

31 August 2010

File No: 26008/01

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

**Attention: Mr S. Mitsas**

Dear Sir,

**Castlemaine Health**

I enclose for your information the audited financial report of Castlemaine Health and the audit report for the year ended 30 June 2010.

A copy of the audited financial report and the audit report have been forwarded to the President, the Minister for Community Services, the Minister for Finance, WorkCover and the Transport Accident Commission, the Accountable Officer and the Secretary of the Department of Health.

Yours sincerely,



for D D R Pearson  
*Auditor-General*

## **CASTLEMAINE HEALTH**

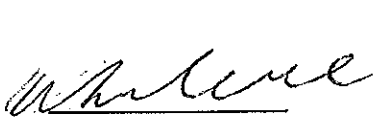
### **Board member's, accountable officer's and chief finance & accounting officer's declaration**

We certify that the attached financial statements for Castlemaine Health have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable *Financial Reporting Directions*, Australian Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position at that date of Castlemaine Health at 30 June 2010.

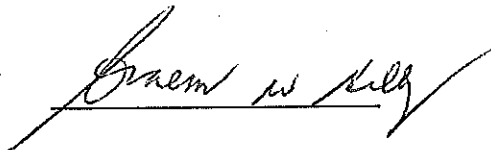
We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

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



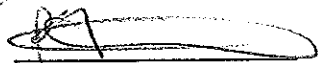
Glenn Sutherland  
President

Castlemaine  
31 August 2010



Graem Kelly  
Accountable Officer

Castlemaine  
31 August 2010



Peter Stemp  
Acting Chief Finance &  
Accounting Officer

Castlemaine  
31 August 2010

Castlemaine Health  
Comprehensive Operating Statement  
For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Revenue from Operating Activities	2	33,348	32,476
Revenue from Non-operating Activities	2	213	306
Employee Benefits	3	(27,837)	(26,545)
Non Salary Labour Costs	3	(196)	(127)
Supplies & Consumables	3	(2,321)	(2,181)
Other Expenses From Continuing Operations	3	(3,832)	(4,073)
<b>Net Result Before Capital &amp; Specific Items</b>		<b>(625)</b>	<b>(144)</b>
Capital Purpose Income	2	1,044	2,141
Specific Income	2d	-	400
Depreciation and Amortisation	4	(4,029)	(1,691)
Specific Expense	3c	(29)	(25)
Finance Costs	5	(45)	(39)
Expenditure using Capital Purpose Income	3	(615)	(550)
<b>NET RESULT FOR THE YEAR</b>		<b>(4,299)</b>	<b>92</b>
<b>Other Comprehensive Income</b>			
Net fair value revaluation on Non Financial Assets		-	21,623
<b>COMPREHENSIVE NET RESULT FOR THE YEAR</b>		<b>(4,299)</b>	<b>21,715</b>

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

**Castlemaine Health**  
**Balance Sheet**  
**As at 30 June 2010**

	Note	2010 \$'000	2009 \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents	6	3,808	4,265
Receivables	7	1,049	919
Other Financial Assets	8	6,378	7,090
Inventories	9	218	215
Other Current Assets	10	12	38
<b>Total Current Assets</b>		<b>11,465</b>	<b>12,527</b>
<b>Non-Current Assets</b>			
Receivables	7	710	438
Property, Plant & Equipment	11	43,664	47,141
<b>Total Non-Current Assets</b>		<b>44,374</b>	<b>47,579</b>
<b>TOTAL ASSETS</b>		<b>55,839</b>	<b>60,106</b>
<b>Current Liabilities</b>			
Payables	12	1,592	1,152
Interest Bearing Liabilities	13	160	231
Employee Benefits and Related On-Costs Provisions	14	6,305	6,820
Other Liabilities	15	6,477	7,248
<b>Total Current Liabilities</b>		<b>14,534</b>	<b>14,451</b>
<b>Non-Current Liabilities</b>			
Interest Bearing Liabilities	13	224	356
Employee Benefits and Related On-Costs Provisions	14	1,272	1,191
<b>Total Non-Current Liabilities</b>		<b>1,496</b>	<b>1,547</b>
<b>TOTAL LIABILITIES</b>		<b>16,030</b>	<b>15,998</b>
<b>NET ASSETS</b>		<b>39,809</b>	<b>44,108</b>
<b>EQUITY</b>			
Property, Plant & Equipment Revaluation Surplus	16a	23,187	23,187
Restricted Specific Purpose Reserve	16a	10	10
Contributed Capital	16b	21,202	21,202
Accumulated Surpluses/(Deficits)	16c	(4,590)	(291)
<b>TOTAL EQUITY</b>		<b>39,809</b>	<b>44,108</b>
Contingent Assets & Contingent Liabilities	19		

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

Castlemaine Health  
Statement of Changes in Equity  
For the Year Ended 30 June 2010

2010		Changes due to			
		Equity at 1-Jul-09	Comprehensive Result	Transactions with owners	Equity at 30-Jun-10
	Note	\$'000	\$'000	\$'000	\$'000
Accumulated Surplus/ (Deficit)		(291)	(4,299)	-	(4,690)
Contribution by Owners	16(b)	21,202	-	-	21,202
		21,202	-	-	21,202
<b>Reserves</b>					
Property Plant and Equipment Revaluation Surplus	16(a)	23,187	-	-	23,187
Restricted Specific Purpose Reserve	16(a)	10	-	-	10
		23,197	-	-	23,197
<b>Total Equity at the end of the financial year</b>		<b>44,108</b>	<b>(4,299)</b>	<b>-</b>	<b>39,809</b>
2009		Changes due to			
		Equity at 1-Jul-08	Comprehensive Result	Transactions with owners	Equity at 30-Jun-09
	Note	\$'000	\$'000	\$'000	\$'000
Accumulated Surplus/ (Deficit)		(383)	92	-	(291)
Contribution by Owners	16(b)	21,202	-	-	21,202
		21,202	-	-	21,202
<b>Reserves</b>					
Property Plant and Equipment Revaluation Surplus	16(a)	1,564	21,623	-	23,187
Restricted Specific Purpose Reserve	16(a)	10	-	-	10
		1,574	21,623	-	23,197
<b>Total Equity at the end of the financial year</b>		<b>22,393</b>	<b>21,715</b>	<b>-</b>	<b>44,108</b>

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

Castlemaine Health  
Cash Flow Statement  
For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		20,835	18,984
Patient and Resident Fees Received		9,095	9,457
GST Received from/(paid to) ATO		334	301
Recoupment from private practice for use of hospital facilities		332	616
Interest Received		407	380
Other Receipts		3,233	3,479
Employee Benefits Paid		(26,972)	(26,435)
Non Salary Labour Costs		(196)	(35)
Payments for Supplies & Consumables		(2,814)	(2,566)
Finance Costs		(45)	(39)
Other Payments		(4,521)	(3,813)
<b>Cash Generated from Operations</b>		<b>(312)</b>	<b>309</b>
Capital Grants from Government		290	899
Capital Donations and Bequests Received		117	147
Accommodation Bond Receipts		384	384
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	17	<b>479</b>	<b>1,739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for Non-Financial Assets		(836)	(794)
Proceeds from Sale of Non-Financial Assets		241	102
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>(595)</b>	<b>(692)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(158)	(125)
Repayment of Finance Leases		-	(41)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>(158)</b>	<b>(166)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(274)</b>	<b>881</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>3,768</b>	<b>2,887</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	6	<b>3,494</b>	<b>3,768</b>

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

**Note 1: Statement of Significant Accounting Policies**

**(a) Statement of compliance**

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

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

Castlemaine Health is a not-for-profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" health services under the AAS's.

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

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

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

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

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

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of

- certain non-current assets
- financial instruments.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision

affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

**(c) Reporting Entity**

The financial report includes all the controlled activities of the Castlemaine Health.

Its principle address is:

Cornish Street  
Castlemaine  
Victoria 3450

Please note that during the reporting period there was a change of name of the reporting entity from Mt Alexander Hospital to Castlemaine Health. This was effective from July 29, 2009.

**(d) Rounding Of Amounts**

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

**(e) Cash and Cash Equivalents**

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

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

**(f) Receivables**

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where doubt as to collection exists. Bad debts are written off when identified.

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

**(g) Inventories**

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

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



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

**(h) Other Financial Assets**

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

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

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

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

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

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 18.

**Loans and receivables**

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

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

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

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

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

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

**(j) Revaluations of Non-current Physical Assets**

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

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

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

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

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

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

**(k) Depreciation and Amortisation**

Assets with a cost in excess of \$1,000 (2008-09 and 2009-10) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives. Depreciation is generally calculated on a straight-line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Health.

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

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

	2010	2009
Buildings	30 to 40 Years	30 to 40 Years
Plant & Equipment	Up to 15 Years	Up to 15 Years
Leased Assets	Up to 15 Years	Up to 15 Years
Motor Vehicles	Up to 5 Years	Up to 5 Years

**(l) Net Gain/(Loss) on Non-Financial Assets**

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

**Disposal of non-financial assets**

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

**Impairment of Non-Financial Assets**

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

- inventories; and
- financial instrument assets.

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

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

**(m) Net Gain/(Loss) on Financial Instruments**

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

**Revaluations of Financial Instruments at Fair Value**

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

**Impairment of Financial Assets**

Financial Assets have been assessed for impairment in accordance with Australian Accounting Standards. Where a financial asset's fair value at balance date has reduced by 20 per cent or more than its cost price; or where its fair value has been less than its cost price for a period of 12 or more months, the financial instrument is treated as impaired.

An appropriate fair value as at 30 June 2010 for its portfolio of financial assets, was made by Castlemaine Health, with no impairment occurring.

**(n) Payables**

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, and then subsequently carried at amortised cost and represent liabilities for goods and services provided to the health service prior to the end of the financial year that are unpaid, and arise when the health service becomes obliged to make future payments in respect of the purchase of these goods and services. The normal credit terms are usually Nett 30 days.

**(o) Interest Bearing Liabilities**

Interest bearing liabilities in the Balance Sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method. Fair value is determined in the manner described in Note 18.

**(p) Functional and Presentation Currency**

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

**(q) Goods and Services Tax**

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

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

Investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

**(r) Employee Benefits**

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

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

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

#### **Long Service Leave**

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

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

The components of this current LSL liability are measured at:

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

**Non-Current Liability – conditional LSL** (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

#### **Superannuation**

##### **Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

##### **Defined benefit plans**

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the entity to the superannuation plan in respect of the services of current health service staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

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

#### **Superannuation**

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

Fund	Contributions Paid or Payable for the year
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**Castlemaine Health**  
**Notes to the Financial Statements**  
**30 June 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Defined benefit plans:</b>		
Health Super Pty Ltd	188	216
<b>Defined contribution plans:</b>		
Health Super Pty Ltd	1,754	1,739
Hesta Super Fund	305	272
Other	43	46
<b>Total</b>	<b>2,290</b>	<b>2,273</b>

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

**Termination Benefits**

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

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

**On-Costs**

Employee benefits on-costs, such as workers compensation, superannuation are recognised separately from provision for employee benefits.

**(s) Finance Costs**

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

Finance costs include:

- Interest on short-term and long-term borrowings

**(t) Residential Aged Care Service**

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

**(u) Joint Ventures**

Interests in jointly controlled assets are accounted for by recognising in Castlemaine Health's financial statements, its share of assets, liabilities and any revenue and expenses of such joint ventures. Details of the joint venture are set out in note 21.

**(v) Intersegment Transactions**

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

**(w) Income Recognition**

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent it is earned. Unearned income at reporting date is reported as income received in advance. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

**Government Grants**

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

**Indirect Contributions**

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

**Patient and Resident Fees**

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

**Private Practice Fees**

Private practice fees are recognised as revenue at the time invoices are raised.

**Donations and Other Bequests**

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

**Interest Revenue**

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

**(x) Fund Accounting**

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

**(y) Services Supported By Health Services Agreement and Services Supported By Hospital And Community Initiatives**

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

**(z) Property, Plant & Equipment Revaluation Surplus**

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.

**(aa) Specific Restricted Purpose Reserve**

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

**(ab) Contributed Capital**

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

**(ac) Net Result Before Capital & Specific Items**

The subtotal entitled 'Net result Before Capital & Specific Items' is included in the Comprehensive Operating Statement to enhance the understanding of the financial performance of Castlemaine Health. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenues and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The Net result Before Capital & Specific Items is used by the management of Castlemaine Health, the Department of Health and the Victorian Government to measure the ongoing performance of health services in operating hospital services.

Capital and specific items, which are excluded from this sub-total, comprise:

- ❖ Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer note 1 (m)).



Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.

- ❖ Specific income/expense, comprises the following items, where material:
  - Voluntary departure packages
  - Write-down of inventories
  - Non-current asset revaluation increments/decrements
  - Diminution in investments
  - Restructuring of operations (disaggregation/aggregation of health services)
  - Litigation settlements
  - Non-current assets lost or found
  - Forgiveness of loans
  - Reversals of provisions
  - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board)
- ❖ Impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with note 1 (l).
- ❖ Depreciation and amortisation, as described in note 1 (g) and (j).
- ❖ Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold (note 1 (k)), or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

**(ad) Category Groups**

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 recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals, or free standing day hospital facilities, or palliative care facilities, or rehabilitation facilities, or alcohol and drug treatment units or health services specialising in dental services, hearing and ophthalmic aids.

**Outpatient Services (Outpatients)** comprises all recurrent health revenue/expenditure on public hospital type outpatient services, where services are delivered in public hospital outpatient clinics, or free standing day hospital facilities, or rehabilitation facilities, or alcohol and drug treatment units, or outpatient clinics specialising in ophthalmic aids or palliative care.

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

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

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

**Other Services excluded from Australian Health Care Agreement (AHCA) (Other)** comprises revenue/expenditure for services not separately classified above, including: Public health services including Laboratory testing, Blood Borne Viruses / Sexually Transmitted Infections clinical services, Kooris liaison officers, immunisation and screening services, Drugs services including drug withdrawal, counselling and the needle and syringe program, Dental Health services including general and specialist dental care, school dental services and clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

**(ae) New Accounting Standards and Interpretations**

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

Standard / Interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on Entitles Annual Statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-9 Amendments to Australian Accounting Standards - additional exemptions for first-time adopters [AASB 1]	Applies to health services adopting Australian Accounting Standards for the first time, to ensure Health Services will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No Impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 124 Related party disclosures (Dec 2009)	Government related Health Services have been granted partial exemption with	Beginning 1 Jan 2011	Preliminary assessment suggests that impact is insignificant. However, the

**Castlemaine Health**  
**Notes to the Financial Statements**  
**30 June 2010**

Standard / Interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on Entities Annual Statements
	certain disclosure requirements.		health service is still assessing the detailed impact and whether to adopt.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and health services known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	AASB 8 does not apply to health services therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of Prepayments of a minimum funding requirement	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: recognition and measurement</i> (AASB 139 <i>financial Instruments: recognition and measurement</i> ).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.



**Note 2: Revenue**

	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000
<b>Revenue from Operating Activities</b>						
Government Grants						
- Department of Health	19,607	-	-	-	19,607	-
- Department of Human Services	-	18,818	-	-	-	18,818
- State Government - Other						
- Other	589	575	-	-	589	575
- Commonwealth Government						
- Residential Aged Care Subsidy	5,141	5,273			5,141	5,273
<b>Total Government Grants</b>	<b>25,337</b>	<b>24,666</b>	<b>-</b>	<b>-</b>	<b>25,337</b>	<b>24,666</b>
Indirect contributions by Department of Health						
- Insurance	407	368	-	-	407	368
- Long Service Leave	271	24	-	-	271	24
<b>Total Indirect Contributions by Department of Health</b>	<b>678</b>	<b>392</b>	<b>-</b>	<b>-</b>	<b>678</b>	<b>392</b>
Patient and Resident Fees						
- Patient and Resident Fees (refer note 2b)	1,681	1,620	-	-	1,681	1,620
- Residential Aged Care (refer note 2b)	2,389	2,306	-	-	2,389	2,306
<b>Total Patient Fees and Resident Fees</b>	<b>4,070</b>	<b>3,926</b>	<b>-</b>	<b>-</b>	<b>4,070</b>	<b>3,926</b>
Business Unit & Specific Purpose Funds						
- Catering	-	-	928	871	928	871
- Laundry	-	-	62	57	62	57
- Other	-	-	350	356	350	356
<b>Total Business Unit &amp; Specific Purpose Funds</b>	<b>-</b>	<b>-</b>	<b>1,340</b>	<b>1,284</b>	<b>1,340</b>	<b>1,284</b>
Private Practice Recoupment for Use of Hospital Facilities	332	766	-	-	332	766
Other Revenue from Operating Activities	1,591	1,442	-	-	1,591	1,442
<b>Sub-Total Revenue from Operating Activities</b>	<b>32,008</b>	<b>31,192</b>	<b>1,340</b>	<b>1,284</b>	<b>33,348</b>	<b>32,476</b>
<b>Revenue from Non-Operating Activities</b>						
Interest	-	-	213	289	213	289
Property Income	-	-	-	17	-	17
<b>Sub-Total Revenue from Non-Operating Activities</b>	<b>-</b>	<b>-</b>	<b>213</b>	<b>306</b>	<b>213</b>	<b>306</b>
<b>Revenue from Capital Purpose Income</b>						
State Government Capital Grants						
- Targeted Capital Works and Equipment	-	-	290	1,274	290	1,274
Residential Accommodation Payments (refer note 2b)	-	-	686	764	686	764
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	-	-	(49)	(44)	(49)	(44)
Donations and Bequests	-	-	117	147	117	147
<b>Sub-Total Revenue from Capital Purpose Income</b>	<b>-</b>	<b>-</b>	<b>1,044</b>	<b>2,141</b>	<b>1,044</b>	<b>2,141</b>
Specific Income (refer note 2d)	-	-		400	-	400
<b>Total Revenue (refer to note 2a)</b>	<b>32,008</b>	<b>31,192</b>	<b>2,597</b>	<b>4,131</b>	<b>34,605</b>	<b>35,323</b>

Indirect contributions by Department of Health

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

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

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

	Admitted Patients 2010 \$'000	RAC incl. Mental Health 2010 \$'000	Aged Care 2010 \$'000	Other 2010 \$'000	Total 2010 \$'000
<b>Revenue from Services Supported by Health Services Agreement</b>					
Government Grants	15,475	8,037	1,133	692	25,337
Indirect contributions by Department of Health	678				678
Patient and Resident Fees (refer note 2b)	1,446	2,389	114	121	4,070
Recoupment from Private Practice for Use of Hospital Facilities	-	-	-	332	332
Other Revenue from Operating Activities	1,591	-	-	-	1,591
<b>Sub-Total Revenue from Services Supported by Health Services Agreement</b>	<b>19,190</b>	<b>10,426</b>	<b>1,247</b>	<b>1,145</b>	<b>32,008</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>					
Business Unit & Specific Purpose Funds	-	-	-	1,340	1,340
Capital Purpose Income (refer note 2)	-	-	-	1,044	1,044
Specific Income (refer note 2d)	-	-	-	-	-
Others	-	-	-	213	213
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,597</b>	<b>2,597</b>
<b>Total Revenue</b>	<b>19,190</b>	<b>10,426</b>	<b>1,247</b>	<b>3,742</b>	<b>34,605</b>

	Admitted Patients 2009 \$'000	RAC incl. Mental Health 2009 \$'000	Aged Care 2009 \$'000	Other 2009 \$'000	Total 2009 \$'000
<b>Revenue from Services Supported by Health Services Agreement</b>					
Government Grants					
- Department of Human Services	14,932	7,808	1,099	827	24,666
Indirect contributions by Department of Human Services	392				392
Patient and Resident Fees (refer note 2b)	1,387	2,308	94	139	3,926
Private Practice Recoupment for Use of Hospital Facilities	-	-	-	766	766
Other Revenue from Operating Activities	1,442			-	1,442
<b>Sub-Total Revenue from Services Supported by Health Services Agreement</b>	<b>18,153</b>	<b>10,114</b>	<b>1,193</b>	<b>1,732</b>	<b>31,192</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>					
Business Unit & Specific Purpose Funds				1,284	1,284
Capital Purpose Income (refer note 2)	236	764	-	1,141	2,141
Specific Income (refer note 2d)	-	-	-	400	400
Others	-	-	-	306	306
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>236</b>	<b>764</b>	<b>-</b>	<b>3,131</b>	<b>4,131</b>
<b>Total Revenue</b>	<b>18,389</b>	<b>10,878</b>	<b>1,193</b>	<b>4,863</b>	<b>35,323</b>

Indirect contributions by Department of Health:

Department of 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.

**Note 2b: Patient and Resident Fees**

	2010 \$'000	2009 \$'000
<b>Patient and Resident Fees Raised</b>		
<b>Recurrent:</b>		
Acute		
-- Inpatients	1,446	1,387
-- Outpatients		
-- Other	91	139
Residential Aged Care		
-- General	2,389	2,306
Other	144	94
<b>Total Recurrent</b>	<b>4,070</b>	<b>3,926</b>
<b>Capital Purpose:</b>		
Residential Accommodation Payments	686	764
<b>Total Capital</b>	<b>686</b>	<b>764</b>

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

<b>Proceeds from Disposals of Non-Financial Assets</b>		
Motor Vehicles	241	102
<b>Total Proceeds from Disposal of Non-Financial Assets</b>	<b>241</b>	<b>102</b>
<b>Less: Written Down Value of Non-Financial Assets Sold</b>		
Motor Vehicles	290	146
<b>Total Written Down Value of Non-Financial Assets Sold</b>	<b>290</b>	<b>146</b>
<b>Net gains/(losses) on Disposal of Non-Financial Assets</b>	<b>(49)</b>	<b>(44)</b>

**Note 2d: Specific Income**

FBT Transitional Grant	-	400
<b>TOTAL</b>	<b>-</b>	<b>400</b>

**Note 3: Expenses**

	HSA 2010 \$'000	HSA 2009 \$'000	Non HSA 2010 \$'000	Non HSA 2009 \$'000	Total 2010 \$'000	Total 2009 \$'000
<b>Employee Benefits</b>						
Salaries & Wages	22,916	22,022	1,354	1,310	24,270	23,332
WorkCover Premium	430	355	25	21	455	376
Long Service Leave	787	540	35	24	822	564
Superannuation	2,187	2,171	103	102	2,290	2,273
<b>Total Employee Benefits</b>	<b>26,320</b>	<b>26,088</b>	<b>1,517</b>	<b>1,457</b>	<b>27,837</b>	<b>26,545</b>
<b>Non Salary Labour Costs</b>						
Fees for Visiting Medical Officers	89	92	-	-	89	92
Agency Costs - Other	107	35	-	-	107	35
<b>Total Non Salary Labour Costs</b>	<b>196</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>127</b>
<b>Supplies and Consumables</b>						
Drug Supplies	300	265	12	11	312	276
Medical, Surgical Supplies and Prosthesis	884	844	8	8	892	852
Pathology Supplies	73	71	-	-	73	71
Food Supplies	921	866	123	116	1,044	982
<b>Total Supplies and Consumables</b>	<b>2,178</b>	<b>2,046</b>	<b>143</b>	<b>135</b>	<b>2,321</b>	<b>2,181</b>
<b>Other Expenses from Continuing Operations</b>						
Domestic Services & Supplies	382	321	41	34	423	355
Fuel, Light, Power and Water	423	433	41	42	464	475
Insurance costs funded by DH	407	367	-	-	407	367
Motor Vehicle Expenses	121	120	14	14	135	134
Repairs & Maintenance	602	982	26	42	628	1,024
Maintenance Contracts	137	116	-	-	137	116
Patient Transport	131	95	-	-	131	95
Bad & Doubtful Debts	-	-	-	-	-	-
Other Administrative Expenses	1,471	1,486	-	-	1,471	1,486
Audit Fees	-	-	-	-	-	-
- VAGO - Audit of Financial Statements	-	-	24	21	24	21
- Other	-	-	12	-	12	-
<b>Total Other Expenses from Continuing Operations</b>	<b>3,674</b>	<b>3,920</b>	<b>158</b>	<b>153</b>	<b>3,832</b>	<b>4,073</b>
<b>Expenditure using Capital Purpose Income</b>						
Other Expenses	-	-	-	-	-	-
- Other	-	-	615	550	615	550
<b>Total Expenditure using Capital Purpose Income</b>	<b>-</b>	<b>-</b>	<b>615</b>	<b>550</b>	<b>615</b>	<b>550</b>
Depreciation and Amortisation (refer note 4)	-	-	4,029	1,691	4,029	1,691
Specific Expense (refer note 3c)	-	-	29	25	29	25
Finance Costs (refer note 5)	-	-	45	39	45	39
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,103</b>	<b>1,755</b>	<b>4,103</b>	<b>1,755</b>
<b>Total Expenses</b>	<b>32,368</b>	<b>31,181</b>	<b>6,538</b>	<b>4,050</b>	<b>38,904</b>	<b>35,231</b>



Note 3(a): Analysis of Expenses by Source

	Admitted Patients 2010 \$'000	RAC Incl. Mental Health 2010 \$'000	Aged Care 2010 \$'000	Other 2010 \$'000	Total 2010 \$'000
<b>Services Supported by Health Services Agreement</b>					
Employee Benefits	14,880	9,045	1,127	1,268	26,320
Non Salary Labour Costs	196	-	-	-	196
Supplies & Consumables	1,497	587	91	3	2,178
Other Expenses from Continuing Operations	1,533	1,794	116	231	3,674
<b>Sub-Total Expenses from Services Supported by Health Services Agreement</b>	<b>18,106</b>	<b>11,426</b>	<b>1,334</b>	<b>1,502</b>	<b>32,368</b>
<b>Services Supported by Hospital and Community Initiatives</b>					
Employee Benefits	-	-	-	1,517	1,517
Supplies & Consumables	-	-	-	143	143
Other Expenses from Continuing Operations	-	-	-	158	158
<b>Sub-Total Expense from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,818</b>	<b>1,818</b>
<b>Expenditure using Capital Purpose Income</b>					
Other Expenses	-	-	-	615	615
<b>Sub-Total Expenditure using Capital Purpose Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615</b>	<b>615</b>
Depreciation and Amortisation (refer note 4)	-	-	-	4,029	4,029
Finance Costs (refer note 5)	-	-	-	45	45
Specific Expenses (refer note 3c)	-	-	-	29	29
<b>Sub-Total Expenditure from Services Supported by Health Services Agreement and by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,103</b>	<b>4,103</b>
<b>Total Expenses</b>	<b>18,106</b>	<b>11,426</b>	<b>1,334</b>	<b>6,038</b>	<b>38,904</b>
	Admitted Patients 2009 \$'000	RAC Incl. Mental Health 2009 \$'000	Aged Care 2009 \$'000	Other 2009 \$'000	Total 2009 \$'000
<b>Services Supported by Health Services Agreement</b>					
Employee Benefits	14,121	8,671	1,080	1,216	25,088
Non Salary Labour Costs	118	-	9	-	127
Supplies & Consumables	1,406	551	86	3	2,046
Other Expenses from Continuing Operations	1,644	1,907	123	246	3,920
<b>Sub-Total Expenses from Services Supported by Health Services Agreement</b>	<b>17,289</b>	<b>11,129</b>	<b>1,298</b>	<b>1,465</b>	<b>31,181</b>
<b>Services Supported by Hospital and Community Initiatives</b>					
Employee Benefits	-	-	-	1,457	1,457
Supplies & Consumables	-	-	-	135	135
Other Expenses from Continuing Operations	-	-	-	163	163
<b>Sub-Total Expense from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,745</b>	<b>1,745</b>
<b>Expenditure using Capital Purpose Income</b>					
Other Expenses	-	-	-	550	550
<b>Sub-Total Expenditure using Capital Purpose Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>550</b>	<b>550</b>
Depreciation and Amortisation (refer note 4)	-	-	-	1,691	1,691
Finance Costs (refer note 5)	-	-	-	39	39
Specific Expenses (refer note 3c)	-	-	-	25	25
<b>Sub-Total Expenditure from Services Supported by Health Services Agreement and by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,765</b>	<b>1,765</b>
<b>Total Expenses</b>	<b>17,289</b>	<b>11,129</b>	<b>1,298</b>	<b>6,515</b>	<b>35,231</b>

**Note 3b: Analysis of Expenses by Internal and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives**

	2010 \$'000	2009 \$'000
Catering	1,035	1,002
Laundry	456	438
Other	327	305
<b>TOTAL</b>	<b>1,818</b>	<b>1,745</b>

**Note 3c: Specific Expenses**

FBT Paid	29	25
<b>TOTAL</b>	<b>29</b>	<b>25</b>

**Note 4: Depreciation and Amortisation**

<b>Depreciation</b>		
Buildings	3,474	1,200
Plant & Equipment	450	386
Motor Vehicles	95	94
<b>Total Depreciation</b>	<b>4,019</b>	<b>1,680</b>
<b>Amortisation</b>		
Plant & Equipment	10	11
<b>Total Amortisation</b>	<b>10</b>	<b>11</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>4,029</b>	<b>1,691</b>

**Note 5: Finance Costs**

Finance Charges on Finance Leases	-	2
Interest on Long Term Borrowings	45	37
<b>TOTAL</b>	<b>45</b>	<b>39</b>

**Note 6: Cash and Cash Equivalents**

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

	2010 \$'000	2009 \$'000
Cash on Hand	2	2
Cash at Bank	2,001	2,528
Deposits at Call	1,805	1,735
<b>TOTAL</b>	<b>3,808</b>	<b>4,265</b>
<b>Represented by:</b>		
Cash for Health Service Operations (as per Cash Flow Statement)	3,494	3,768
Share of Net Result of Joint Ventures (refer note 21)	314	497
<b>TOTAL</b>	<b>3,808</b>	<b>4,265</b>

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**Note 7: Receivables**

**CURRENT**

**Contractual**

	2010 \$'000	2009 \$'000
Inter Hospital Debtors	192	100
Trade Debtors	217	259
Patient Fees	300	297
Accrued Investment Revenue	108	-
Accrued Revenue	128	27
Less Allowance for Doubtful Debts		
Patient Fees	(2)	(14)
	<u>943</u>	<u>669</u>

**Statutory**

GST Receivable	35	81
Accrued Revenue - DH	71	169
Long Service Leave - DH	-	-
Less Allowance for Doubtful Debts	-	-
	<u>106</u>	<u>250</u>
	<u>1,049</u>	<u>919</u>

**TOTAL CURRENT RECEIVABLES**

**NON CURRENT**

**Statutory**

Long Service Leave - DH	710	438
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**TOTAL NON-CURRENT RECEIVABLES**

<u>710</u>	<u>438</u>
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**TOTAL RECEIVABLES**

<u>1,759</u>	<u>1,357</u>
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**(a) Movement in the Allowance for doubtful debts**

Balance at beginning of year	14	15
Amounts written off during the year	12	1
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in profit or loss	-	-
	<u>2</u>	<u>14</u>

**(b) Ageing analysis of receivables**

Please refer to Note 18(b) for the ageing analysis of receivables

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

Please refer to Note 18(b) for the nature and extent of credit risk arising from receivables

**Note 8: Other Financial Assets**

	Capital Fund		Total	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>CURRENT</b>				
<i>Term Deposit</i>				
Australian Dollar Term Deposits	6,378	7,090	6,378	7,090
<b>TOTAL Current</b>	<b>6,378</b>	<b>7,090</b>	<b>6,378</b>	<b>7,090</b>
<b>Represented by:</b>				
Monies Held in Trust				
Patient Monies	585	653	585	653
Accommodation Bonds (Refundable Entrance Fees)	5,292	5,946	5,292	5,946
Other	501	491	501	491
<b>TOTAL</b>	<b>6,378</b>	<b>7,090</b>	<b>6,378</b>	<b>7,090</b>

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

Please refer to note 18(b) for the ageing analysis of other financial assets.

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

Please refer to note 18(b) for the nature and extent of credit risk arising from other financial assets.

**Note 9: Inventories**

	2010	2009
	\$'000	\$'000
<b>CURRENT</b>		
Pharmaceuticals - at cost	45	48
Catering Supplies - at cost	27	35
Housekeeping Supplies - at cost	17	16
Medical and Surgical Lines - at cost	121	100
Engineering Stores - at cost	2	2
Administration Stores - at cost	6	16
<b>TOTAL INVENTORIES</b>	<b>218</b>	<b>216</b>

**Note 10: Other Current Assets**

	2010	2009
	\$'000	\$'000
Prepayments	12	38
<b>TOTAL</b>	<b>12</b>	<b>38</b>

**Note 11: Property, Plant & Equipment**

	2010 \$'000	2009 \$'000
<b>Land</b>		
- Land at fair value	3,391	3,391
<b>Total Land</b>	<u>3,391</u>	<u>3,391</u>
<b>Buildings</b>		
- Buildings at fair value	110,805	110,805
Less Acc'd Depreciation	73,257	69,783
<b>Total Buildings</b>	<u>37,548</u>	<u>41,022</u>
<b>Plant and Equipment</b>		
- Plant and Equipment at Fair Value	4,691	2,122
Less Acc'd Depreciation	2,478	-
<b>Total Plant and Equipment</b>	<u>2,113</u>	<u>2,122</u>
<b>Motor Vehicles</b>		
- Motor Vehicles at Fair Value	854	504
Less Acc'd Depreciation	334	-
<b>Total Motor Vehicles</b>	<u>520</u>	<u>504</u>
<b>Leased Assets</b>		
Cost - Plant & Equipment	144	144
Less Acc'd Amortisation	52	42
<b>Total Leased Assets</b>	<u>92</u>	<u>102</u>
<b>TOTAL</b>	<u>43,664</u>	<u>47,141</u>

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

	Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Motor Vehicles \$'000	Leased Assets \$'000	Total \$'000
<b>Balance at 1 July 2008</b>	1,628	22,319	1,984	510	113	26,554
Additions	-	43	517	234	-	794
Disposals	-	-	-	(146)	-	(146)
Share of Net Result of Joint Ventures A (refer note 21)	-	-	7	-	-	7
Revaluation	1,763	19,860	-	-	-	21,623
Net Transfers between classes	-	-	-	-	-	-
Depreciation and Amortisation (note 4)	-	(1,200)	(386)	(94)	(11)	(1,691)
<b>Balance at 1 July 2009</b>	<u>3,391</u>	<u>41,022</u>	<u>2,122</u>	<u>504</u>	<u>102</u>	<u>47,141</u>
Additions	-	-	406	401	-	807
Disposals	-	-	-	(290)	-	(290)
Share of Net Result of Joint Ventures A (refer note 21)	-	-	35	-	-	35
Revaluation	-	-	-	-	-	-
Depreciation and Amortisation (note 4)	-	(3,474)	(450)	(95)	(10)	(4,029)
<b>Balance at 30 June 2010</b>	<u>3,391</u>	<u>37,548</u>	<u>2,113</u>	<u>520</u>	<u>92</u>	<u>43,664</u>

**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 land and buildings. The valuation, is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

**Plant and equipment at fair value**

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

**Note 12: Payables**

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors	638	798
Accrued Expenses	413	349
Employee Clearing Accounts	-	7
	<u>1,051</u>	<u>1,152</u>
<b>Statutory</b>		
DH	541	-
	<u>541</u>	<u>-</u>
<b>TOTAL</b>	<u>1,592</u>	<u>1,152</u>

**(a) Maturity analysis of payables**

Please refer to Note 18(c) for the ageing analysis of payables

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

Please refer to note 18(c) for the nature and extent of risks arising from payables

**Note 13: Interest Bearing Liabilities**

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Australian Dollar Borrowings	160	231
<b>Total Australian Dollars Borrowings</b>	<b>160</b>	<b>231</b>
<b>Total Current</b>	<b>160</b>	<b>231</b>
<b>NON CURRENT</b>		
Australian Dollar Borrowings	224	356
<b>Total Australian Dollars Borrowings</b>	<b>224</b>	<b>356</b>
<b>Total Non-Current</b>	<b>224</b>	<b>356</b>
<b>Total Interest Bearing Liabilities</b>	<b>384</b>	<b>587</b>
<b>CURRENT</b>		
Secured - Australian Dollar Borrowings	160	231
<b>NON CURRENT</b>		
Secured - Australian Dollar Borrowings	224	356

The fixed loans are secured by deposits held with the

Finance costs of Castlemaine Health incurred during the year are accounted for as follows:  
Amount of finance costs recognised as expenses

45	39
----	----

There were no amounts of investment revenue earned on borrowed funds deducted from the finance costs

**(a) Maturity analysis of interest bearing liabilities**

Please refer to note 18(c) for the ageing analysis of interest bearing liabilities

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

Please refer to note 18(c) for the nature and extent of risks arising from interest bearing liabilities

**(c) Defaults and breaches**

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

**Note 14: Employee Benefits and Related On-Costs Provisions**

**Current Provisions**

**Employee Benefits**

- unconditional and expected to be settled within 12 months
- unconditional and expected to be settled after 12 months

**Employee Termination Benefits**

- unconditional and expected to be settled within 12 months
- unconditional and expected to be settled after 12 months

**Provisions related to Employee Benefit On-costs**

- unconditional and expected to be settled within 12 months (nominal value)
- unconditional and expected to be settled after 12 months (present value)

**Total Current Provisions**

**Non-Current Provisions**

**Employee Benefits**

**Provisions related to Employee Benefit On-costs**

**Total Non-Current Provisions**

**Current Employee Benefits**

**Unconditional LSL Entitlements**

**Annual leave Entitlements**

**Accrued Wages and Salaries**

**Accrued Days Off**

**Redundancy Provision**

**Non-Current Employee Benefits**

**Conditional Long Service Leave Entitlements (present value)**

**Total Employee Benefits**

**On-Costs**

**Current On-Costs**

**Non-Current On-Costs**

**Total On-Costs**

**Total Employee Benefits and Related On-Costs**

**Movement in Long Service Leave:**

**Balance at start of year**

**Provision made during the year**

- Revaluations
  - Expense recognising Employee Service
- Settlement made during the year**

**Balance at end of year**

**Note 16: Other Liabilities**

**CURRENT**

**Monies Held in Trust**

- Patient Monies Held in Trust
- Accommodation Bonds (Refundable Entrance Fees)
- Salary Packaging
- Other Monies in Trust

**Total Other Liabilities**

**Total Monies Held in Trust**

**Represented by the following assets:-**

**Cash Assets (refer to Note 6)**

**Other Financial Assets (refer to Note 8)**

**TOTAL**

	2010 \$'000	2009 \$'000
<b>Current Provisions</b>		
<b>Employee Benefits</b>		
- unconditional and expected to be settled within 12 months	3,011	2,774
- unconditional and expected to be settled after 12 months	2,598	2,473
<b>Employee Termination Benefits</b>		
- unconditional and expected to be settled within 12 months	150	-
- unconditional and expected to be settled after 12 months	-	-
	<u>6,759</u>	<u>5,247</u>
<b>Provisions related to Employee Benefit On-costs</b>		
- unconditional and expected to be settled within 12 months (nominal value)	262	303
- unconditional and expected to be settled after 12 months (present value)	284	270
	<u>546</u>	<u>573</u>
<b>Total Current Provisions</b>	<u><u>6,305</u></u>	<u><u>5,820</u></u>
<b>Non-Current Provisions</b>		
<b>Employee Benefits</b>	1,147	1,074
<b>Provisions related to Employee Benefit On-costs</b>	125	117
<b>Total Non-Current Provisions</b>	<u><u>1,272</u></u>	<u><u>1,191</u></u>
<b>Current Employee Benefits</b>		
<b>Unconditional LSL Entitlements</b>	2,598	2,473
<b>Annual leave Entitlements</b>	2,326	2,170
<b>Accrued Wages and Salaries</b>	609	528
<b>Accrued Days Off</b>	76	76
<b>Redundancy Provision</b>	150	-
<b>Non-Current Employee Benefits</b>		
<b>Conditional Long Service Leave Entitlements (present value)</b>	1,147	1,074
<b>Total Employee Benefits</b>	<u><u>6,906</u></u>	<u><u>6,321</u></u>
<b>On-Costs</b>		
<b>Current On-Costs</b>	546	573
<b>Non-Current On-Costs</b>	125	117
<b>Total On-Costs</b>	<u><u>671</u></u>	<u><u>690</u></u>
<b>Total Employee Benefits and Related On-Costs</b>	<u><u><u>7,577</u></u></u>	<u><u><u>7,011</u></u></u>
<b>Movement in Long Service Leave:</b>		
<b>Balance at start of year</b>	3,547	3,448
<b>Provision made during the year</b>		
- Revaluations		
- Expense recognising Employee Service	718	583
<b>Settlement made during the year</b>	<u>(520)</u>	<u>(484)</u>
<b>Balance at end of year</b>	<u><u>3,745</u></u>	<u><u>3,547</u></u>
<b>Note 16: Other Liabilities</b>		
<b>CURRENT</b>		
<b>Monies Held in Trust</b>		
- Patient Monies Held in Trust	585	653
- Accommodation Bonds (Refundable Entrance Fees)	5,292	5,946
- Salary Packaging	173	163
- Other Monies in Trust	<u>427</u>	<u>486</u>
<b>Total Other Liabilities</b>	<u><u>6,477</u></u>	<u><u>7,248</u></u>
<b>Total Monies Held in Trust</b>		
<b>Represented by the following assets:-</b>		
<b>Cash Assets (refer to Note 6)</b>	99	158
<b>Other Financial Assets (refer to Note 8)</b>	<u>6,378</u>	<u>7,090</u>
<b>TOTAL</b>	<u><u>6,477</u></u>	<u><u>7,248</u></u>

**Note 16: Equity**

	2010 \$'000	2009 \$'000
<b>(a) Reserves</b>		
<b>Property, Plant &amp; Equipment Revaluation Surplus</b>		
Balance at the beginning of the reporting period	23,187	1,564
Revaluation Increment/(decrements)		
- Land	-	1,763
- Buildings	-	19,860
<b>Balance at the end of the reporting period</b>	<b>23,187</b>	<b>23,187</b>
<b>Represented by:</b>		
- Land	2,788	2,788
- Buildings	20,399	20,399
	<b>23,187</b>	<b>23,187</b>
<b>Restricted Specific Purpose Reserve</b>		
Balance at the beginning of the reporting period	10	10
Balance at the end of the reporting period	10	10
<b>Total Reserves</b>	<b>23,197</b>	<b>23,197</b>
<b>(b) Contributed Capital</b>		
Balance at the beginning of the reporting period	21,202	21,202
Capital contribution received from Victorian Government	-	-
Balance at the end of the reporting period	21,202	21,202
<b>(c) Accumulated Surpluses/(Deficits)</b>		
Balance at the beginning of the reporting period	(291)	(383)
Net result for the year	(4,299)	92
Transfers to and from reserve	-	-
Balance at the end of the reporting period	(4,590)	(291)
<b>(d) Total Equity at End of Financial Year</b>	<b>39,809</b>	<b>44,108</b>
<b>Note 17: Reconciliation of Net Result for the Year to Net</b>		
<b>Net Result for the Year</b>	(4,299)	92
Depreciation & Amortisation	4,029	1,691
Provision for Doubtful Debts		
Share of Net Result of Joint Ventures (refer Note 21)	329	(269)
Change in Inventories	3	(50)
Net (Gain)/Loss from Sale of Plant and Equipment	49	44
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	(402)	107
(Increase)/Decrease in Other Assets	712	(497)
(Increase)/Decrease in Prepayments	26	(7)
Increase/(Decrease) in Payables	440	(152)
Increase/(Decrease) in Employee Benefits	566	433
Increase/(Decrease) in Other Liabilities	(974)	337
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>479</b>	<b>1,739</b>



# **Note 18: 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

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

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

## **Categorisation of financial instruments**

	Carrying Amount 2010 \$'000	Carrying Amount 2009 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	3,808	4,265
Loans and receivables	943	669
Available for sale	-	7,090
<b>Total Financial Assets <sup>(i)</sup></b>	<b>4,751</b>	<b>12,024</b>
<b>Financial Liabilities</b>		
At Amortised Cost	1,592	1,739
<b>Total Financial Liabilities <sup>(ii)</sup></b>	<b>1,592</b>	<b>1,739</b>

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

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

## **(b) Credit Risk**

Credit risk represents the loss that would be recognised if counterparties fail to meet their obligations under the respective contracts at maturity. The credit risk on financial assets of the entity have been recognised on the Balance Sheet, as the carrying amount. Castlemaine Health minimises concentration of credit risk by undertaking transactions with a large number of customers, the majority concentrated in Australia, a standard payment terms of 30 days from date of invoice.

## **Ageing analysis of Financial Asset as at 30 June**

	Carrying Amount \$'000	Not Past Due and Not Impaired \$'000	Past Due But Not Impaired			
			Less than 1 Month \$'000	1-3 Months \$'000	3 Months to 1 Year \$'000	1-5 Years \$'000
<b>2010</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	3,808	3,808	-	-	-	-
Receivables	943	727	84	52	80	-
Other financial assets	6,378	6,378	-	-	-	-
<b>Total Financial Assets</b>	<b>11,129</b>	<b>10,913</b>	<b>84</b>	<b>52</b>	<b>80</b>	<b>-</b>
<b>2009</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	4,265	4,265	-	-	-	-
Receivables	669	538	-	131	-	-
Other financial assets	7,090	7,090	-	-	-	-
<b>Total Financial Assets</b>	<b>12,024</b>	<b>11,893</b>	<b>-</b>	<b>131</b>	<b>-</b>	<b>-</b>

**Note 18: Financial Instruments (Continued)**

**(c) Liquidity Risk**

Liquidity risk is the risk of being unable to meet financial liabilities as they fall due. Castlemaine Health manages 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 the Hospital's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from previous reporting period.

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**

	Carrying Amount \$'000	Contractual Cash Flows \$'000	Maturity Dates			
			Less than 1 Month \$'000	1-3 Months \$'000	3 Months to 1 Year \$'000	1-5 Years \$'000
<b>2010</b>						
Trade Creditors and Accruals						
Finance Lease Liabilities	1,592	1,592	432	638	522	-
Interest Bearing Liabilities	-	-	-	-	-	-
Accommodation Bonds	384	420	-	-	50	370
Other Financial Liabilities	5,292	5,292	-	-	5,292	-
	1,185	1,185	-	-	1,185	-
<b>Total Financial Liabilities</b>	<b>8,453</b>	<b>8,489</b>	<b>432</b>	<b>638</b>	<b>7,049</b>	<b>370</b>
<b>2009</b>						
Trade Creditors and Accruals						
Finance Lease Liabilities	1,152	1,152	462	601	35	-
Interest Bearing Liabilities	-	-	-	-	47	-
Accommodation Bonds	687	651	-	-	-	651
Other Financial Liabilities	5,946	5,946	-	-	5,599	-
	1,302	1,302	-	-	1,252	-
<b>Total Financial Liabilities</b>	<b>8,987</b>	<b>9,051</b>	<b>462</b>	<b>601</b>	<b>6,933</b>	<b>651</b>

**(d) Market Risk**

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

**Currency Risk**

Castlemaine Health is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

**Interest Rate Risk**

Exposure to interest rate risk might arise primarily through 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 hospital mainly undertakes financial liabilities with relatively even maturity profiles.

**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 the Hospital'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 18: Financial Instruments (Continued)**  
**Interest Rate Exposure of Financial Assets and Liabilities as at 30th June.**

	Weighted Average Rates (%)	Carrying Amount \$'000	Interest Rate Exposure		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non Interest Bearing \$'000
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	5.24	3,808	-	3,806	2
Receivables					
- Trade Debtors	-	217	-	-	217
- Other Receivables	-	726	-	-	726
Other financial assets					
- Term Deposits	5.92	4,865	-	4,865	-
- Other Financial Assets	-	1,513	-	-	1,513
		<b>11,129</b>	<b>-</b>	<b>8,671</b>	<b>2,458</b>
<b>Financial Liabilities</b>					
Payables	-	1,592	-	-	1,592
Interest Bearing Liabilities	6.40	384	384	-	-
Other Financial Liabilities					
- Accommodation Bonds	-	5,292	-	-	5,292
- Other Liabilities	-	1,185	-	-	1,185
		<b>8,453</b>	<b>384</b>	<b>-</b>	<b>8,089</b>
<b>2009</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3.40	4,265	-	4,015	250
Receivables					
- Trade Debtors	-	259	-	-	259
- Other Receivables	-	410	-	-	410
Other financial assets					
- Term Deposits	3.90	4,902	-	4,902	-
- Other Financial Assets	-	2,188	-	-	2,188
		<b>12,024</b>	<b>-</b>	<b>8,917</b>	<b>3,107</b>
<b>Financial Liabilities</b>					
Payables	-	1,152	-	-	1,152
Interest Bearing Liabilities	5.60	587	587	-	-
Other Financial Liabilities					
- Accommodation Bonds	-	5,946	-	-	5,946
- Other Liabilities	-	1,302	-	-	1,302
		<b>8,987</b>	<b>587</b>	<b>-</b>	<b>8,400</b>

**Note 18: Financial Instruments (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 twelve months (Base rates are sourced from Bendigo and Adelaide Bank).

- A shift of 100 basis points in market interest rates (AUD) from year end rates of 5%.

The following table discloses the impact of 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% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3,808	(38)	(38)	38	38
Receivables	-				
- Trade Debtors	217				
- Other Receivables	726				
Other Financial Assets					
- Term Deposits	4,865	(49)	(49)	49	49
- Other Financial Assets	1,513	(15)	(15)	15	15
<b>Financial Liabilities</b>					
Payables	1,592				
Interest Bearing Liabilities	384	4	4	(4)	(4)
Other Financial Liabilities					
- Accommodation Bonds	5,292				
- Other Liabilities	1,185				
<b>2009</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	4,265	(43)	(43)	43	43
Receivables					
- Trade Debtors	259				
- Other Receivables	410				
Other financial assets					
- Term Deposits	4,902	(49)	(49)	49	49
- Other Financial Assets	2,188	(22)	(22)	22	22
<b>Financial Liabilities</b>					
Payables	1,152				
Interest Bearing Liabilities	587	6	6	(6)	(6)
Other Financial Liabilities					
- Accommodation Bonds	5,946				
- Other Liabilities	1,302				

**Note 18: Financial Instruments (Continued)**  
**(e) Fair Value**

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

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

The Health Services considers that the carrying amount (CA) of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values (FV), 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.

	CA 2010 \$'000	FV 2010 \$'000	CA 2009 \$'000	FV 2009 \$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	3,808	3,808	4,265	4,265
Receivables	-	-	-	-
- Trade Debtors	217	217	259	259
- Other Receivables	726	726	410	410
Other financial assets				
- Term Deposits	4,865	4,865	4,902	4,902
- Other Financial Assets	1,513	1,513	2,188	2,188
<b>Total Financial Assets</b>	<b>11,129</b>	<b>11,129</b>	<b>12,024</b>	<b>12,024</b>
<b>Financial Liabilities</b>				
Payables	1,592	1,592	1,152	1,152
Interest Bearing Liabilities	384	384	587	587
Other Financial Liabilities				
- Accommodation Bonds	5,292	5,292	5,946	5,946
- Other Liabilities	1,185	1,185	1,302	1,302
<b>Total Financial Assets</b>	<b>8,453</b>	<b>8,453</b>	<b>8,987</b>	<b>8,987</b>

**Note 19: Contingent Assets & Contingent Liabilities**

There were no contingent assets or liabilities as at the end of the financial year.

**Note 20: Segment Reporting**

	RAC 2010 \$'000	2009 \$'000	Acute 2010 \$'000	2009 \$'000	Other 2010 \$'000	2009 \$'000	Total 2010 \$'000	2009 \$'000
<b>REVENUE</b>								
External Segment Revenue	10,428	10,114	19,190	17,864	-	-	29,616	27,978
Intersegment Revenue	-	-	-	-	-	-	-	-
Unallocated Revenues	-	-	-	17,864	4,989	7,056	4,989	7,056
<b>Total Revenue</b>	<b>10,428</b>	<b>10,114</b>	<b>19,190</b>	<b>35,728</b>	<b>4,989</b>	<b>7,056</b>	<b>34,605</b>	<b>35,034</b>
<b>EXPENSES</b>								
External Segment Expenses	(11,428)	(11,129)	(18,106)	(17,250)	-	-	(29,532)	(28,379)
Intersegment Expenses	-	-	-	-	-	-	-	-
Unallocated Expense	-	-	-	-	(9,540)	(6,813)	(9,540)	(6,813)
<b>Total Expenses</b>	<b>(11,428)</b>	<b>(11,129)</b>	<b>(18,106)</b>	<b>(17,250)</b>	<b>(9,540)</b>	<b>(6,813)</b>	<b>(39,072)</b>	<b>(35,192)</b>
<b>Net Result from ordinary activities</b>	<b>(1,000)</b>	<b>(1,015)</b>	<b>1,084</b>	<b>614</b>	<b>(4,551)</b>	<b>243</b>	<b>(4,467)</b>	<b>(158)</b>
Interest Expense	(45)	(39)	-	-	-	-	(45)	(39)
Interest Income	-	-	-	-	213	289	213	289
<b>Net Result for Year</b>	<b>(1,045)</b>	<b>(1,054)</b>	<b>1,084</b>	<b>614</b>	<b>(4,338)</b>	<b>532</b>	<b>(4,299)</b>	<b>92</b>
<b>OTHER INFORMATION</b>								
Segment Assets	30,969	33,451	-	-	-	-	30,969	33,451
Unallocated Assets	-	-	-	-	24,677	26,655	24,677	26,655
<b>Total Assets</b>	<b>30,969</b>	<b>33,451</b>	<b>-</b>	<b>-</b>	<b>24,677</b>	<b>26,655</b>	<b>55,646</b>	<b>60,106</b>
Segment Liabilities	8,684	8,749	-	-	-	-	8,684	8,749
Unallocated Liabilities	-	-	-	-	7,196	7,249	7,196	7,249
<b>Total Liabilities</b>	<b>8,684</b>	<b>8,749</b>	<b>-</b>	<b>-</b>	<b>7,196</b>	<b>7,249</b>	<b>15,880</b>	<b>15,998</b>
Acquisition of property, plant and equipment and Intangible assets	-	-	-	-	807	794	807	794
Depreciation & amortisation expense	-	-	-	-	4,029	1,691	4,029	1,691

There are no eliminations required as no inter-segment revenue or expenses have been identified.

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 the Shires of Mt Alexander & Macedon Ranges in the state of Victoria. More than 80% of revenue, net surplus from ordinary activities and segment assets relate to operations in the above-mentioned shires.

**Note 21: Jointly Controlled Operations and Assets**

Name of Entity	Principal Activity	Ownership Interest	
		2010 %	2009 %
Loddon Mallee Rural Health Alliance	Information Systems	8.38	8.19

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

<b>Current Assets</b>			
Cash and Cash Equivalents	314	497	
Receivables	64	20	
Other Current Assets	12	6	
<b>Total Current Assets</b>	<b>390</b>	<b>523</b>	
<b>Non Current Assets</b>			
Property, Plant and Equipment	34	6	
Other	-	-	
<b>Total Non Current Assets</b>	<b>34</b>	<b>6</b>	
<b>Total Assets</b>	<b>424</b>	<b>528</b>	
<b>Current Liabilities</b>			
Payables	23	54	
<b>Total Current Liabilities</b>	<b>23</b>	<b>54</b>	
<b>Total Liabilities</b>	<b>23</b>	<b>54</b>	
<b>NET ASSETS</b>	<b>401</b>	<b>474</b>	

Castlemaine Health interest in revenues and expenses

Revenue from Operating Activities	124	222
Expenditure	(246)	(197)
<b>Surplus before Capital &amp; Depreciation</b>	<b>(122)</b>	<b>25</b>
Depreciation	(6)	(2)
Capital Purpose Income	48	236
Expenditure Using Capital Purpose Income	(249)	-
<b>Total</b>	<b>(207)</b>	<b>234</b>
<b>CURRENT YEAR SURPLUS</b>	<b>(329)</b>	<b>259</b>

**Contingent Liabilities and Capital Commitments**  
There were nil contingent liabilities and capital

**Note 22a: Responsible Persons Disclosures**

In accordance with the Ministerial Directions issued by the

**Responsible Ministers:**

The Honourable Daniel Andrews, MLA, Minister for Health

**Governing Boards**

	Period
Mr W O'Donnell	01/07/2009 - 30/06/2010
Mr G Sultherland	01/07/2009 - 30/06/2010
Mr I McKenzie	01/07/2009 - 30/06/2010
Ms L Bower	01/07/2009 - 30/06/2010
Mr L Fitzgerald	01/07/2009 - 30/06/2010
Mrs E Grainger	01/07/2009 - 30/06/2010
Mr J Jackson	01/07/2009 - 30/06/2010
Mr B Johnson	01/07/2009 - 30/06/2010
Mr R Waller	01/07/2009 - 30/06/2010

**Accountable Officer**

Mr G Kelly	01/07/2009 - 30/06/2010
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**Note 22a: Responsible Persons Disclosures (Cont'd)**

**Remuneration of Responsible Persons**  
relevant income bands:

Income Band	2010	2009
	No.	No.
\$80,000-\$89,999	-	-
\$190,000-\$199,999	-	-
\$200,000-\$250,000	1	1
<b>Total Numbers</b>	<b>1</b>	<b>1</b>

responsible persons from the reporting entity amounted

\$ 213,773 \$ 219,389

No board member receives any remuneration from the hospital. Also termination payout amounts have been included in the total remuneration amount for 2010.

**Other Transactions of Responsible Persons and their Related Parties.**

Nil Nil

**Note 22b: Executive Officer Disclosures**

**Executive Officers' Remuneration**

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands.

Income Band	Total Remuneration		Base Remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.
\$100,000-\$109,999	4	1	4	1
\$120,000-\$129,999	-	1	-	1
\$130,000-\$139,999	1	-	1	-
<b>Total Numbers</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>2</b>
<b>Total Remuneration</b>	<b>562,544</b>	<b>227,125</b>	<b>562,544</b>	<b>227,125</b>

**Note 23: Events Occurring after Balance Sheet Date**

There have been no events after balance date that would materially affect the financial statements.



## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Castlemaine Health

#### *The Financial Report*

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

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

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

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

#### *Auditor's Responsibility*

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

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

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

## Independent Auditor's Report (continued)

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

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

### *Independence*

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

### *Auditor's Opinion*

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

MELBOURNE  
31 August 2010



D D R Pearson  
Auditor-General