial Liabilities - Accommodation Bonds	0.00	1,924,078	-	-	1,924,078
		2,123,915	-	-	2,123,915
2010					
Financial Assets					
Cash and Cash Equivalents	3.00	299,896	-	299,896	-
Receivables					
- Trade Debtors	0.00	200	-	-	200
- Other Receivables	0.00	301,204	-	-	301,204
Other Financial Assets - Term Deposit	5.75	3,594,305	3,594,305	-	-
		4,195,605	3,594,305	299,896	301,404
Financial Liabilities					
Payables	0.00	115,367	-	-	115,367
Other Financial Liabilities - Accommodation Bonds	0.00	1,901,477	-	-	1,901,477
		2,016,844	-	-	2,016,844

OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 17: Financial Instruments (continued)

(e) Market Risk (Continued)
Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Health Service believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia)

- 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 impact of this has not been modelled).

The following table discloses the impact on net operating result and equity for each category of variable rate financial instruments held by the Health Service at year end as presented to key management personnel, if changes in the relevant interest rate risk occur

	Carrying Amount \$	Interest Rate Risk			
		-1% Profit \$	-1% Equity \$	+1% Profit \$	+1% Equity \$
2011					
Financial Assets					
Cash and Cash Equivalents	237,731	(2,377)	(2,377)	2,377	2,377
Receivables					
- Trade Debtors	130,977	-	-	-	-
- Other Receivables	321,842	-	-	-	-
Other Financial Assets - Term Deposit	3,906,305	(39,063)	(39,063)	39,063	39,063
	<u>4,596,855</u>	<u>(41,440)</u>	<u>(41,440)</u>	<u>41,440</u>	<u>41,440</u>
Financial Liabilities					
Payables	199,837	-	-	-	-
Other Financial Liabilities - Accommodation Bonds	1,924,078	-	-	-	-
	<u>2,123,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2010					
Financial Assets					
Cash and Cash Equivalents	299,896	(2,999)	(2,999)	2,999	2,999
Receivables					
- Trade Debtors	200	-	-	-	-
- Other Receivables	301,204	-	-	-	-
Other Financial Assets - Term Deposit	3,594,305	(35,943)	(35,943)	35,943	35,943
	<u>4,195,605</u>	<u>(38,942)</u>	<u>(38,942)</u>	<u>38,942</u>	<u>38,942</u>
Financial Liabilities					
Payables	115,367	-	-	-	-
Other Financial Liabilities - Accommodation Bonds	1,901,477	-	-	-	-
	<u>2,016,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(f) Fair Value

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

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

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

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 18: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Interest in Jointly Controlled Entities	Principal Activity	Ownership Interest	
		2011	2010
		%	%
South West Alliance of Rural Health (SWARH)	Information Technology	3.09%	

The Health Service interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective asset categories:

	2011	2010
	\$	\$
Current Assets		
Cash and Cash Equivalents	(10,775)	-
Receivables	111,342	-
Other Assets	19,854	-
Total Current Assets	<u>120,421</u>	<u>-</u>
Non-Current Assets		
Property, Plant & Equipment	5,015	-
Total Assets	<u><u>125,436</u></u>	<u><u>-</u></u>

The Health Service interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

Revenues		
Revenue from Operating Activities	544,578	-
Revenue from Non-Operating Activities	-	-
Capital Purpose Income	-	-
Total Revenue	<u>544,578</u>	<u>-</u>
Expenses		
Employee Benefits	144,503	-
Maintenance Contract and IT Support	48,204	-
Operating Lease Costs	45,122	-
Other Expenses from Ordinary Activities	325,089	-
Depreciation	1,279	-
Total Expenses	<u>564,197</u>	<u>-</u>
Net Result	<u><u>(19,619)</u></u>	<u><u>-</u></u>

As per Note 1 (f), there has been a change in accounting policy with the ownership in the entity having previously been equity accounted. Refer to Note 8 for disclosures made in respect of the 2010 year.

**OTWAY HEALTH AND COMMUNITY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 19a: RESPONSIBLE PERSONS DISCLOSURES

a) Responsible Persons

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

		Period	
		From	To
Responsible Minister			
The Honourable Daniel Andrews, MLA.	Minister for Health	1/07/2010	2/12/2010
The Honourable David Davis, MP,	Minister for Health and Ageing	2/12/2010	30/06/2011
The Honourable Mary Woodridge, MLA,	Minister for Mental Health	2/12/2010	30/06/2011
Governing Board			
D. Hooke		1/07/2010	30/06/2011
P. Hagan		1/07/2010	30/06/2011
S. Verwoert		1/07/2010	30/06/2011
P. Britton		1/07/2010	30/06/2011
N. Brooks		1/07/2010	30/06/2011
D. Gogerly		1/07/2010	30/06/2011
S. Ralton		1/07/2010	30/06/2011
Accountable Officers			
L. West		1/07/2010	30/06/2011

b) Remuneration of Responsible Persons

The number of Responsible persons are shown in their relevant income bands;

	2011 \$	2010 \$
\$0 - \$9,999	7	8
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	1	-
	<u>8</u>	<u>9</u>
Total Remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	<u>145,627</u>	<u>135,882</u>

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

c) Other Transactions of Responsible Persons and their Related Entities

There were no transactions entered into with responsible persons or their related entities.

NOTE 19b: EXECUTIVE OFFICER DISCLOSURES

No executive remuneration exceeded \$100,000 during the year.

NOTE 20: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no events occurring since the balance date to the date of this report that would have a material effect on the operations of the Health Service.



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