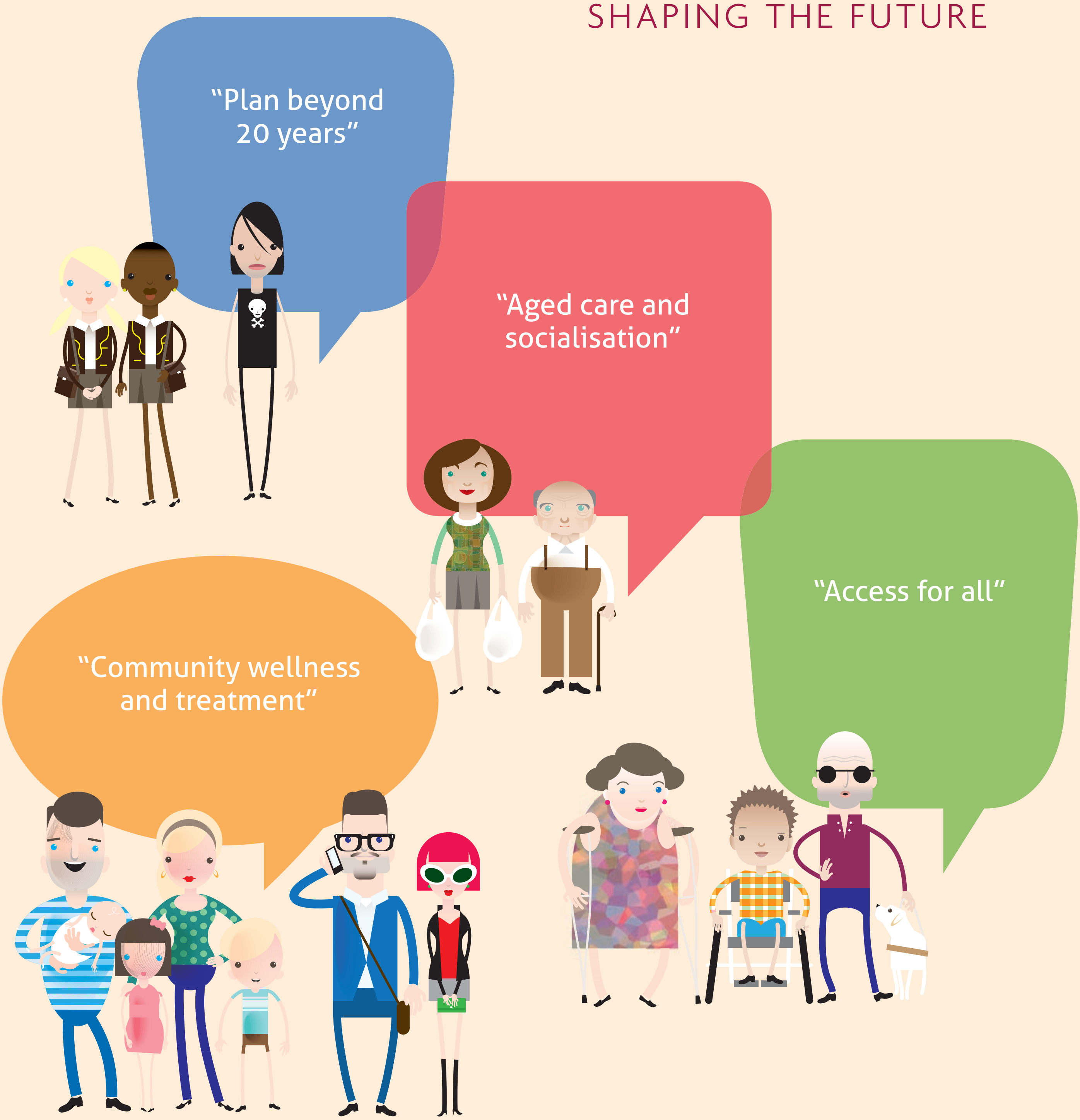
castlemaine HEALTH

FINANCE REPORT 2016/17

SHAPING THE FUTURE



CARE, QUALITY AND CHOICE

castlemaine HEALTH

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Acknowledgements and Feedback

We wish to thank everyone who contributed to this report. We value comments and feedback, so please get in touch:

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VICTORIA State Government

Castlemaine Health acknowledges the support of the Victorian Government

Report of Operations – Financial

The information contained on this page does not form part of the audited financial results for the year ended 30 June 2017 but is based on information contained within the audited statements.

Summary of Financial Results

For the Financial Year ended 30 June 2017

	2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Total Revenue	49,404	46,394	42,744	46,673	40,662
Total Expenses	49,749	44,815	44,600	45,701	43,328
Gains/Losses from Other Economic Flows	303	0	0	0	0
Net Result before Capital & Specific Items*	**1,286**	**238**	**(477)**	**(1,981)**	**(2,785)**
Net Result for the year	**(42)**	**1,579**	**(1,856)**	**972**	**(2,666)**
Retained Surplus/Accumulated Deficit)	**(14,492)**	**(14,450)**	**(16,039)**	**(14,183)**	**(15,155)**
Total Assets	72,279	66,573	63,201	60,054	47,634
Total Liabilities	32,505	27,223	25,409	20,210	18,438
Net Assets	**39,744**	**39,350**	**37,792**	**39,844**	**29,196**
Equity	**39,744**	**53,800**	**53,831**	**54,027**	**44,351**

** The Net Result before Capital & Specific Items is the result for which the hospital is monitored in its Statement of Priorities.*

Significant Changes in Financial Position

The Cash and Cash Equivalent/Investments balances held by Castlemaine Health increased during the year by $4.5m. This increase was as the result of the increased value of monies held in trust which is predominately Residential Aged Care Refundable Accommodation Deposits. This increase has resulted in an equivalent increase in the Other Current Liabilities balance reported in the Balance Sheet.

Operational and Budgetary Objectives and Factors Affecting Performance

Like all Health Services, Castlemaine Health is required to negotiate a Statement of Priorities with the Department of Health & Human Services each year. This document is a key accountability agreement between Castlemaine Health and the Minister for Health. It recognises that resources are limited and that the allocation of these scarce resources needs to be prioritised. The Statement incorporates both system-wide priorities set by the Government and locally generated agency-specific priorities.

Castlemaine Health succeeding in achieving an operating surplus in 2016/17 and continues to work with the Department of Health & Human Services in its endeavours to achieve operating surpluses on an ongoing basis to ensure the organisation can generate the cash needed to meet operating requirements into the future.

Both the organisation and the Department of Health & Human Services focus on the result before capital and depreciation, as depreciation is not a funded item. Funding for capital redevelopment and major equipment purchases are sourced from the Government; such funding is allocated according to need and after consideration of a supporting submission.

Financial sustainability performance

Statement of Priorities Measure Finance	Target	2016–17 Actual
Annual Operating Result ($m)	$0	$1.286
Creditors	<60 days	47 days
Debtors	<60 days	40 days

Events Subsequent to Balance Date

There have been no events subsequent to balance date that will have a significant effect on the operations of the of the health service in subsequent years.

Details of Consultancies (under $10,000)

In 2016/17, there were 11 consultancies where the total fees payable to the consultants were under $10,000. The total expenditure incurred during 2016-17 in relation to these consultancies is $43,492.

Details of Consultancies (valued at $10,000 or greater)

In 2016/17, there was one consultancy where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2016-17 in relation to this consultancy is $12,986 (ex GST).

Details of individual consultancies can be viewed at http://www.castlemainehealth.org.au/about-us/corporateconsultancy-details

Details of Information and Communication Technology (ICT) Expenditure

The total ICT expenditure incurred during 2016-17 is $0.970m (excluding GST) with the details shown below.

Business as Usual (BAU) ICT expenditure* $m	Non-Business as Usual (non-BAU) ICT expenditure* $m	Operational Expenditure* $m	Capital Expenditure* $m
$0.970	0	$0.717	$0.253

** Figures exclude GST*

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of Castlemaine Health

Opinion	I have audited the financial report of Castlemaine Health (the health service) which comprises the: • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • board member's, accountable officer's and chief finance & accounting officer's declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the financial report	The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

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T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 health service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the health service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the health service to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
4 September 2017

Ron Mak
as delegate for the Auditor-General of Victoria

Castlemaine Health

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

The attached financial statements for *Castlemaine Health* have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994,* applicable Financial Reporting Directions, Australian Accounting Standards including 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of Castlemaine Health at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.
We authorise the attached financial statements for issue on this day.

Carolyn Wallace	Ian Fisher	Kerryn Healy
Chairperson	Chief Executive Officer	Chief Finance & Accounting Officer
1 September 2017	1 September 2017	1 September 2017

Castlemaine Health
Comprehensive Operating Statement
For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue from operating activities	2.1	47,746	42,712
Revenue from non-operating activities	2.1	362	142
Employee expenses	3.1	(35,422)	(32,521)
Non salary labour costs	3.1	(2,704)	(2,187)
Supplies and consumables	3.1	(3,920)	(3,209)
Administration expenses	3.1	(2,916)	(2,355)
Other expenses	3.1	(1,860)	(2,344)
Net result before capital and specific items		**1,286**	**238**
Capital purpose income	2.1	1,296	3,540
Depreciation and amortisation	4.4	(2,040)	(2,045)
Specific expenses	3.3	(289)	0
Finance costs	3.4	(28)	39
Expenditure for capital purpose	3.1	(570)	(193)
Net result after capital and specific items		**(345)**	**1,579**
Other gains/(losses) from other economic flows			
Revaluation of long service leave	3.1	303	0
NET RESULT FOR THE YEAR		**(42)**	**1,579**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1	466	0
Changes to financial assets available-for-sale revaluation surplus	8.1	0	(21)
Total other comprehensive income		**466**	**(21)**
Comprehensive result		**424**	**1,558**

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

Castlemaine Health
Balance Sheet
As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	6.2	11,247	8,318
Receivables	5.1	1,361	1,045
Investments and other financial assets	4.1	9,893	8,304
Inventories	5.2	275	338
Non-Financial assets held for sale	5.4	0	341
Prepayments and Other assets	5.5	145	99
Total current assets		**22,921**	**18,445**
Non-current assets			
Receivables	5.1	767	672
Property, plant & equipment	4.3	48,591	47,456
Total non-current assets		**49,358**	**48,128**
TOTAL ASSETS		**72,279**	**66,573**
Current liabilities			
Payables	5.6	2,587	2,398
Borrowings	6.1	480	400
Provisions	3.5	7,604	7,005
Other current liabilities	5.3	19,389	14,140
Total current liabilities		**30,060**	**23,943**
Non-current liabilities			
Borrowings	6.1	1,442	1,894
Provisions	3.5	1,003	1,386
Total non-current liabilities		**2,445**	**3,280**
TOTAL LIABILITIES		**32,505**	**27,223**
NET ASSETS		**39,774**	**39,350**
EQUITY			
Property, plant & equipment revaluation surplus	8.1a	33,064	32,598
Financial asset available for sale revaluation surplus	8.1a	0	0
Restricted specific purpose surplus	8.1b	0	0
Contributed capital	8.1c	21,202	21,202
Accumulated deficits	8.1d	(14,492)	(14,450)
TOTAL EQUITY		**39,774**	**39,350**

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

Castlemaine Health

Statement of Changes in Equity

For the Year Ended 30 June 2017

	Note	Property, Plant & Equipment Revaluation Surplus $'000	Financial Asset Available for Sale Revaluation Surplus $'000	Restricted Specific Purpose Surplus $'000	Contributed Capital $'000	Accumulated Deficits $'000	Total $'000
Balance at 1 July 2015		**32,598**	**21**	**10**	**21,202**	**(16,039)**	**37,792**
Net result for the year		0	0	0	0	1,579	1,579
Other comprehensive income for the year	8.1(a)	0	(21)	0	0	0	(21)
Transfer to / from accumulated surplus	8.1(a) 8.1(c)	0	0	(10)	0	10	0
Balance at 30 June 2016		**32,598**	**0**	**0**	**21,202**	**(14,450)**	**39,350**
Net result for the year		0	0	0	0	(42)	(42)
Other comprehensive income for the year	8.1(a)	466	0	0	0	0	466
Transfer to / from accumulated surplus		0	0	0	0	0	0
Balance at 30 June 2017		**33,064**	**0**	**0**	**21,202**	**(14,492)**	**39,774**

This Statement should be read in conjunction with the accompanying notes

Castlemaine Health
Cash Flow Statement
For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating grants from government		37,744	34,558
Capital grants from government		566	3,129
Patient and resident fees received		5,798	5,471
Donations and bequests received		215	211
GST received from/(paid to) ATO		135	24
Interest received		362	180
Other capital receipts		176	121
Other receipts		2,283	2,922
Total receipts		**47,279**	**46,616**
Employee expenses paid		(35,499)	(33,073)
Non salary labour costs		(2,410)	(2,001)
Payments for supplies & consumables		(3,933)	(3,385)
Other Capital Payments		(125)	(180)
Other payments		(3,399)	(5,087)
Total payments		**(45,366)**	**(43,726)**
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.2	**1,913**	**2,890**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-financial assets		(2,793)	(1,224)
Proceeds from sale of non-financial assets		511	75
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(2,282)**	**(1,149)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		0	1,250
Repayment of borrowings		(400)	(250)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**(400)**	**1,000**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(769)**	**2,741**
Cash and cash equivalents at beginning of financial year		2,065	(676)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	**1,296**	**2,065**

This Statement should be read in conjunction with the accompanying notes

Basis of presentation

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 Contributions (that is contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the hospital.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contribution by owners. Transfer of net liabilities arising from administrative restructurings are treated as distribution to owners.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of AASB that have significant effect on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Castlemaine Health Service for the period ending 30 June 2017. The report provides users with information about the Health Services' stewardship of resources entrusted to it.

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASBs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements.*

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

Castlemaine Health Service is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" Health Services under the AASBs.

The annual financial statements were authorised for issue by the Board of Castlemaine Health Service on 1st September 2017.

(b) Reporting entity

The financial statements include all the controlled activities of Castlemaine Health Service.

Its principal address is:
142 Cornish St
Castlemaine
Victoria 3450

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

Objectives and funding

Castlemaine Health Service's overall objective is to provide exceptional care of every person, every time by ensuring a well run and trusted organisation that engages with the community to provide high quality health services.

Castlemaine Health Service is predominantly funded by accrual based grant funding for the provision of outputs.

(c) Basis of accounting preparation and measurement

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

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

These financial statements are presented in Australian dollars, the functional and presentation currency of the Health Service.

Note 1: Summary of significant accounting policies (continued)

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:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed when new indices are published by the Valuer General to ensure that the carrying amounts do not materially differ from their fair values; and
- the fair value of assets other than land is generally based on their depreciated replacement value.

Judgements, estimates and assumptions are required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASBs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, plant and equipment, (refer to Note 4.3);
- superannuation expense (refer to Note 3.6);
- employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.5)

(d) Principles of consolidation

Intersegment Transactions

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

Jointly Controlled Assets or Operations

Interests in jointly controlled assets or operations are not consolidated by Castlemaine Health Service. The Loddon Mallee Rural Health Alliance (the Alliance) has been accounted for using the Joint Operations method under AASB 11 Joint Arrangements.

Note: 2 Funding delivery of our services

Castlemaine Health's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

To enable the hospital to fulfil its objective it receives income based on parliamentary appropriations. The hospital also receives income from the supply of services.

Note 2.1: Analysis of Revenue by Source

	Admitted Patients 2017 $'000	Non-Admitted 2017 $'000	RAC 2017 $'000	Aged Care 2017 $'000	Other 2017 $'000	Total 2017 $'000
Government Grant	19,303	4,346	12,771	1,658	288	38,366
Indirect contributions by Department of Health and Human Services	94	14	37	6	0	151
Patient & Resident Fees	1,246	31	4,265	252	4	5,798
Commercial Activities	0	0	0	0	1,201	1,201
Other Revenue from Operating Activities	1,170	307	313	122	318	2,230
Total Revenue from Operating Activities	**21,813**	**4,698**	**17,386**	**2,038**	**1,811**	**47,746**
Interest	0	0	362	0	0	362
Total Revenue from Non-Operating Activities	**0**	**0**	**362**	**0**	**0**	**362**
Government Grants - Capital	0	0	0	0	566	566
Capital Interest	0	0	77	0	0	77
Other Capital Purpose income	0	0	0	0	653	653
Total Capital Purpose Income	**0**	**0**	**77**	**0**	**1,219**	**1,296**
Total Revenue	**21,813**	**4,698**	**17,825**	**2,038**	**3,030**	**49,404**

	Admitted Patients 2016 $'000	Non-Admitted 2016 $'000	RAC 2016 $'000	Aged Care 2016 $'000	Other 2016 $'000	Total 2016 $'000
Government Grant	15,968	1,054	11,364	1,354	4,043	33,783
Indirect contributions by Department of Health and Human Services	0	0	0	0	121	121
Patient & Resident Fees	1,298	22	3,892	163	96	5,471
Commercial Activities	0	0	0	0	1,317	1,317
Other Revenue from Operating Activities	354	0	0	83	1,583	2,020
Total Revenue from Operating Activities	**17,620**	**1,076**	**15,256**	**1,600**	**7,160**	**42,712**
Interest	0	0	142	0	0	142
Total Revenue from Non-Operating Activities	**0**	**0**	**142**	**0**	**0**	**142**
Government Grants - Capital	0	0	0	0	3,129	3,129
Capital Interest	0	0	194	0	0	194
Other Capital Purpose income	0	0	0	0	217	217
Total Capital Purpose Income	**0**	**0**	**194**	**0**	**3,346**	**3,540**
Total Revenue	**17,620**	**1,076**	**15,592**	**1,600**	**10,506**	**46,394**

Department of Health and Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses. The basis of allocations across Program segments/sources was significantly altered and enhanced during the 2016-17 financial year.

Note 2.1: Analysis of Revenue by Source (continued)

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

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

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

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

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

Indirect Contributions from the Department of Health and Human Services
• Insurance is recognised as revenue following advice from the Department of Health and Human Services.
• Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

Patient Fees and Resident Fees
Patient fees and resident 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.

Revenue from commercial activities
Revenue from commercial activities such as commercial laboratory medicine is recognised 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 surplus, such as the specific restricted purpose surplus.

Interest Revenue
Interest revenue is recognised on a time proportionate basis that takes in account the effective yield of the financial asset, which allocates interest over the relevant period.

Other income
Other income includes non-property rental, dividends, forgiveness of liabilities, and bad debt reversals.

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

• Admitted Patient Services (Admitted Patients) comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.

• Non Admitted Services comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospital beds and supports the transition from hospital to home in a safe and timely manner.

• Aged Care comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.

• Residential Aged Care including Mental Health (RAC incl. Mental Health) referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the department 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 and secure extended care units.

• Other Services not reported elsewhere - (Other) comprises services not separately classified above, includes: Health and Community Initiatives.

Note 3: The cost of delivering our services

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Note 3.1: Analysis of Expenses by Source

	Admitted Patients 2017 $'000	Non-Admitted 2017 $'000	RAC 2017 $'000	Aged Care 2017 $'000	Other 2017 $'000	Total 2017 $'000
Employee Expenses	14,267	2,776	15,146	1,780	1,453	35,422
Non Salary Labour Costs	2,473	32	197	2	0	2,704
Supplies & Consumables	1,284	849	1,215	102	470	3,920
Administration Expenses	1,278	230	497	256	655	2,916
Other Expenses	883	64	825	26	62	1,860
Total Expenditure from Operating Activities	**20,185**	**3,951**	**17,880**	**2,166**	**2,640**	**46,822**
Expenditure for Capital Purposes	0	0	0	0	570	570
Specific Expenses	0	0	0	0	289	289
Depreciation & Amortisation (refer note 4.4)	0	0	0	0	2,040	2,040
Other Gain/(losses) from other economic flows	0	0	0	0	(303)	(303)
Finance Costs (refer note 3.4)	0	0	0	0	28	28
Total other expenses	**0**	**0**	**0**	**0**	**2,624**	**2,624**
Total Expenses	**21,281**	**(2)**	**17,243**	**5,835**	**5,089**	**49,446**

	Admitted Patients 2016 $'000	Non-Admitted 2016 $'000	RAC 2016 $'000	Aged Care 2016 $'000	Other 2016 $'000	Total 2016 $'000
Employee Expenses	13,299	443	13,261	1,192	4,326	32,521
Non Salary Labour Costs	2,008	2	96	11	70	2,187
Supplies & Consumables	897	158	1,221	45	888	3,209
Administration Expenses	862	97	469	67	860	2,355
Other Expenses	404	44	701	66	1,129	2,344
Total Expenditure from Operating Activities	**17,470**	**744**	**15,748**	**1,381**	**7,273**	**42,616**
Expenditure for Capital Purposes	0	0	0	0	193	193
Depreciation & Amortisation (refer note 4.4)	0	0	0	0	2,045	2,045
Finance Costs (refer note 3.4)	0	0	0	0	(39)	(39)
Total other expenses	**0**	**0**	**0**	**0**	**2,199**	**2,199**
Total Expenses	**17,470**	**744**	**15,748**	**1,381**	**9,472**	**44,815**

The basis of allocations across Program segments/sources was significantly altered and enhanced during the 2016-17 financial year.

Note 3.1: Analysis of Expenses by Source (continued)

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

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

Employee expenses include:
- wages and salaries;
- fringe benefits tax;
- leave entitlements;
- termination payments;
- workcover premiums; and
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Grants and other transfers
Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies and personal benefit payments made in cash to individuals.

Other operating expenses
Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

Supplies and consumables
Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Bad and doubtful debts
Refer to Note 4.1 Investments and other financial assets.

Fair value of assets, services and resources provided free of charge or for nominal consideration

Contributions of resources provided 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 agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying amount.

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.

Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions.

Net gain/ (loss) on non-financial assets
Net gain/ (loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows.

Revaluation gains/ (losses) of non-financial physical assets
Refer to Note 4.3 Property, plant and equipment.

Net gain/ (loss) on disposal of non-financial assets
Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying amount of the asset at the time.

Net gain/ (loss) on financial instruments
Net gain/ (loss) on financial instruments includes:
- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 Investments and other financial assets;
- disposals of financial assets and derecognition of financial liabilities

Revaluations of financial instrument at fair value
Refer to Note 7.1 Financial instruments.

Share of net profits/ (losses) of associates and jointly controlled entities, excluding dividends.
Refer to Note 1 (d) Principles of consolidation.

Other gains/ (losses) from other economic flows
Other gains/ (losses) include:
- the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Note 3.2: Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

	Expense		Revenue	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commercial Activities				
Meals on Wheels	147	127	117	87
Laundry	708	602	653	704
Cafeteria	311	319	214	209
Properties/Health Club	248	190	335	317
TOTAL	**1,414**	**1,238**	**1,319**	**1,317**

Note 3.3: Specific Expenses

	2017 $'000	2016 $'000
Laundry - Termination payments	168	0
Laundry - Inventory write-down	121	0
Total Specific Expense	**289**	**0**

During 2016-17 the Castlemaine Health linen service was outsourced to an external provider.

Note 3.4: Finance Costs

	2017 $'000	2016 $'000
Interest/Discount on Borrowings	28	(39)
Total Finance Costs	**28**	**(39)**

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 (Interest expense is recognised in the period in which it is incurred);
- 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* .

Note 3.5: Employee benefits in the balance sheet

	2017 $'000	2016 $'000
Current Provisions		
Employee Benefits (i)		
Annual leave		
- Unconditional and expected to be settled wholly within 12 months (ii)	2,288	2,009
- Unconditional and expected to be settled wholly after 12 months (iii)	383	327
Long service leave		
- Unconditional and expected to be settled wholly within 12 months (ii)	496	481
- Unconditional and expected to be settled wholly after 12 months (iii)	2,858	2,526
Accrued Days Off		
- Unconditional and expected to be settled within 12 months (ii)	70	65
Accrued Salaries and Wages		
- Unconditional and expected to be settled within 12 months (ii)	799	648
	6,894	**6,056**
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months (ii)	328	469
- Unconditional and expected to be settled after 12 months (iii)	382	480
	710	**949**
Total Current Provisions	**7,604**	**7,005**
Non-Current Provisions		
Long Service Leave	897	1,183
Long Service Leave related to employee Benefit On-Costs	106	203
Total Non-Current Provisions	**1,003**	**1,386**
Total Provisions	**8,607**	**8,391**
(a) Employee Benefits and Related On-Costs		
Current Employee Benefits and related on-costs		
Unconditional LSL Entitlement	3,751	3,521
Annual Leave Entitlements	2,976	2,676
Accrued Wages and Salaries	799	733
Accrued Days Off	78	75
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements (ii)	1,003	1,386
Total Employee Benefits	**8,607**	**8,391**

Notes:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees. On-costs such as worker's compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

Note 3.5: Employee benefits in the balance sheet (continued)

	2017 $'000	2016 $'000
Movement in Long Service Leave:		
Balance at start of year	**4,907**	**4,753**
Provision made during the year		
- Revaluations	(303)	4
- Expense recognising Employee Service	803	806
Settlement made during the year	(653)	(656)
Balance at end of year	**4,754**	**4,907**

Provisions

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

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

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

Employee benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Wages and salaries, annual leave, sick leave and accrued days off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- Undiscounted value - if the health service expects to wholly settle within 12 months; or
- Present value - if the health service does not expect to wholly settle within 12 months.

Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the health service 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. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value - if the health service expects to wholly settle within 12 months; and
- Present value - where the entity does not expect to settle a component of this current liability within 12 months.

Conditional LSL 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. This non-current LSL liability is measured at present value.

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flow.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

The health service recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

On-costs related to employee expense

Provision for on-costs, such as workers compensation and superannuation are recognised together with provisions for employee benefits.

Note 3.6: Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Defined benefit plans:(i)				
First State Super	65	71	4	0
Defined contribution plans:				
First State Super	2,001	1,999	106	0
Hesta	739	709	39	0
Other	130	71	5	0
Total	**2,935**	**2,850**	**154**	**0**

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

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

The Health Service does not recognise any defined benefit liability in respect of the plan(s) 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 & Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service.

The name, details and amounts expense in relation to the major employee superannuation funds and contributions made by the Health Service are detailed in the table above.

Defined contribution superannuation 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.

Defined benefit superannuation 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 upon actuarial advice.

Superannuation liabilities

Castlemaine Health does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

Note 4: Key Assets to support service delivery

The hospital controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the hospital to be utilised for delivery of those outputs.

Note 4.1: Investments and Other Financial Assets

	Operating Fund		Total	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
CURRENT				
Loans and receivables				
Term Deposits				
Aust. Dollar Term Deposits > 3 months	9,579	7,903	9,579	7,903
Loddon Mallee Rural Health Alliance - Investments	314	401	314	401
TOTAL INVESTMENTS	**9,893**	**8,304**	**9,893**	**8,304**
Represented by:				
Loddon Mallee Rural Health Alliance Investments	314	401	314	401
Monies Held in Trust				
- Accommodation Bonds (Refundable Entrance Fees)	7,859	6,258	7,859	6,258
- Malcolm Archer Bequest	1,720	1,645	1,720	1,645
TOTAL	**9,893**	**8,304**	**9,893**	**8,304**

(i) Term deposits under 'Investments and other financial assets' class include only term deposits with maturity greater than 90 days

(a) Ageing analysis of investments and other financial assets

Please refer to note 7.1 (c) for the ageing analysis of investments and other financial assets

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

Please refer to note 7.1 (c) for the nature and extent of credit risk arising from investments and other financial assets

Investments and other financial assets

Hospital investments must be in accordance in Standing Direction 3.7.2 – Treasury and Investment Risk Management. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- financial assets at fair value through profit or loss and;
- loans and receivables.

The Castlemaine 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.

Castlemaine 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 or loss are subject to annual review for impairment.

Derecognition of financial assets

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

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

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

Impairment of financial assets

At the end of each reporting period, the Health Service assesses if there is objective evidence that a financial asset or group of financial assets are impaired. All financial instrument, except those measured at fair value through profit or loss, are subject to annual review for impairment. The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

Doubtful debts

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

Note 4.2: Jointly controlled operations and assets

Name of Entity	Ownership Interest 2017 %	Ownership Interest 2016 %
Loddon Mallee Rural Health Alliance	7.92	7.92

Castlemaine Health's interest in assets employed in the above jointly controlled operations and assets is detailed below.
The Amounts are included in the financial statements under their respective categories.

	2017 $'000	2016 $'000
Current Assets		
Cash and cash equivalents	141	16
Investments	314	401
Receivables	25	22
Inventory	3	2
Other current assets	51	44
Total Current Assets	**534**	**485**
Non Current Assets		
Property, Plant and Equipment	12	17
Total Non Current Assets	**12**	**17**
Total Assets	**546**	**502**
Current Liabilities		
Payables	100	92
Total Current Liabilities	**100**	**92**
Total Liabilities	**100**	**92**
Share of Joint Venture's Net Assets	**446**	**410**

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

Revenues	2017 $'000	2016 $'000
Operating Activities	605	673
Non-Operating Activities	1	0
Total Revenue	**606**	**673**
Expenses		
Information Technology and Administration Expenses	546	583
Depreciation	10	22
Non-Operating Expenses	14	121
Total Expenses	**570**	**726**
Net Result	**36**	**(53)**

Movements in carrying amount of interests in the Joint Venture

	2017 $'000	2016 $'000
Carrying amount at the beginning of the year	410	464
Share of the Joint Operation's net result	36	(53)
Change in Membership	0	(1)
	446	**410**

Contingent Liabilities and Capital Commitments

There are no contingent liabilities or capital commitments arising from the interest in joint operations.

Note 4.3: Property, plant & equipment

(a) Gross carrying amount and accumulated depreciation

	2017 $'000	2016 $'000
Land		
Land at Fair Value	3,593	3,127
Total Land	**3,593**	**3,127**
Buildings		
Buildings Under Construction at cost	953	10
Buildings at Fair Value	43,981	43,150
Less Acc'd Depreciation	(3,791)	(2,518)
Total Buildings	**41,143**	**40,642**
Plant and Equipment		
Plant & Equipment Loddon Mallee Rural Health Alliance	12	17
Plant and Equipment at Fair Value	8,954	8,284
Less Acc'd Depreciation	(5,648)	(5,015)
Total Plant and Equipment	**3,318**	**3,286**
Motor Vehicles		
Motor Vehicle at Fair Value	1,054	988
Less Acc'd Depreciation	(517)	(587)
Total Motor Vehicles	**537**	**401**
TOTAL	**48,591**	**47,456**

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

	Land $'000	Buildings $'000	Plant & Equipment $'000	Motor Vehicles $'000	Assets Under Construction $'000	Total $'000
Balance at 1 July 2015	**3,319**	**41,792**	**3,153**	**444**	**0**	**48,708**
Additions	0	255	832	122	10	1,219
Disposals	0	0	0	(71)	0	(71)
Impairment Losses (recognised)/reversed in Net Result	0	0	(14)	0	0	(14)
Depreciation (note 4.4)	0	(1,266)	(685)	(94)	0	(2,045)
Assets transferred to Held for Sale (note 5.4)	(192)	(149)	0	0	0	(341)
Balance at 1 July 2016	**3,127**	**40,632**	**3,286**	**401**	**10**	**47,456**
Additions	0	832	709	310	943	2,794
Disposals	0	(3)	(4)	(78)	0	(85)
Managerial revaluation	466	0	0	0	0	466
Depreciation (note 4.4)	0	(1,271)	(673)	(96)	0	(2,040)
Balance at 30 June 2017	**3,593**	**40,190**	**3,318**	**537**	**953**	**48,591**

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 2014. A Managerial Revaluation for the land was completed on the 30th June 2017 in accordance with FRD103F.

Note 4.3: Property, plant & equipment (continued)

(c) Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
Land at fair value				
Specialised land	3,593	0	0	3,593
Total of land at fair value	**3,593**	**0**	**0**	**3,593**
Buildings at fair value				
Specialised buildings	40,190	0	1,130	39,060
Total of building at fair value	**40,190**	**0**	**1,130**	**39,060**
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	537	0	0	537
- Plant and equipment	3,318	0	0	3,318
Total of plant, equipment and vehicles at fair value	**3,855**	**0**	**0**	**3,855**
Assets under construction at fair value				
Work in progress buildings	**953**	0	0	953
	48,591	**0**	**1,130**	**47,461**

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
Land at fair value				
Specialised land	3,127	0	1,841	1,286
Total of land at fair value	**3,127**	**0**	**1,841**	**1,286**
Buildings at fair value				
Specialised buildings	40,632	0	587	40,045
Total of building at fair value	**40,632**	**0**	**587**	**40,045**
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	401	0	0	401
- Plant and equipment	3,286	0	0	3,286
Total of plant, equipment and vehicles at fair value	**3,687**	**0**	**0**	**3,687**
Assets under construction at fair value				
Work in progress buildings	**10**	0	0	10
	47,446	**0**	**2,428**	**45,028**

Note
(i) Classified in accordance with the fair value hierarchy.
(ii) Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value.

Note 4.3: Property, plant & equipment (continued)

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

Consistent with AASB 13 Fair Value Measurement, Castlemaine Health Service determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

Valuation hierarchy

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The Valuer-General Victoria (VGV) is Castlemaine Health Service's independent valuation agency.

Castlemaine Health Service, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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

Fair value measurement

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

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the Health Service at the measurement date;
- that the Health Service uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

In considering the HBU for non-financial physical assets, valuers are probably best placed to determine highest and best use (HBU) in consultation with Health Services. Health Services and their valuers therefore need to have a shared understanding of the circumstances of the assets. A Health Service has to form its own view about a valuer's determination, as it is ultimately responsible for what is presented in its audited financial statements.

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

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

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

These indicators, as a minimum, include:

External factors:

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

In addition, Health Services need to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103F Non-financial physical assets.

(d) Reconciliation of Level 3 fair value

30 June 2017	Land $'000	Buildings $'000	Plant and equipment $'000	Motor Vehicles $'000	Assets under construction $'000	Total $'000
Opening Balance	**1,286**	**40,045**	**3,286**	**401**	**10**	**45,028**
Purchases (sales)	0	286	705	232	943	2,166
Managerial Revaluation	466	0	0	0	0	466
Transfers in (out) of Level 3	1,841	0	0	0	0	1,841
Gains or losses recognised in net result						
- Depreciation	0	(1,271)	(673)	(96)	0	(2,040)
Closing Balance	**3,593**	**39,060**	**3,318**	**537**	**953**	**47,461**

30 June 2016	Land $'000	Buildings $'000	Plant and equipment $'000	Motor Vehicles $'000	Assets under construction $'000	Total $'000
Opening Balance	**1,286**	**41,056**	**3,153**	**444**	**0**	**45,939**
Purchases (sales)	0	255	832	122	10	1,219
Transfers in (out) of Level 3	0	0	0	0	0	0
Gains or losses recognised in net result						
- Depreciation	0	(1,266)	(685)	(94)	0	(2,045)
- Net Disposals	0	0	0	(71)	0	(71)
- Impairment	0	0	(14)	0	0	(14)
Closing Balance	**1,286**	**40,045**	**3,286**	**401**	**10**	**45,028**

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

Note 4.3: Property, plant & equipment (continued)

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

Specialised land and specialised buildings
Specialised land and specialised buildings are valued using the market approach, although it adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or added improvement value. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach

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

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

An independent valuation of the Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014. A managerial revaluation for the land was completed on the 30th June 2017, in accordance with FRD 103F.

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

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

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

Note 4.3: Property, plant & equipment (continued)

(e) Description of significant unobservable inputs to Level 3 valuations:

	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Plant and equipment at fair value	Depreciated replacement cost	Cost per unit Useful life of PPE
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles

Property, plant and equipment
All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

The initial cost for non-financial physical assets under finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

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

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

Revaluations of non-current physical assets
Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103F *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 amount and fair value.

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

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

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

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

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

Note 4.4: Depreciation

	2017 $'000	2016 $'000
Depreciation		
Buildings	1,271	1,266
Plant & Equipment	663	663
Motor Vehicles	96	94
LMRHA Joint Operation Depreciation	10	22
Total Depreciation	**2,040**	**2,045**

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation 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.

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, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services.

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

	2017	2016
Buildings		
- Structure Shell Building Fabric	45 to 50 years	45 to 50 years
- Site Engineering Services and Central Plant	30 to 40 years	30 to 40 years
- Fit Out	20 to 25 years	20 to 25 years
- Trunk Reticulated Building Systems	20 to 25 years	20 to 25 years
Plant & Equipment	3 to 10 years	3 to 10 years
Medical Equipment	7 to 10 years	7 to 10 years
Computers and Communication	3 years	3 years
Furniture and Fitting	10 years	10 years
Motor Vehicles	8 years	8 years

Note 5: Other Assets and Liabilities

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

Note 5.1: Receivables

	2017 $'000	2016 $'000
CURRENT		
Contractual		
Trade Debtors	301	248
Patient Fees	663	608
Accrued Investment Income	92	66
Accrued Revenue	228	84
Loddon Mallee Rural Health Alliance - Receivables	15	14
Less Allowance for Doubtful Debts		
- Patient Fees	(68)	(80)
	1,231	**940**
Statutory		
GST Receivable	120	96
Loddon Mallee Rural Health Alliance - GST Receivable	10	9
	130	**105**
TOTAL CURRENT RECEIVABLES	**1,361**	**1,045**
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	767	672
TOTAL NON-CURRENT RECEIVABLES	**767**	**672**
TOTAL RECEIVABLES	**2,128**	**1,717**

(a) Movement in the Allowance for doubtful debts

	2017 $'000	2016 $'000
Balance at beginning of year	(80)	(56)
Increase/(decrease) in allowance recognised in net result	12	(24)
Balance at end of year	**(68)**	**(80)**

(b) Ageing analysis of receivables
Please refer to note 7.1(c) for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from receivables
Please refer to note 7.1(c) for the nature and extent of credit risk arising from contractual receivables.

Note 5.1: Receivables (continued)

Receivables consist of:

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

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

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

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Note 5.2: Inventories

	2017 $'000	2016 $'000
CURRENT		
Pharmaceuticals - At cost	45	37
Catering Supplies - At cost	8	7
Housekeeping Supplies - At cost	21	143
Medical and Surgical Lines - At cost	166	112
Administration Stores - At Cost	35	39
TOTAL INVENTORIES	**275**	**338**

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

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

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

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

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

Note 5.3: Other Liabilities

	2017 $'000	2016 $'000
CURRENT		
Monies Held in Trust		
- Patient Monies Held in Trust	458	248
- Accommodation Bonds (Refundable Entrance Fees)	17,211	12,196
- Malcolm James Archer Bequest	1,720	1,645
- Other Monies Held in Trust	0	51
Total Current	**19,389**	**14,140**
Total Monies Held in Trust		
Represented by the following assets:		
Cash and Cash Equivalents (refer to Note 6.2)	9,810	6,237
Investment and other Financial Assets (refer to Note 4.1)	9,579	7,903
TOTAL	**19,389**	**14,140**

Note 5.4: Non-Financial Physical Assets Classified as Held For Sale

(a) Non-financial physical assets classified as held for sale

	2017 $'000	2016 $'000
8 Odgers Rd - Land	0	192
8 Odgers Rd - Buildings	0	149
TOTAL NON-FINANCIAL PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE	**0**	**341**

(i) Castlemaine Health entered into an agreement in June 2016 to sell one of its properties, 8 Odgers Road. Settlement occurred on 20th July 2016.

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 probably, 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 of disposal, and are not subject to depreciation or amortisation.

Note 5.5: Prepayments and Other Assets

	2017	2016
CURRENT	**$'000**	**$'000**
Prepayments	94	55
Loddon Mallee Health Alliance - Prepayments	51	44
TOTAL OTHER ASSETS	**145**	**99**

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.

Note 5.6: Payables

	2017 $'000	2016 $'000
CURRENT		
Contractual		
Trade Creditors	1,155	671
Loddon Mallee Rural Health Alliance - Creditors	88	83
Accrued Expenses	741	460
Loddon Mallee Rural Health Alliance - Accrued Expenses	12	9
	1,996	**1,223**
Statutory		
GST Payable	24	23
FBT Payable	19	20
PAYG Payable	232	195
Department of Health and Human Services	316	937
	591	**1,175**
TOTAL PAYABLES	**2,587**	**2,398**

(a) Maturity analysis of payables

Please refer to Note 7.1 (d) for the ageing analysis of contractual payables

(b) Nature and extent of risk arising from payables

Please refer to note 7.1 (d) for the nature and extent of risks arising from contractual payables

Payables consist of:

• contractual payables which consist predominantly of accounts payable representing 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 those goods and services. The normal credit terms for accounts payable are usually next 30 days.

• statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Note 6: How we finance our operations

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

Note 6.1: Borrowings

	2017 $'000	2016 $'000
CURRENT		
DHHS Loans - Current (i)	480	400
NON CURRENT		
DHHS Loans - Non-Current (i)	1,442	1,894
Total Borrowings	**1,922**	**2,294**

The DHHS Loans are unsecured loans which bear no interest. (i)

The borrowings are a financial accommodation under section 30 of the Health Service Act 1988, and the borrowings have been approved by the Minister and Treasurer. This approval was received in line with the loan commencing in June 2015.

Finance costs of the Health Service incurred during the year are accounted as follows:
• Amounts of finance costs recognised as expenses; and
• Amounts of investment revenue earned on borrowed funds that has been deducted from the finance costs incurred.

(a) Maturity analysis of borrowings
Please refer to note 7.1 (d) for the ageing analysis of borrowings.

(b) Nature and extent of risk arising from borrowings
Please refer to note 7.1 (d) for the nature and extent of risks arising from borrowings.

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

Borrowings
All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the Health Service has categorised its borrowings as either, financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowings using the effective interest method.

The classification depends on the nature and purpose of the borrowing. The Health Service determines the classification of its borrowing at initial recognition.

Note 6.2: Cash and Cash Equivalents

	2017 $'000	2016 $'000
Cash on hand	4	4
Cash at bank	9,243	5,807
Deposits at call	2,000	2,507
Total Cash and Cash Equivalents	**11,247**	**8,318**
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	1,296	2,065
Cash for Monies Held in Trust		
- Cash at Bank	9,810	6,237
- Loddon Mallee Rural Health Alliance	141	16
Total Cash and Cash Equivalents	**11,247**	**8,318**

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

Note 6.3: Commitments for expenditure

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments are for the supply of inventories and have been recognised as liabilities in the balance sheet.

There are no material operating or finance leases, capital or non capital commitments as at 30 June 2017 and 2016.

Note 7: Risks, contingencies & valuation uncertainties

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

Note 7.1: Financial Instruments

(a) Financial risk management objectives and policies

Castlemaine Health's principal financial instruments comprise of:

- cash assets
- term deposits
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- accommodation bonds
- non-interest bearing DHHS loans

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 the notes to the financial statements.

The Health Service's main financial risks include credit risk, liquidity risk and interest rate risk. The Health Service manages these financial risks in accordance with its financial risk management policy.

The Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Health Service.

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

Note 7.1: Financial Instruments (continued)

(a) Financial risk management objectives and policies (continued)

Categorisation of financial instruments

2017	Contractual financial assets - loans and receivables $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
Contractual Financial Assets			
Cash and cash equivalents	11,247	0	11,247
Loans and Receivables	1,231	0	1,231
Other Financial Assets	9,893	0	9,893
Total Financial Assets (i)	**22,371**	**0**	**22,371**
Financial Liabilities			
Payables	0	1,996	1,996
Other Financial Liabilities			
- DHHS Loans	0	1,922	1,922
- Accommodation Bonds	0	17,211	17,211
- Other	0	2,178	2,178
Total Financial Liabilities (ii)	**0**	**23,307**	**23,307**

2016	Contractual financial assets - loans and receivables $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
Contractual Financial Assets			
Cash and cash equivalents	8,318	0	8,318
Loans and Receivables	940	0	940
Other Financial Assets	8,304	0	8,304
Total Financial Assets (i)	**17,562**	**0**	**17,562**
Financial Liabilities			
Payables	0	1,223	1,223
Other Financial Liabilities			
- DHHS Loans	0	2,294	2,294
- Accommodation Bonds	0	12,196	12,196
- Other	0	1,944	1,944
Total Financial Liabilities (ii)	**0**	**17,657**	**17,657**

(i) The total amount of financial assets disclosed here excludes statutory receivables (ie GST input tax receivable)
(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable)

Note 7.1: Financial Instruments (continued)

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

	Interest Income/(Expense) $'000	Total $'000
2017		
Financial Assets		
Cash and Cash Equivalents (i)	182	182
Loans and Receivables (i)	257	257
Total Financial Assets	**439**	**439**
Financial Liabilities		
DHHS Loan (ii)	(28)	(28)
Total Financial Assets	**411**	**411**
2016		
Financial Assets		
Cash and Cash Equivalents (i)	140	140
Other Financial Assets	196	196
Total Financial Assets	**336**	**336**

(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 movement in the fair value of the asset, interest revenue, and minus any impairment recognised in the net result;

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

(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. The Health Service’s exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Health Service. Credit risk is measured at fair value and is monitored on a regular basis.

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

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

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

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

Note 7.1: Financial Instruments (continued)

(c) Credit risk (continued)

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

	Financial institutions (AA credit rating)	Government Agencies (AAA credit rating)	Other (min BBB credit rating)	Total
	$'000	$'000	$'000	$'000
2017				
Financial Assets				
Cash and Cash Equivalents	8,369	2,000	878	11,247
Receivables(i)				
- Trade Debtors	0	0	301	301
- Other Receivables	0	0	930	930
Other Financial Assets				
- Loddon Mallee Rural Health Alliance - Investments	0	0	314	314
- Term Deposits	2,716	0	6,863	9,579
Total Financial Assets	**11,085**	**2,000**	**9,286**	**22,371**
2016				
Financial Assets				
Cash and Cash Equivalents	4,687	2,000	1,631	8,318
Receivables(i)				
- Trade Debtors	0	0	248	248
- Other Receivables	0	0	692	692
Other Financial Assets				
- Loddon Mallee Rural Health Alliance - Investments	0	0	401	401
- Term Deposits	1,145	2,000	4,758	7,903
Total Financial Assets	**5,832**	**4,000**	**7,730**	**17,562**

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

Note 7.1: Financial Instruments (continued)

(c) Credit risk (continued)

Ageing analysis of Financial Assets as at 30 June

	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	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017							
Financial Assets							
Cash and Cash Equivalents	11,247	11,247	0	0	0	0	0
Loans and Receivables (i)							
- Trade Debtors	301	288	54	9	4	0	0
- Other Receivables	930	618	86	103	55	0	68
Other Financial Assets							
- Loddon Mallee Rural Health Alliance Investments	314	314	0	0	0	0	0
- Term Deposit	9,579	9,579	0	0	0	0	0
Total Financial Assets	**22,371**	**22,046**	**140**	**112**	**59**	**0**	**68**
2016							
Financial Assets							
Cash and Cash Equivalents	8,318	8,318	0	0	0	0	0
Loans and Receivables (i)							
- Trade Debtors	248	226	16	6	0	0	0
- Other Receivables	692	328	123	84	77	0	80
Other Financial Assets							
- Loddon Mallee Rural Health Alliance Investments	401	401	0	0	0	0	0
- Term Deposit	7,903	7,903	0	0	0	0	0
Total Financial Assets	**17,562**	**17,176**	**139**	**90**	**77**	**0**	**80**

(i) Ageing analysis of financial assets excludes the types of statutory financial assets (i.e GST input tax credit)

Contractual Financial Assets that are either past due or impaired
There are no material financial assets which are individually determined to be impaired. Currently the Health Service does not hold any collateral as security nor credit enhancements relating to 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 the are stated at their carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

Note 7.1: 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 Services operates under the Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

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 cashflows and ensuring that maximum funds are available for investment and payment of financial liabilities.

There has been no significant change in Castlemaine Health's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from previous reporting periods.

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

Maturity analysis of Financial Liabilities as at 30 June

			Maturity Dates			
	Carrying Amount	**Nominal Amount**	**Less than 1 Month**	**1-3 Months**	**3 months - 1 Year**	**1-5 Years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2017						
Financial Liabilities						
At amortised cost						
Payables	1,996	1,996	1,360	626	10	0
Other Financial Liabilities (i)						
- Accommodation Bonds	17,211	17,211	17,211	0	0	17,211
- DHHS Loan	1,922	1,922	0	120	360	1,442
- Other	2,178	2,178	458	0	0	1,720
Total Financial Liabilities	**23,307**	**23,307**	**19,029**	**746**	**370**	**20,373**
2016						
Financial Liabilities						
At amortised cost						
Payables	1,223	1,223	1,116	97	10	0
Other Financial Liabilities (i)						
- Accommodation Bonds	12,196	12,196	12,196	0	0	0
- DHHS Loan	2,294	2,294	0	100	300	1,894
- Other	1,944	1,944	0	0	0	1,944
Total Financial Liabilities	**17,657**	**17,657**	**13,312**	**197**	**310**	**3,838**

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

Note 7.1: Financial Instruments (continued)

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

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Health Service has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Health Service manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Health Service to significant bad risk, management monitors movement in interest rates on a daily basis.

Other price risk
Castlemaine Health is exposed to price risk in respect of fee for service and contract services which are open to market competition. There has been no significant change in Castlemaine Health's exposure, or its objectives, policies and processes for managing risk or the methods used to measure the risk from the previous reporting period.

Note 7.1: Financial Instruments (continued)

(e) Market risk (continued)
Interest rate exposure of financial assets and liabilities as at 30 June

2017	Weighted Average Effective Interest Rate (%)	Carrying Amount $'000	Interest Rate Exposure: Fixed Interest Rate $'000	Variable Interest Rate $'000	Non-Interest Bearing $'000
Financial Assets					
Cash and Cash Equivalents	1.60	11,247	2,000	8,370	877
Loans and Receivables (i)					
- Trade Debtors		301	0	0	301
- Other Receivables		930	0	0	930
Other Financial Assets					
- Loddon Mallee Rural Health Alliance Investments		314	314	0	0
- Term Deposits	2.70	9,579	9,579	0	0
		22,371	**11,893**	**8,370**	**2,108**
Financial Liabilities					
At amortised cost					
Payables(i)		1,996	0	0	1,996
Other Financial Liabilities					
- DHHS Loan		1,922	0	0	1,922
- Accommodation Bonds		17,211	0	0	17,211
- Other		2,178	0	0	2,178
		23,307	**0**	**0**	**23,307**
2016					
Financial Assets					
Cash and Cash Equivalents	1.58	8,318	2,507	4,687	1,124
Loans and Receivables (i)					
- Trade Debtors		248	0	0	248
- Other Receivables		692	0	0	692
Other Financial Assets					
- Loddon Mallee Rural Health Alliance Investments		401	401	0	0
- Term Deposits	2.61	7,903	7,903	0	0
		17,562	**10,811**	**4,687**	**2,064**
Financial Liabilities					
At amortised cost					
Payables(i)		1,223	0	0	1,223
Other Financial Liabilities					
- DHHS Loan		2,294	0	0	2,294
- Accommodation Bonds		12,196	0	0	12,196
- Other		1,944	0	0	1,944
		17,657	**0**	**0**	**17,657**

(i) The carrying amount excludes types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

Note 7.1: 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, Castlemaine Health believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia)

- A shift of 100 basis points up and down in market interest rates (AUD) from year-end rates of 2.0%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2.0%

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

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
2017		**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets					
Cash and Cash Equivalents(i)	11,247	(104)	(104)	104	104
Receivables					
- Trade Debtors	301	0	0	0	0
- Other Receivables	930	0	0	0	0
Other Financial Assets					
- Loddon Mallee Rural Health Alliance Investments	314	(3)	(3)	3	3
- Term Deposits	9,579	(96)	(96)	96	96
Financial Liabilities					
At amortised cost					
Payables	1,996	0	0	0	0
Other Financial Liabilities(ii)					
- DHHS Loan	1,922	0	0	0	0
- Accommodation Bonds	17,211	0	0	0	0
- Other	2,178	0	0	0	0
		(203)	**(203)**	**203**	**203**
2016					
Financial Assets					
Cash and Cash Equivalents(i)	8,318	(72)	(72)	72	72
Receivables					
- Trade Debtors	248	0	0	0	0
- Other Receivables	692	0	0	0	0
Other Financial Assets					
- Loddon Mallee Rural Health Alliance Investments	401	(4)	(4)	4	4
- Term Deposits	7,903	(79)	(79)	79	79
- Equity Securities					
Financial Liabilities					
At amortised cost					
Payables	1,223	0	0	0	0
Other Financial Liabilities(ii)					
- DHHS Loan	2,294	0	0	0	0
- Accommodation Bonds	12,196	0	0	0	0
- Other	1,944	0	0	0	0
		(155)	**(155)**	**155**	**155**

Note 7.1: Financial Instruments (continued)

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

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

Comparison between carrying amount and fair value

	Carrying Amount	Fair value	Carrying Amount	Fair value
	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Financial Assets				
Cash and Cash Equivalents	11,247	11,247	8,318	8,318
Receivables (i)				
- Trade Debtors	301	301	248	248
- Other Receivables	930	930	692	692
Other Financial Assets				
- Loddon Mallee Rural Health Alliance Investments	314	314	401	401
- Term Deposits	9,579	9,579	7,903	7,903
Total Financial Assets	**22,371**	**22,371**	**17,562**	**17,562**
Financial Liabilities				
At amortised cost				
Payables	1,996	1,996	1,223	1,223
Other Financial Liabilities(i)				
- DHHS Loan	1,922	1,922	2,294	2,294
- Accommodation Bonds	17,211	17,211	12,196	12,196
- Other	2,178	2,178	1,944	1,944
Total Financial Liabilities	**23,307**	**23,307**	**17,657**	**17,657**

(i) The carrying amount excludes types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable).

Note 7.1: Financial Instruments (continued)

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Castlemaine Health activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

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

Loans and receivables category includes cash and deposits (refer to Note 6.2), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Financial liabilities at amortised cost
Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Health Service's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Net gain/(loss) on financial instruments
Net gain/(loss) on financial instruments includes:
• impairment and reversal of impairment for financial instruments at amortised cost; and
• disposals of financial assets and derecognition of financial liabilities.

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.

Note 7.2: Net Gain/(Loss) on Disposal of Non-Financial Assets

	2017 $'000	2016 $'000
Proceeds from Disposals of Non-Current Assets		
Motor Vehicles	76	73
Buildings	196	0
Land	239	0
Non Medical Equipment	1	2
Total Proceeds from Disposal of Non-Current Assets	**512**	**75**
Less: Written Down Value of Non-Current Assets Sold		
Motor Vehicles	(81)	(71)
Buildings	(152)	0
Land	(192)	0
Non Medical Equipment	0	0
Total Written Down Value of Non-Current Assets Sold	**(425)**	**(71)**
Net gain/(loss) on Disposal of Non-Financial Assets	**87**	**4**

Disposal of non-financial assets
Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

Impairment of non-financial assets
All non-financial assets are assessed annually for indications of impairment, except for:
• inventories; and
• assets arising from construction contracts.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds their possible recoverable amount. Where an asset's carrying amount 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.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 of disposal. 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 of disposal.

Note 7.3: Contingent assets and contingent liabilities

Castlemaine Health has no contingent assets and contingent liabilities as at 30 June 2016 or 30 June 2017.

Note 7.4: Fair value determination

Asset class	Examples of types of assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land	Land subject to restrictions as to use and/or sale Land in areas where there is not an active market	Level 3	Market approach	CSO adjustments
Specialised buildings [i]	Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hospitals, and schools	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Plant and equipment [i]	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Depreciated replacement cost approach	Useful life
Vehicles	If there is an active resale market available;	Level 2	Market approach	N/A
	If there is no active resale market available	Level 3	Depreciated replacement cost approach	Useful life

[i] Newly built / acquired assets could be categorised as Level 2 assets as depreciation would not be a significant unobservable input (based on the 10% materiality threshold)

Note 8.1: Equity

	2017 $'000	2016 $'000
(a) Surpluses		
Property, Plant & Equipment Revaluation Surplus [1]		
Balance at the beginning of the reporting period		
- Land	2,716	2,716
- Buildings	29,882	29,882
Revaluation Increment/(Decrements)	466	0
Balance at the end of the reporting period	**33,064**	**32,598**
Represented by:		
- Land	3,182	2,716
- Buildings	29,882	29,882
	33,064	**32,598**
Financial Assets Available-for-Sale Revaluation Surplus [2]		
Balance at the beginning of the reporting period	0	21
Valuation gain/(loss) recognised	0	(21)
Balance at end of the reporting period	**0**	**0**

(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 net result. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in net result.

	2017 $'000	2016 $'000
Restricted Specific Purpose Surplus		
Balance at the beginning of the reporting period	0	10
Transfer to and from Restricted Specific Purpose Surplus	0	(10)
Balance at the end of the reporting period	**0**	**0**
Total Surpluses	**33,064**	**32,598**
(b) Contributed Capital		
Balance at the beginning of the reporting period	21,202	21,202
Capital Contribution received from Victorian Government	0	0
Balance at the end of the reporting period	**21,202**	**21,202**
(c) Accumulated Deficits		
Balance at the beginning of the reporting period	(14,450)	(16,039)
Net Result for the Year	(42)	1,579
Transfers to and from Surplus	0	10
Balance at the end of the reporting period	**(14,492)**	**(14,450)**
Total Equity at end of financial year	**39,774**	**39,350**

Note 8.2: Reconciliation of Net Result for the Year to Net Cash Inflow from Operating Activities

	2017 $'000	2016 $'000
Net result for the period	(42)	1,579
Non-cash movements:		
Depreciation	2,040	2,045
Asset Adjustments (Stocktake/Impairment)	0	14
Share of Joint Operation Assets	(38)	21
Discount on DHHS Loan	28	(39)
Movement in Revaluation Reserve	0	21
Movements included in investing and financing activities		
Net (gain)/loss from disposal of non financial physical assets	(87)	(4)
Movements in assets and liabilities:		
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(411)	48
(Increase)/decrease in prepayments	(46)	(38)
(Increase)/decrease in inventories	63	11
Increase/(decrease) in payables	190	(401)
Increase/(decrease) in provisions	216	(367)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,913**	**2,890**

Note 8.3: Operating Segments

	RAC		Other		Total	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
REVENUE						
External Segment Revenue	16,920	15,256	32,045	30,802	48,965	46,058
Unallocated Revenues	362	142	0	0	362	142
Total Revenue	**17,282**	**15,398**	**32,045**	**30,802**	**49,327**	**46,200**
EXPENSES						
External Segment Expenses	(14,343)	(10,617)	(19,507)	(13,385)	(33,850)	(24,002)
Intersegment Expenses	(2,900)	(5,131)	(7,607)	(6,210)	(10,507)	(11,341)
Unallocated Expense	0	0	(5,089)	(9,472)	(5,089)	(9,472)
Total Expenses	**(17,243)**	**(15,748)**	**(32,203)**	**(29,067)**	**(49,446)**	**(44,815)**
Net Result from ordinary activities	**39**	**(350)**	**(158)**	**1,735**	**(119)**	**1,385**
Interest Income	77	194	0	0	77	194
Net Result for Year	**116**	**(156)**	**(158)**	**1,735**	**(42)**	**1,579**
OTHER INFORMATION						
Segment Assets	0	0	72,279	66,573	72,279	66,573
Unallocated Assets	0	0	0	0	0	0
Total Assets	**0**	**0**	**72,279**	**66,573**	**72,279**	**66,573**
Segment Liabilities	17,211	12,196	0	0	17,211	12,196
Unallocated Liabilities	0	0	15,294	15,027	15,294	15,027
Total Liabilities	**17,211**	**12,196**	**15,294**	**15,027**	**32,505**	**27,223**
Acquisition of Property, Plant and Equipment and Intangible Assets	0	0	2,794	1,219	2,794	1,219
Depreciation & Amortisation Expense	0	0	2,040	2,045	2,040	2,045

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

Business Segments	**Services**
Residential Aged Care Services (RACS)	Provider of residential aged care beds
Acute and Sub-Acute Services	Provider of acute and rehabilitation beds

Geographical Segment

Castlemaine Health operates predominantly in Municipalities of Mt Alexander and Macedon Ranges in the State of Victoria. More than 90% of revenue, net surplus from ordinary activities and segment assets relate to operations in Castlemaine, Victoria.

Note 8.4: Responsible Persons Disclosures

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

	Period
Responsible Ministers:	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/7/2016 - 30/6/2017
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	1/7/2016 - 30/6/2017
Governing Boards	
Ms Carolyn Wallace	1/7/2016 - 30/6/2017
Mr Roni Caspi	1/7/2016 - 30/6/2017
Ms Janet Cropley	1/7/2016 - 30/6/2017
Mr Garry Fehring	1/7/2016 - 30/6/2017
Ms Sharon Fraser	1/7/2016 - 30/6/2017
Mr David Goldberg	1/7/2016 - 30/6/2017
Ms Katherine Hamond	1/7/2016 - 6/7/2016
Dr Simon Judkins	1/5/2017 - 30/6/2017
Ms Margaret Anne Ronnau	1/7/2016 - 30/6/2017
Ms Sally-Anne Ross	1/7/2016 - 28/2/2017
Mr Adam Sevdalis	1/7/2016 - 30/6/2017
Ms Anna Skreiner	1/7/2016 - 30/6/2017
Accountable Officers	
Mr Ian Fisher	1/7/2016 - 30/6/2017

Remuneration of Responsible Persons
Remuneration received or receivable by responsible persons was in the range: $230,000 - $240,000 ($220,000 - $230,000 in 2015-16)

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Parliamentary Services.

Note 8.5: Executive Officer Disclosures

Executive Officers' Remuneration

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

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

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

Post-employment benefits include superannuation entitlements.

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

Remuneration of executive officers	**Total Remuneration**	
	2017	**2016 (a)**
Short-term employee benefits	676,554	
Post-employment benefits	55,554	-
Other long-term benefits	19,118	
Total Number of executives (b)	**4**	
Total Remuneration (c)	**$ 751,226**	

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised and money, consideration or benefit received or receivable, excluding reimbursements of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year’s financial statements for the 2015-16 reporting period.

(b) The total number of executive officers includes persons who meet the definition of Key Management Personal (KMP) of the entity under AASB 124 Related Party Disclosure and are also reported within the related party disclosure (Note 8.6)

(c) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee benefits.

Note 8.6. Related Parties

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

• all key management personnel and their close family members;
• all cabinet ministers and their close family members; and
• all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

Key management personnel (KMP) of the hospital include the Portfolio Ministers, all Board Members and Executives of Castlemaine Health, and the Castlemaine Health managers of Information Technology, Engineering and Finance. The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968, and is reported within the Department of Parliamentary Services' Financial Report.

During the year, Maldon Hospital, an Organisation of which Ian Fisher, Chief Executive Officer, is also the Chief Executive Officer, continued to require extensive provision of contracted services. The contracted services involve the provision of extensive administration services such as Finance, IT, HR, and Food Services. The value of the contract during 2016-17 was $222,323. Other non-contracted services occur as required. The value of net transactions between Maldon Hospital and Castlemaine Health are $664,690. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scarce resources.

Castlemaine Health received funding from the Department of Health and Human Services of $28 million (2016: $27 million)

	2017 $'000	2016 $'000
Other Transactions of Responsible Persons and their Related Parties.		
Ms C Wallace was a Director of the Mt Alexander Shire for a portion of the 15-16 year. Net transactions are reported.	0	508

Remuneration of key management personnel (KMP)	**Total Remuneration**	
	2017	**2016 (a)**
Short-term employee benefits	1,039,669	
Post-employment benefits	83,330	
Other long-term benefits	28,676	
Total Number of KMP (b)	**7**	
Total Remuneration (c)	**$ 1,151,675**	

(a) No comparatives have been reported because remuneration in the prior year was determines in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised and money, consideration or benefit received or receivable, excluding reimbursements of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for the 2015-16 reporting period.

(b) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee benefits.*

Note 8.7 Remuneration of auditors

	2017 $'000	2016 $'000
Victorian Auditor-General's Office		
Audit or review of financial statements	25	24
	25	24

Note 8.8 Events Occurring after the Balance Sheet Date

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

Note 8.9: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2017, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Castlemaine Health has not and does not intend to adopt these standards early.

Standard/Interpretation [1]	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.

Note 8.9: AASBs issued that are not yet effective (continued)

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licenses identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified in AASB 15.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and • clarifies circumstances when a contract with a customer is within the scope of AASB 15.	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.
AASB 1058 Income of Not-for-Profit Entities	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

Note 8.10: Alternative presentation of comprehensive operating statement
For the Year Ended 30 June 2017

	Note	2017	2016
Grants			
Operating	2.1	39,718	35,221
Capital	2.1	643	3,323
Interest and Dividends	2.1	362	142
Sales of Goods and Services		8,028	7,491
Other income			
Other capital income	2.1	653	217
Revenue from Transactions		**49,404**	**46,394**
Employee Expenses	3.1	(35,422)	(32,521)
Operating Expenses			
Supplies and consumables	3.1	(3,920)	(3,209)
Non salary labour costs	3.1	(2,704)	(2,187)
Other		(4,487)	(4,699)
Non-Operating Expenses			
Specific Expense	3.3	(289)	0
Financial Cost - Other	3.4	(28)	39
Expenditure for Capital Purpose	3.1	(859)	(193)
Depreciation and Amortisation	4.4	(2,040)	(2,045)
Expenses from Transactions		**(49,749)**	**(44,815)**
Net Result from Transactions		**(345)**	**1,579**
Other economic flows included in net result			
Other gains/(losses) from other economic flows	3.1	303	0
Total other economic flows included in net result		**303**	0
Net result from continuing operations		**(42)**	**1,579**
Net result from discontinued operations		0	0
NET RESULT FOR THE YEAR ^		**(42)**	**1,579**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1 (a)	466	(21)
Total other comprehensive income		**466**	(21)
Comprehensive result		**424**	**1,558**

25th September 2017

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Castlemaine Health Annual Report 2016-17

Replacement page 14

Please find attached amended page 14

Total expenses in columns 1-5 have been corrected.

Carolyn Wallace
Chairperson
Date: 25th September 2017

Ian Fisher
Chief Executive Officer
Date: 25th September 2017

Kerryn Healy
Chief Finance Accounting Officer
Date: 25th September 2017

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Note 3: The cost of delivering our services

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Note 3.1: Analysis of Expenses by Source

	Admitted Patients 2017 $'000	Non-Admitted 2017 $'000	RAC 2017 $'000	Aged Care 2017 $'000	Other 2017 $'000	Total 2017 $'000
Employee Expenses	14,267	2,776	15,146	1,780	1,453	35,422
Non Salary Labour Costs	2,473	32	197	2	0	2,704
Supplies & Consumables	1,284	849	1,215	102	470	3,920
Administration Expenses	1,278	230	497	256	655	2,916
Other Expenses	883	64	825	26	62	1,860
Total Expenditure from Operating Activities	**20,185**	**3,951**	**17,880**	**2,166**	**2,640**	**46,822**
Expenditure for Capital Purposes	0	0	0	0	570	570
Specific Expenses	0	0	0	0	289	289
Depreciation & Amortisation (refer note 4.4)	0	0	0	0	2,040	2,040
Other Gain/(losses) from other economic flows	0	0	0	0	(303)	(303)
Finance Costs (refer note 3.4)	0	0	0	0	28	28
Total other expenses	**0**	**0**	**0**	**0**	**2,624**	**2,624**
Total Expenses	**20,185**	**3,951**	**17,880**	**2,166**	**5,264**	**49,446**

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	Admitted Patients 2016 $'000	Non-Admitted 2016 $'000	RAC 2016 $'000	Aged Care 2016 $'000	Other 2016 $'000	Total 2016 $'000
Employee Expenses	13,299	443	13,261	1,192	4,326	32,521
Non Salary Labour Costs	2,008	2	96	11	70	2,187
Supplies & Consumables	897	158	1,221	45	888	3,209
Administration Expenses	862	97	469	67	860	2,355
Other Expenses	404	44	701	66	1,129	2,344
Total Expenditure from Operating Activities	**17,470**	**744**	**15,748**	**1,381**	**7,273**	**42,616**
Expenditure for Capital Purposes	0	0	0	0	193	193
Depreciation & Amortisation (refer note 4.4)	0	0	0	0	2,045	2,045
Finance Costs (refer note 3.4)	0	0	0	0	(39)	(39)
Total other expenses	**0**	**0**	**0**	**0**	**2,199**	**2,199**
Total Expenses	**17,470**	**744**	**15,748**	**1,381**	**9,472**	**44,815**

The basis of allocations across Program segments/sources was significantly altered and enhanced during the 2016-17 financial year.

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