



Victorian Auditor-General's Office

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

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Castlemaine Health

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of Castlemaine Health which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's Declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

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.


Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Castlemaine Health as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Castlemaine Health for the year ended 30 June 2014 included both in Castlemaine Health's annual report and on the website. The Board Members of Castlemaine Health are responsible for the integrity of the Castlemaine Health's website. I have not been engaged to report on the integrity of Castlemaine Health's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
22 August 2014



Dr Peter Frost
Acting Auditor-General

CASTLEMAINE HEALTH

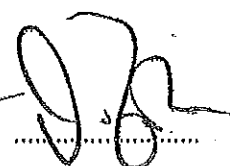

BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND
CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

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 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 2014 and financial position of Castlemaine Health at 30 June 2014.


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

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



Carolyn Wallace
Chairperson

Ian Fisher
Chief Executive Officer



Tracey Archer
Finance Manager

20th August 2014

20th August 2014

20th August 2014

CASTLEMAINE HEALTH
COMPREHENSIVE OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Revenue from Operating Activities	2	38,930	35,766
Revenue from Non-Operating Activities	2	441	517
Employee Expenses	3	(31,570)	(32,108)
Non Salary Labour Costs	3	(1,228)	(431)
Supplies and Consumables	3	(2,199)	(2,118)
Admin Expenses	3	(2,078)	(1,496)
Other Expenses	3	(4,277)	(2,915)
Net Result Before Capital and Specific Items		(1,981)	(2,785)
Capital Purpose Income	2(a)	7,302	4,379
Depreciation	4	(3,967)	(3,956)
Finance Costs	5	(25)	(4)
Expenditure using Capital Purpose Income	3(a)	(357)	(301)
NET RESULT FOR THE YEAR		972	(2,666)
Changes in physical asset revaluation surplus		9,411	0
Changes to financial assets available for sale revaluation surplus		265	170
COMPREHENSIVE RESULT		10,648	(2,496)

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

**CASTLEMAINE HEALTH
BALANCE SHEET
AS AT 30 JUNE 2014**

	Note	2014 \$'000	2013 \$'000
Current Assets			
Cash and Cash Equivalents	6	6,232	2,649
Receivables	7	987	1,493
Investments and other Financial Assets	8	1,961	5,366
Inventories	9	145	150
Other Current Assets	10	61	66
Total Current Assets		9,386	9,724
Non-Current Assets			
Receivables	7	455	937
Property, Plant and Equipment	11	50,213	36,972
Total Non-Current Assets		50,668	37,910
TOTAL ASSETS		60,054	47,634
Current Liabilities			
Payables	12	2,558	2,206
Provisions	13	7,530	7,807
Other Current Liabilities	15	8,936	7,404
Total Current Liabilities		19,024	17,418
Non-Current Liabilities			
Provisions	13	1,186	1,020
Total Non-Current Liabilities		1,186	1,020
TOTAL LIABILITIES		20,210	18,438
NET ASSETS		39,844	29,196
EQUITY			
Property, Plant and Equipment Revaluation Surplus	16(a)	32,598	23,187
Financial Asset Available for Sale Revaluation Surplus / (Deficit)	16(a)	217	(48)
Restricted Specific Purpose Surplus	16(a)	10	10
Contributed Capital	16(b)	21,202	21,202
Accumulated Surpluses / (Deficits)	16(c)	(14,183)	(15,155)
TOTAL EQUITY		39,844	29,196
Commitments	19		
Contingent Assets and Contingent Liabilities	20		

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

CASTLEMAINE HEALTH
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Property, Plant and Equipment Revaluation Surplus \$'000	Financial Assets Available for Sale Revaluation Surplus / (Deficit) \$'000	Restricted Specific Purpose Surplus \$'000	Contributed Capital \$'000	Accumulated Surpluses / (Deficits) \$'000	Total \$'000
Balance at 1 July 2012		23,187	(218)	10	21,202	(12,487)	31,694
Net result for the year	16(c)	0	0	0	0	(2,666)	(2,666)
Transfer to accumulated surplus / (deficit)		0	170	0	0	0	170
Balance at 30 June 2013		23,187	(48)	10	21,202	(15,155)	29,196
Net result for the year		0	0	0	0	972	972
Other comprehensive income for the year	16(c)	9,411	265	0	0	0	9,676
Transfer to accumulated surplus / (deficit)		0	0	0	0	0	0
Balance at 30 June 2014		32,598	217	10	21,202	(14,183)	39,844

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

CASTLEMAINE HEALTH
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000 Inflows / (Outflows)	2013 \$'000 Inflows / (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		30,505	28,389
Patient and Resident Fees Received		4,932	5,109
Donations and Bequests Received		0	85
GST received from / (paid to) ATO		81	(98)
Recoupment from private practice for use of hospital facilities		143	394
Interest Received		411	512
Other Receipts		4,011	2,472
Total Receipts		40,083	36,863
Employee Expenses Paid		(31,721)	(31,718)
Non Salary Labour Costs		(1,272)	(431)
Payments for Supplies and Consumables		(2,278)	(1,832)
Finance Costs		(25)	(4)
Other Payments		(5,702)	(3,864)
Total Payments		(40,998)	(37,849)
Cash Generated from Operations		(915)	(986)
Capital Grants from Government		7,056	3,740
Capital Donations and Bequests Received		107	0
Accommodation Receipts		92	0
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES	17	6,340	2,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Non-Financial Assets		(8,029)	(3,398)
Proceeds from Sale of Non-Financial Assets		213	109
Purchase of Investments		18	170
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		(7,798)	(3,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		0	(105)
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		0	(105)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(1,458)	(470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		331	801
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6	(1,127)	331

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

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for Castlemaine Health for the period ending 30 June 2014. The purpose of the report is to provide 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 AASs, 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 and Finance, and relevant Standing Directions (SDs) authorised by the Minister for Finance.

The Health Service is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Services under the AAS's.

The annual financial statements were authorised for issue by the Board of Castlemaine Health on 20th August, 2014.

(b) 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 accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014, and the comparative information presented in these financial statements for the year ended 30 June 2013.

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.

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 with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- * Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss); and
- * Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income -- items that may be reclassified subsequent to net result).
- * 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 values 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 AASs that have significant effects on the financial statements and estimates relate to:

- * The fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 1(k));
- * Superannuation expense (refer to Note 1(h)); and
- * Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(i)).

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

Consistent with AASB 13 *Fair Value Measurement*, Castlemaine Health 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.

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 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 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's independent valuation agency.

Castlemaine Health, 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- * the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(k);
- * superannuation expense (refer to note 1(h)); and
- * actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(i)).

(c) Reporting Entity

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

Its principal address is:
142 Cornish Street
Castlemaine Vic 3450

A description of the nature of Castlemaine Health'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's overall objective is to be widely acknowledged within our industry and by stakeholders as a preeminent Australian Rural Health Service, as well as improve the quality of life to Victorians.

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

(d) Principles of Consolidation

Intersegment Transactions

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

Associates and joint ventures

Associates and joint venture are accounted for in accordance with the policy outlined in Note 1(k) Assets.

Jointly controlled assets or operations

Interests in jointly controlled assets or operations are not consolidated by Castlemaine Health, but are accounted for in accordance with the policy outlined in Note 1(k) Assets.

(e) Scope and Presentation of Financial Statements

Fund Accounting

The 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 fundraising activities conducted solely in respect of these funds.

(e) **Scope and Presentation of Financial Statements (Continued)**

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

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

Residential Aged Care Service

The Castlemaine Health Residential Aged Care Service operations are an integral part of Castlemaine Health and share its resources. An apportionment of buildings has been made based on the valuation dated 30th June 2014. 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.

Comprehensive operating statement

The comprehensive operating statement includes the subtotal entitled 'Net Result Before Capital and Specific Items' 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, expenditure using capital purpose income and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is 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 and Specific Items' is used by the management of Castlemaine Health, the Department of Health and the Victorian Government to measure the ongoing operating performance of Health 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 (g)). 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;
- * 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 (k);
- * Depreciation, as described in note 1 (h);
- * Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

Balance sheet

Assets and liabilities are categorised either as current or non-current (non-current being those assets or liabilities expected to be recovered / settled more than 12 months after reporting period), are disclosed in the notes where relevant.

Statement of changes in equity

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

Cash flow statement

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

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

(e) **Scope and Presentation of Financial Statements (Continued)**

Rounding

All amounts shown in the financial statements are expressed to the nearest \$1,000 unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

Comparative Information

There have been no changes to comparative information which require additional disclosure.

(f) **Change in accounting policies**

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when a health service is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The health service has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revised and adjusted where applicable. In light of AASB 13, the health service has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

AASB 13 has predominantly impacted the disclosures of the health service. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not to be provided for comparative periods, before initial application. Consequently, comparatives of these disclosures have not been provided for 2012-13, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments Disclosures.

AASB 119 Employee Benefits

In 2013-14, the health service has applied AASB 119 *Employee Benefits* (Sep 2011, as amended), and related consequential amendments for the first time. The revised AASB 119 changes the accounting for defined benefit plans and termination benefits.

The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, change in defined benefit obligations and plan assets will have limited impact on the health service.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

Castlemaine Health does not consider the change in classification to have materially altered its measurement of the annual provision.

(g) **Income from transactions**

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. 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

- 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 05/2013.

Patient and Resident Fees

Patient 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 surplus, such as specific restricted purpose surplus.

(g) **Income from transactions (Continued)**

Interest revenue

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

Sale of investments

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

Fair value of assets and services received free of charge or for nominal consideration

Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(h) **Expense recognition**

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

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

Employee expenses include:

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

Defined contribution superannuation plans

In relation to defined contributions (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.

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

The name and details of the major employee superannuation funds and contributions made by Castlemaine Health are disclosed in Note 14: Superannuation.

Depreciation

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

(h) Expense recognition (Continued)

Depreciation (Continued)

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset's useful life. 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, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health. Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

The following table indicates the expected useful lives of no-current assets on which the depreciation charges are based.

	2014	2013
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	5 to 10 years	5 to 10 years
Motor Vehicles	8 years	8 years

Please note: the estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

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

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset's useful life.

Finance costs

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

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (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*.

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 service 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 expenses when distributed.

Bad and doubtful debts

Refer to note 1 (k) *Impairment of financial assets*.

(h) Expense Recognition (Continued)

Other operating expenses (Continued)

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 value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not-for-profit public sector entities, the Health Services continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

(i) Other comprehensive income

Other comprehensive income measure the change in 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:

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 determined after deducting from the proceeds the carrying value of the asset at that time.

Revaluation gains / (losses) of non-financial physical assets

Refer to Note 1(k) *Revaluations of non-financial physical assets*.

(j) Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one Health Service and a financial liability or equity instrument of another Health Service. Due to the nature of Castlemaine Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. 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 1(k)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

(j) Financial Instruments (Continued)

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, gains and losses arising from changes in fair value are recognised in "other comprehensive income" until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period.

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 being recognised in profit and 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.

(k) Assets

Cash and Cash Equivalents

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

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

Receivables

Receivables consist of:

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

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

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

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.

Investments and other financial assets

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;
- Held-to-maturity;
- Loans and receivables; and
- Available-for-sale financial assets.

(k) **Assets (Continued)**
Investments and other financial assets (Continued)

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.

Inventories

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

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

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

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

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

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

Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 14 *Property, plant and equipment*.

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 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 restriction 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 impairment.

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

Revaluations of non-current physical assets

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

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

(k) Assets (Continued)

Revaluations of non-current physical assets (Continued)

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

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

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

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

Prepayments

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

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement. Refer to note 1(l) - 'other comprehensive income'.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other non-financial assets are assessed annually for indications of impairment, except for:

- inventories;
- financial assets;
- investment properties that are measured at fair value;
- non-current physical assets held for sale; and
- assets arising from construction contracts.

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

If there is an indication that there has been a change 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 to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(k) Assets (Continued)

Investments in jointly controlled assets and operations

In respect of any interest in jointly controlled assets, Castlemaine Health recognises in the financial statements:

- its share of jointly controlled assets;
- any liabilities that it had incurred;
- its share of liabilities incurred jointly by the joint venture;
- any income earned from the selling or using of its share of the output from the joint venture; and
- any expenses incurred in relation to being an investor in the joint venture.

For jointly controlled operations Castlemaine Health recognises:

- the assets that it controls;
- the liabilities that it incurs;
- expenses that it incurs; and
- the share of income that it earns from selling outputs of the joint venture.

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

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and the allowance for doubtful debts are classified as 'other comprehensive income' in the net result.

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

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 percent 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 asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2013 for its portfolio of financial assets, Castlemaine Health obtained a valuation based on the best available advice using an estimated market value through a reputable financial institution. This value was compared against valuation methodologies provided by the Issuer as at 30 June 2013. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

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*.

(k) **Assets (Continued)**

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 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.

(l) **Liabilities**

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 Nett 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.

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.

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 provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, 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.

(l) **Liabilities (Continued)**

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, accumulating sick leave and accrued days off which are expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee's services up to the reporting date, and are classified as current liabilities and measured at their nominal values.

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

Long service leave

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.

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 – if the health service does not expect to wholly settle 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 bond interest rates for which it is then recognised as an 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. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-costs

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

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.

(m) **Equity**

Contributed Capital

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

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

Property, plant and equipment revaluation surplus

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

Specific restricted purpose surplus

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

(m) **Equity (continued)**

(n) **Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 19) at their nominal value and are inclusive of the goods and services tax ("GST") payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

(o) **Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(p) **Goods and Services Tax ("GST")**

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 the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

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

(q) **AASs issued that are not yet effective**

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2013 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

(q) AASs issued that are not yet effective (Continued)

As at 30 June 2013, 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	Summary	Applicable for annual reporting periods beginning on	Impact on Entities Annual
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 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 January 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines control as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for the public sector entities. The AASB has issued an exposure draft ED 238 Consolidated Financial Statements - Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 January 2014 (not for Profit Entities)	For the public sector, AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 January 2014 (not for Profit Entities)	Based on current assessment, entities already apply the equity method when accounting for joint ventures. It is anticipated that there would be no material impact. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial statements and AASB 131 Interests in Joint Ventures.	1 January 2014 (not for Profit Entities)	The new standard is likely to require additional disclosures and ongoing work is being done to determine the extent of additional disclosure requirement.

(g) AASs issued that are not yet effective (Continued)

AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2014 (not for Profit Entities)	Current Assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures	1 January 2014 (not for Profit Entities)	Current Assessment indicates that there is limited impact on Victorian Public Sector entities. Ongoing work is being done to monitor and assess the impact of this standard.

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

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 psycho geriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DH under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).

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.

CASTLEMAINE HEALTH
Notes to the Financial Statements
30 June 2014

Note 2: REVENUE	HSA 2014 \$'000	HSA 2013 \$'000	H&CI 2014 \$'000	H&CI 2013 \$'000	TOTAL 2014 \$'000	TOTAL 2013 \$'000
Revenue from Operating Activities						
Government Grants						
- Department of Health	5,264	21,149	0	0	5,264	21,149
- Victorian Health Funding Pool	16,436	0	0	0	16,436	0
- State Government - Other	569	523	0	0	569	523
- Commonwealth Government						
- Residential Aged Care Subsidy	7,279	6,047	0	0	7,279	6,047
- Case Management Services	254	0	0	0	254	0
Total Government Grants	29,802	27,719	0	0	29,802	27,719
Indirect Contributions by Department of Health						
- Insurance	33	207	0	0	33	207
- Long Service Leave	268	90	0	0	268	90
Total Indirect Contributions by Department of Health	301	297	0	0	301	297
Patient and Resident Fees						
- Patient and Resident Fees (refer note 2b)	1,453	1,992	0	0	1,453	1,992
- Residential Aged Care (refer note 2b)	3,254	2,649	0	0	3,254	2,649
Total Patient and Resident Fees	4,707	4,641	0	0	4,707	4,641
Commercial Activities and Specific Purpose Funds						
Catering	0	0	168	926	168	926
Laundry	0	0	97	90	97	90
Cafeteria	0	0	207	0	207	0
Property Income	0	0	256	0	256	0
Other	0	0	29	34	29	34
Total Commercial Activities and Specific Purpose Funds	0	0	757	1,051	757	1,051
Private Practice Recoupment for Use of Hospital Facilities	143	394	0	0	143	394
Loddon Mallee Rural Health Alliance	276	465	0	0	276	465
Other Revenue from Operating Activities	2,917	1,200	27	0	2,944	1,200
Total Revenue from Operating Activities	38,146	34,716	784	1,051	38,930	35,766
Revenue from Non-Operating Activities						
Interest and Dividends	0	0	441	517	441	517
Total Revenue from Non-Operating Activities	0	0	441	517	441	517
Capital Purpose Income						
State Government Capital Grants						
- Targeted Capital Works and Equipment	6,702	3,740	0	0	6,702	3,740
- Other	354	0	0	0	354	0
Residential Accommodation Payments (refer note 2b)	92	592	0	0	92	592
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	0	0	(50)	(39)	(50)	(39)
Donations and Bequests	0	0	107	85	107	85
Other Capital Purpose Income	97	0	0	0	97	0
Total Capital Purpose Income	7,245	4,332	57	46	7,302	4,379
Total Revenue (refer note 2a)	45,391	39,048	1,282	1,613	46,673	40,662

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.

CASTLEMAINE HEALTH
Notes to the Financial Statements
30 June 2014

Note 2a: ANALYSIS OF REVENUE BY SOURCE

	Admitted Patients	Outpatients	Residential Aged Care Incl Mental Health	Aged Care	Other	TOTAL
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
Revenue from Services Supported by Health Services Agreement						
Government Grants	14,990	2,884	9,849	1,257	822	29,802
Indirect Contributions by Department of Health	161	30	83	9	18	301
Patient and Resident Fees (refer note 2b)	1,159	173	3,254	113	8	4,707
Recoupment from Private Practice Fees for Use of Hospital Facilities	77	14	39	4	9	143
Loddon Mallee Rural Health Alliance	0	0	0	0	276	276
Other Revenue from Operating Activities	694	358	210	255	1,400	2,917
Capital Purpose Income (refer note 2)	0	0	92	0	7,153	7,245
Total Revenue from Services Supported by Health Services Agreement	17,081	3,459	13,527	1,638	9,886	45,391
 Revenue from Services Supported by Hospital and Community Initiatives						
Commercial Activities and Specific Purpose Funds	0	0	0	0	784	784
Capital Purpose Income (refer note 2)	0	0	0	0	57	57
Others	0	0	441	0	0	441
Total Revenue from Services Supported by Hospital and Community Initiatives	0	0	441	0	841	1,282
 TOTAL REVENUE	17,081	3,459	13,968	1,638	10,527	46,673

Indirect Contributions by 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.

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Note 2a: ANALYSIS OF REVENUE BY SOURCE

	Admitted Patients	Residential Aged Care Incl Mental Health	Aged Care	Other	TOTAL
	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
Revenue from Services Supported by Health Services Agreement					
Government Grants	17,519	8,691	857	651	27,719
Indirect Contributions by Department of Health	297	0	0	0	297
Patient and Resident Fees (refer note 2b)	1,992	2,649	0	0	4,641
Recoupment from Private Practice Fees for Use of Hospital Facilities	0	0	0	394	394
Loddon Mallee Rural Health Alliance	0	0	0	465	465
Other Revenue from Operating Activities	1,063	137	0	0	1,200
Capital Purpose Income (refer note 2)	0	0	0	4,332	4,332
Total Revenue from Services Supported by Health Services Agreement	20,872	11,477	857	5,842	39,048
 Revenue from Services Supported by Hospital and Community Initiatives					
Commercial Activities and Specific Purpose Funds	0	0	0	1,016	1,016
Capital Purpose Income (refer note 2)	0	0	0	46	46
Others	0	551	0	0	551
Total Revenue from Services Supported by Hospital and Community Initiatives	0	551	0	1,062	1,614
 TOTAL REVENUE	20,872	12,028	857	6,905	40,662

Indirect Contributions by Health

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

NOTE 2b: PATIENT AND RESIDENT FEES

Patient and Resident Fees Raised	2014	2013
Recurrent:	\$'000	\$'000
Acute		
- Inpatients (*)	1,163	1,722
- Other	290	270
Residential Aged Care		
- Generic	3,254	2,649
TOTAL RECURRENT	<u>4,707</u>	<u>4,641</u>
 Capital Purpose:		
Residential Accommodation Payments (**)	<u>92</u>	<u>592</u>
 TOTAL CAPITAL	<u>92</u>	<u>592</u>

(*) Compensable payments (such as TAC, WIES and DVA throughput) are excluded.

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

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

	2014	2013
	\$'000	\$'000
Proceeds from Disposal of Non-Current Assets		
- Motor Vehicles	211	109
- Non Medical Equipment	2	0
Total Proceeds from Disposal of Non-Current Assets	<u>213</u>	<u>109</u>
 Less: Written Down Value of Non-Current Assets Disposed		
- Motor Vehicles	(263)	(148)
- Non Medical Equipment	0	0
Total Written Down Value of Non-Current Assets Disposed	<u>(263)</u>	<u>(148)</u>
 NET GAIN/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS	<u>(50)</u>	<u>(39)</u>

Note 3: EXPENSES	HSA 2014 \$'000	HSA 2013 \$'000	H&CI 2014 \$'000	H&CI 2013 \$'000	TOTAL 2014 \$'000	TOTAL 2013 \$'000
Employee Expenses						
Salaries and Wages	25,947	26,250	1,139	1,548	27,086	27,798
Work Cover Premium	689	734	10	44	699	777
Departure Packages	318	0	0	0	318	0
Long Service Leave	792	811	12	43	804	853
Superannuation	2,625	2,530	38	149	2,663	2,680
Total Employee Expenses	30,371	30,324	1,199	1,784	31,570	32,108
Non Salary Labour Costs						
Fees for Visiting Medical Officers	949	245	0	0	949	245
Agency Costs - Nursing & Other	278	186	1	0	279	186
Total Non Salary Labour Costs	1,227	431	1	0	1,228	431
Supplies and Consumables						
Drug Supplies	135	270	166	10	301	281
Medical, Surgical Supplies and Prosthesis	869	790	0	0	869	790
Pathology Supplies	86	86	0	0	86	86
Food Supplies	863	848	80	113	943	961
Total Supplies and Consumables	1,953	1,994	246	124	2,199	2,118
Other Expenses						
Domestic Services and Supplies	314	345	39	37	353	382
Fuel, Light, Power and Water	581	620	0	60	581	680
Insurance costs funded by the Department of Health	33	207	0	0	33	207
Motor Vehicle Expenses	188	218	0	26	188	244
Repairs and Maintenance	357	375	2	16	359	392
Maintenance Contracts	121	126	0	0	121	126
Patient Transport	203	200	0	0	203	200
Bad and Doubtful Debts	1	42	0	0	1	42
Advertising Expenses	24	0	0	0	24	0
Loddon Mallee Rural Health Alliance	607	597	0	0	607	597
Theatre Redevelopment	1,626	0	0	0	1,626	
Other Administrative Expenses	1,517	1,496	264	0	1,781	1,496
Other Expenses	435	0	0	0	435	
Audit Fees						
- VAGO - Audit of Financial Statements	23	22	0	0	23	22
- Other Audit Services	20	24	0	0	20	24
Total Other Expenses	6,050	4,271	305	140	6,355	4,411
Expenditure using Capital Purpose Income						
Other Expenses						
- Other	250	0	107	301	357	301
Total Expenditure using Capital Purpose Income	250	0	107	301	357	301
Impairment of Assets						
Depreciation (refer note 4)	0	0	3,967	3,956	3,967	3,956
Finance Costs (refer note 5)	0	0	25	4	25	4
Total Impairment of Assets	0	0	3,992	3,960	3,992	3,960
TOTAL EXPENSES	39,851	37,020	5,850	6,308	45,701	43,328

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

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Note 3a: ANALYSIS OF EXPENSE BY SOURCE

	Admitted Patients	Outpatients	Residential Aged Care Incl Mental Health	Aged Care	Other	TOTAL
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
Services Supported by Health Service Agreement						
Employee Expenses	11,228	2,662	13,582	1,657	1,242	30,371
Non Salary Labour Costs	1,081	32	61	44	9	1,227
Supplies and Consumables	869	96	836	55	97	1,953
Other Expenses from Continuing Operations	3,858	699	1,279	159	55	6,050
Total Expenses from Services Supported by Health Services Agreement	17,036	3,489	15,758	1,915	1,403	39,601
 Services Supported by Hospital and Community Initiatives						
Employee Expenses	0	0	0	0	1,199	1,199
Non Salary Labour Costs	0	0	0	0	1	1
Supplies and Consumables	0	0	0	0	246	246
Other Expenses from Continuing Operations	0	0	0	0	305	305
Total Expense from Services Supported by Hospital and Community Initiatives	0	0	0	0	1,751	1,751
 Expenditure using Capital Purpose Income						
Other Expenses	0	0	0	0	357	357
Total Expenditure using Capital Purpose Income	0		0	0	357	357
 Depreciation (refer note 4)	0	0	0	0	3,967	3,967
Finance Costs (refer note 5)	13	2	7	1	2	25
Total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives	13	2	7	1	3,969	3,992
 TOTAL EXPENSES	17,049	3,491	15,765	1,916	7,480	45,701

Note 3a: ANALYSIS OF EXPENSE BY SOURCE

	Admitted Patients	Residential Aged Care Incl Mental Health	Aged Care	Other	TOTAL
	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
Services Supported by Health Service Agreement					
Employee Expenses	17,144	10,421	1,298	1,461	30,324
Non Salary Labour Costs	431	0	0	0	431
Supplies and Consumables	1,371	537	83	3	1,994
Other Expenses from Continuing Operations	1,744	2,120	137	269	4,271
Total Expenses from Services Supported by Health Services Agreement	20,691	13,078	1,519	1,732	37,020
Services Supported by Hospital and Community Initiatives					
Employee Expenses	0	0	0	1,784	1,784
Supplies and Consumables	0	0	0	124	124
Other Expenses from Continuing Operations	0	0	0	140	140
Total Expense from Services Supported by Hospital and Community Initiatives	0	0	0	2,047	2,047
Expenditure using Capital Purpose Income					
Other Expenses	0	0	0	301	301
Total Expenditure using Capital Purpose Income	0	0	0	301	301
Depreciation (refer note 4)	0	0	0	3,956	3,956
Finance Costs (refer note 5)	0	0	0	4	4
Total Expenditure from Services supported by Health Services Agreement and by Hospital and Community Initiatives	0	0	0	3,960	3,960
TOTAL EXPENSES	20,691	13,078	1,519	8,040	43,328

NOTE 3b: ANALYSIS OF EXPENSES BY INTERNALLY MANAGED AND RESTRICTED SPECIAL PURPOSE FUNDS FOR SERVICES SUPPORTED BY HOSPITAL AND COMMUNITY INITIATIVES

	2014 \$'000	2013 \$'000
Commercial Activities		
Catering	0	923
Laundry	392	531
Cafeteria	213	0
Property Expenses	34	0
Other	1,112	196
TOTAL	<u>1,751</u>	<u>1,651</u>

NOTE 4: DEPRECIATION

	2014 \$'000	2013 \$'000
Depreciation		
Buildings	3,270	3,303
Plant and Equipment	589	532
Loddon Mallee Rural Health Alliance	0	11
Motor Vehicles	108	110
TOTAL DEPRECIATION	<u>3,967</u>	<u>3,956</u>

NOTE 5: FINANCE COSTS

	2014 \$'000	2013 \$'000
Interest on Short Term Borrowings	4	4
Finance Charges on Finance Leases	21	0
TOTAL FINANCE COSTS	<u>25</u>	<u>4</u>

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.

	2014 \$'000	2013 \$'000
Cash on Hand	4	4
Cash at Bank	1,763	2,645
Deposits at call	634	0
Short term money market	3,831	0
TOTAL CASH AND CASH EQUIVALENTS	<u>6,232</u>	<u>2,649</u>

Represented by:

Cash for Health Service Operations (as per cash flow statement)	(1,127)	331
Cash for Monies Held in Trust	6,975	2,281
Cash for Loddon Mallee Rural Health Alliance	384	37
TOTAL CASH AND CASH EQUIVALENTS	<u>6,232</u>	<u>2,649</u>

NOTE 7: RECEIVABLES

2014 2013
\$'000 \$'000

CURRENT

Contractual

Trade Debtors	433	544
Patient Fees	350	464
Accrued Investment Income	25	41
Accrued Revenue	37	81
Loddon Mallee Rural Health Alliance Receivables	7	170
Less Allowance for Doubtful Debts		
- Patient Fees	0	(2)
- Loddon Mallee Rural Health Alliance doubtful debts	(1)	0
	<u>851</u>	<u>1,298</u>

Statutory

GST Receivable	106	146
Loddon Mallee Rural Health Alliance GST Receivable	9	7
Accrued Income - Commonwealth Aged Care Funding	0	42
Accrued Revenue - Department of Health	21	0
	<u>136</u>	<u>195</u>

TOTAL CURRENT RECEIVABLES

987 1,493

NON CURRENT

Statutory

Long Service Leave - Department of Health	455	937
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TOTAL NON-CURRENT RECEIVABLES

455 937

TOTAL RECEIVABLES

1,442 2,429

(a) Movement in Allowance for doubtful debts

Balance at beginning of year	(2)	10
Increase/(decrease) in allowance recognised in profit or loss	1	(12)
Balance at end of year	<u>(1)</u>	<u>(2)</u>

(b) Ageing analysis of contractual receivables

Please refer to note 18(b) for the ageing analysis of contractual receivables.

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

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

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NOTE 8: INVESTMENTS AND OTHER FINANCIAL ASSETS

	Operating Fund		Total	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
CURRENT				
<i>Loans and receivables</i>				
Australian Dollar Term Deposits > 3 months	0	2,813	0	2,813
<i>Available for sale</i>				
Australian Listed Equity Securities	1,961	2,553	1,961	2,553
TOTAL CURRENT	<u>1,961</u>	<u>5,366</u>	<u>1,961</u>	<u>5,366</u>
TOTAL	<u>1,961</u>	<u>5,366</u>	<u>1,961</u>	<u>5,366</u>
Represented by:				
Health Service Investments	0	0	0	0
Loddon Mallee Rural Health Alliance Investments	0	243	0	243
Monies Held In Trust				
- Accommodation Bonds (Refundable Entrance Fees)	1,961	5,124	1,961	5,124
TOTAL	<u>1,961</u>	<u>5,366</u>	<u>1,961</u>	<u>5,366</u>

(b) Ageing analysis of other investments and financial assets

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

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

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

NOTE 9: INVENTORIES

	2014	2013
	\$'000	\$'000
CURRENT		
Pharmaceuticals - at cost	38	35
Catering Supplies - at cost	32	23
Housekeeping Supplies - at cost	11	0
Medical and Surgical Lines - at cost	59	92
Administration Stores - at cost	5	0
TOTAL INVENTORIES	<u>145</u>	<u>150</u>

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

NOTE 10: OTHER CURRENT ASSETS

	2014	2013
	\$'000	\$'000
CURRENT		
Prepayments	46	51
Loddon Mallee Rural Health Alliance Prepayments	15	15
TOTAL OTHER ASSETS	<u>61</u>	<u>66</u>

CASTLEMAINE HEALTH
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NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	\$'000	\$'000
Land		
- Land at Fair Value	3,319	3,391
Total Land	<u>3,319</u>	<u>3,391</u>
Buildings		
- Buildings Under Construction at cost	0	2,193
- Buildings at cost	0	658
Less Accumulated Depreciation	<u>0</u>	<u>26</u>
	0	632
- Buildings at Fair Value	42,987	110,806
Less Accumulated Depreciation	<u>0</u>	<u>83,501</u>
	42,987	27,304
Total Buildings	<u>42,987</u>	<u>30,129</u>
Plant and Equipment		
- Plant & Equipment Under Construction at cost	212	125
- Plant & Equipment Loddon Mallee Rural Health Alliance	38	9
- Plant and Equipment at fair value	7,612	6,674
Less Accumulated Depreciation	<u>4,467</u>	<u>3,962</u>
Total Plant and Equipment	<u>3,395</u>	<u>2,847</u>
Motor Vehicles		
- Motor Vehicles at fair value	1,113	1,146
Less Accumulated Depreciation	<u>601</u>	<u>541</u>
Total Motor Vehicles	<u>512</u>	<u>606</u>
TOTAL	<u><u>50,213</u></u>	<u><u>36,972</u></u>

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (Continued)

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	Total \$'000
Balance at 1 July 2012	3,391	31,209	2,309	750	37,659
Additions	0	2,223	1,061	114	3,398
Loddon Mallee Health Alliance	0	0	20	0	20
Disposals	0	0	0	(148)	(148)
Depreciation (note 4)	0	(3,303)	(532)	(110)	(3,946)
Balance at 30 June 2013	3,391	30,129	2,858	606	36,983
Additions	0	6,644	1,126	64	7,834
Disposals	0	0	0	(50)	(50)
Depreciation (note 4)	0	(3,270)	(589)	(108)	(3,967)
Revaluation	(72)	9,484	0	0	9,412
Balance at 30 June 2014	3,319	42,987	3,395	512	50,213

Land and buildings carried at valuation

An independent valuation of the Hospital'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.

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 this valuation is 30 June 2014.

(c) Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:			
		Level 1 ^a	Level 2 ^a	Level 3 ^a	
Land at fair value					
Total of land at fair value	3,319	-	2,033	1,286	
Buildings at fair value					
Total of buildings at fair value	42,987	-	736	42,251	
Plant and equipment at fair value					
Plant equipment and vehicles at fair value					
- Vehicles (ii)	512	-	-	512	-
- Plant and equipment	3,395	-	-	3,395	-
Total of plant, equipment and vehicles at fair value	3,907	-	-	3,907	-
	50,213	-	2,769	47,444	32

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (Continued)

Note

⁽¹⁾ Classified in accordance with the fair value hierarchy, see Note 1

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

There have been no transfers between levels during the period.

Non-specialised land, non-specialised buildings and artwork

Non-specialised land, non-specialised buildings and artworks are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers, Countrywide Valuers, to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014.

For artwork, valuation of the assets is determined by a comparison to similar examples of the artists work in existence throughout Australia and research on price paid for similar examples offered at auction or through art galleries in recent years.

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

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

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

For 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.

Vehicles

Castlemaine Health 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 who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying value (depreciated cost).

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Reconciliation of Level 3 fair value

	Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	1,937	26,503	2,858	606	31,904
Additions	0	5,278	1,126	64	6,468
Transfers in (out) of Level 3	0	0	0	0	0
Gains or losses recognised in net result					
- Depreciation	0	(3,229)	(589)	(108)	(3,926)
- Gain / (Loss) on Sale of Non-Financial Assets	0	0	0	(50)	(50)
Items recognised in other comprehensive income					
- Revaluation	(651)	13,699	0	0	13,048
Closing Balance	1,286	42,251	3,395	512	47,444

Classified in accordance with the fair value hierarchy as set out in Note 1(b).
There have been no transfers between levels during the period.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (Continued)

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

2014	Valuation technique (i)	Significant unobservable inputs (i)	Range (weighted average) (i)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised Land	Market Approach	Community Service Obligation (CSO) adjustment	\$20/m ² CSO Adjustment 20% ⁽ⁱⁱ⁾	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised Buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings	\$610/m ² - \$1,971/m ² Useful life 25 - 55 years	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment at fair value	Depreciated replacement cost	Cost per unit Useful life of PPE	\$630 - \$143,966 3 - 15 years	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles	\$6,920 - \$80,572 8 years	A significant increase or decrease in the cost per unit would result in a significantly higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

(i) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with entities' independent valuer.

(ii) CSO adjustment of 20% was applied by the Valuer to reduce the market approach value for crown land of 10 - 16 Odgers Rd (main Hospital site)

NOTE 12: PAYABLES

	2014 \$'000	2013 \$'000
CURRENT		
Contractual		
Trade Creditors	825	981
Loddon Mallee Rural Health Alliance Payables	49	45
Accrued Expenses - Other	1,247	784
	<u>2,121</u>	<u>1,810</u>
Statutory		
GST Payable	40	0
FBT Payable	13	0
Department of Health	350	396
Other Amounts payable to Governments and Agencies	34	0
TOTAL PAYABLES	<u>2,558</u>	<u>2,206</u>

(a) Maturity analysis of payables

Please refer to Note 18c for the ageing analysis of contractual payables.

(b) Nature and extent of risk arising from payables

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

NOTE 13: PROVISIONS

	2014 \$'000	2013 \$'000
Current Provisions		
Employee Benefits (i)		
Annual Leave		
- unconditional and expected to be settled within 12 months (ii)	2,074	1,837
- unconditional and expected to be settled after 12 months (iii)	338	299
Long Service Leave		
- unconditional and expected to be settled within 12 months (ii)	379	326
- unconditional and expected to be settled after 12 months (ii)	2,777	3,067
Accrued Days Off		
- unconditional and expected to be settled within 12 months (ii)	83	94
Accrued Salaries and Wages		
- unconditional and expected to be settled within 12 months (ii)	1,420	1,385
	<u>7,071</u>	<u>7,008</u>
Provisions related to employee benefit on-costs (i)		
- unconditional and expected to be settled within 12 months (nominal value) (ii)	417	471
- unconditional and expected to be settled after 12 months (present value) (iii)	42	328
	<u>459</u>	<u>799</u>
Total Current Provisions	<u>7,530</u>	<u>7,807</u>
Non-Current Provisions		
Long Service Leave	1,027	882
Long Service Leave related to employee benefit on-costs	159	139
Total Non-Current Provisions	<u>1,186</u>	<u>1,020</u>
Total Provisions	<u>8,716</u>	<u>8,828</u>

NOTE 13: PROVISIONS (Continued)	2014	2013
(a) Employee Benefits and Related On-Costs	\$'000	\$'000
Current Employee Benefits and related on-costs		
Unconditional Long Service Leave Entitlements	3,316	3,393
Annual Leave Entitlements	2,712	2,935
Accrued Salaries and Wages	1,419	1,385
Accrued Days Off	83	94
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements (iii)	1,186	1,020
Total Employee Benefits and Related On-Costs	8,716	8,828

Notes:

- (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
(ii) The amounts disclosed are nominal amounts.
(iii) The amounts disclosed are discounted to present values.

(b) Movements in provisions	2014	2013
	\$'000	\$'000
Movement in Long Service Leave		
Balance at start of year	4,414	4,218
Provision made during the year		
- Revaluations	(11)	(8)
- Expense recognising Employee Service	646	853
Settlement made during the year	(547)	(650)
Balance at end of year	4,502	4,414

NOTE 14: SUPERANNUATION

Employees of the Health Service are entitled to receive superannuation benefits and the Health Service 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 and Finance discloses the State's defined benefits liabilities in its disclosure for administered terms.

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 expensed in relation to the major employee superannuation funds and contributions made by the Health Service are as follows:

Fund	Paid Contributions for the Year		Outstanding Contributions at Year End	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Defined Benefit Plans: Health Super	99	141	0	0
Defined Contribution Plans: Health Super	1,992	1,921	0	0
HESTA	572	512	0	0
Other	0	106	0	0
Total	2,663	2,680	0	0

NOTE 15: OTHER CURRENT LIABILITIES

	2014	2013
	\$'000	\$'000
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	408	457
- Accommodation Bonds (Refundable Entrance Fees)	8,227	6,477
- Other Monies in Trust	301	471
TOTAL CURRENT	<u>8,936</u>	<u>7,404</u>
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6)	6,975	7,399
Investments and other Financial Assets (refer to Note 8)	1,961	5
TOTAL	<u>8,936</u>	<u>7,404</u>

NOTE 16: EQUITY

	2014	2013
	\$'000	\$'000
(a) Surpluses		
Property, Plant and Equipment Revaluation Surplus ¹		
Balance at beginning of the reporting period		
- Land	2,788	2,788
- Buildings	20,399	20,399
- Plant and Equipment		0
Revaluation Increment/(Decrement)		
- Land	(72)	0
- Buildings	9,483	0
- Plant and Equipment	0	0
Balance at the end of the reporting period	<u>32,598</u>	<u>23,187</u>
Represented by:		
- Land	2,716	2,788
- Buildings	29,882	20,399
- Plant and Equipment		
	<u>32,598</u>	<u>23,187</u>

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

Financial Assets Available-for-Sale Revaluation Surplus

Balance at beginning of the reporting period	(48)	(218)
Valuation gain / (loss) recognised	265	170
Balance at the end of the reporting period	<u>217</u>	<u>(48)</u>

Restricted Specific Purpose Surplus

Balance at the beginning of the reporting period	10	10
Transfer to and from Restricted Specific Purpose Surplus	0	0
Balance at the end of the reporting period	<u>10</u>	<u>10</u>

Total Surpluses	<u>32,825</u>	<u>23,149</u>
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NOTE 16: EQUITY (Continued)

	2014 \$'000	2013 \$'000
(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	<u>21,202</u>	<u>21,202</u>
(c) Accumulated Surpluses / (Deficits)		
Balance at the beginning of the reporting period	(15,155)	(12,488)
Transfer to and from Restricted Specific Purpose Reserve	0	0
Net Result for the Year	972	(2,666)
Balance at the end of the reporting period	<u>(14,183)</u>	<u>(15,155)</u>
(d) Total Equity at end of financial year	<u>39,844</u>	<u>29,196</u>

**NOTE 17: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW / (OUTFLOW)
FROM OPERATING ACTIVITIES**

	2014 \$'000	2013 \$'000
NET RESULT FOR THE YEAR	972	(2,666)
Non-cash movements		
Depreciation	3,967	3,946
Share of Net Result from Joint Ventures	274	(102)
Movements included in investing and financing activities		
Net (Gain)/Loss from Disposal of Plant and Equipment	50	39
Movements in assets and liabilities		
Change in operating assets & liabilities		
(Increase)/Decrease In Receivables	827	179
(Increase)/Decrease In Prepayments	5	46
(Increase)/Decrease In Inventories	5	79
Increase/(Decrease) In Payables	352	843
Increase/(Decrease) In Provisions	(112)	391
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	<u>6,340</u>	<u>2,754</u>

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 to each class of financial asset, financial liability and equity instrument are disclosed in note 1 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 risk within the government policy parameters.

NOTE 18: FINANCIAL INSTRUMENTS (Continued)
(a) Financial risk management objectives and policies (continued)

Categorisation of financial instruments

	Contractual Financial Assets - Loans and Receivables \$'000	Contractual Financial Assets - Available For Sale \$'000	Contractual Financial Liabilities at Amortised Cost \$'000	Total \$'000
2014				
Contractual Financial Assets				
Cash and cash equivalents	6,232	0	0	6,232
Loans and Receivables	851	0	0	851
Available for Sale	0	1,961	0	1,961
Total Financial Assets (i)	7,083	1,961	0	9,044
Financial Liabilities				
At amortised cost	0	0	11,057	11,057
Total Financial Liabilities(ii)	0	0	11,057	11,057

Categorisation of financial instruments

	Contractual Financial Assets - Loans and Receivables \$'000	Contractual Financial Assets - Available For Sale \$'000	Contractual Financial Liabilities at Amortised Cost \$'000	Total \$'000
2013				
Contractual Financial Assets				
Cash and cash equivalents	2,649	0	0	2,649
Loans and Receivables	1,298	0	0	1,298
Available for Sale	0	5,366	0	5,366
Total Financial Assets (i)	3,947	5,366	0	9,313
Financial Liabilities				
At amortised cost	0	0	9,214	9,214
Total Financial Liabilities(ii)	0	0	9,214	9,214

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

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

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

	Net holding gain/(loss) 2014 \$'000	Net holding gain/(loss) 2013 \$'000
Financial Assets		
Cash and cash equivalents(i)	441	517
Total Financial Assets	441	517
Financial Liabilities		
At amortised cost (ii)	25	4
Total Financial Liabilities	25	4

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

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

NOTE 18: FINANCIAL INSTRUMENTS (Continued)

(b) 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.

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

	Financial Institutions (AAA credit rating) \$'000	Other (min BBB credit rating) \$'000	Total \$'000
2014			
Financial Assets			
Cash and Cash Equivalents	0	6,232	6,232
Receivables ⁽ⁱ⁾			
- Trade Debtors	0	851	851
Other Financial Assets			
- Equity Securities	0	1,961	1,961
Total Financial Assets		9,044	9,044
2013			
Financial Assets			
Cash and Cash Equivalents	0	2,649	2,649
Receivables ⁽ⁱ⁾			
- Trade Debtors	0	1,298	1,298
Other Financial Assets			
- Equity Securities	0	2,553	2,553
- Term Deposits	0	2,813	2,813
Total Financial Assets	0	9,313	9,313

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

NOTE 18: FINANCIAL INSTRUMENTS (Continued)
(b) 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
2014							
Financial Assets							
Cash and Cash Equivalents	6,232	6,232	0	0	0	0	0
Receivables (i)							
- Trade Debtors	851	71	552	77	151	0	0
Other Financial Assets							
- Equity Securities	1,961	1,961	0	0	0	0	0
Total Financial Assets	9,044	8,264	552	77	151	0	0
2013							
Financial Assets							
Cash and Cash Equivalents	2,649	2,649	0	0	0	0	0
Receivables (i)							
- Trade Debtors	1,298	787	218	181	109	3	0
Other Financial Assets							
- Equity Securities	2,553	2,553					
- Term Deposit	2,813	2,813	0	0	0	0	0
Total Financial Assets	9,313	8,802	218	181	109	3	0

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

Contractual financial assets that are neither 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 they 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.

(c) Liquidity Risk

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

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

There has been no significant change in the Health Service'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.

NOTE 18: FINANCIAL INSTRUMENTS (Continued)
Maturity analysis of financial liabilities as at 30 June

	Carrying Amount \$'000	Nominal Amount \$'000	Maturity Dates			
			Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years
			\$'000	\$'000	\$'000	\$'000
2014						
Financial Liabilities						
Payables	2,121	2,121	2,121	0	0	0
Other Financial Liabilities (i)						
- Accommodation Bonds	8,227	8,227	0	0	8,227	0
- Other	709	709	0	0	709	0
Total Financial Liabilities	11,057	11,057	2,121	0	8,936	0
2013						
Financial Liabilities						
Payables	1,810	1,810	1,810	0	0	0
Other Financial Liabilities (i)						
- Accommodation Bonds	6,477	6,477	0	0	6,477	0
- Other	927	927	0	0	927	0
Total Financial Liabilities	9,214	9,214	1,810	0	7,404	0

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

(d) 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 paragraphs 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 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 movements in interest rates on a daily basis.

Other Price Risk

The Health Service 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 Health Service'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 30 June

	Weighted Average Effective Interest Rate (%)	Carrying Amount \$'000	Interest Rate Exposure		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non - Interest Bearing \$'000
2014					
Financial Assets					
Cash and Cash Equivalents	2.30	6,232	0	6,228	4
Receivables (i)					
- Trade Debtors		851	0	0	851
Other Financial Assets					
- Equity Securities	2.89	1,961	0	1,961	0
Total Financial Assets		9,044	0	8,189	855
Financial Liabilities					
Payables (i)		2,121	0	0	2,121
Other Financial Liabilities					
- Accommodation Bonds		8,227	0	0	8,227
- Other Liabilities		709	0	0	709
Total Financial Liabilities		11,057	0	0	11,057

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

NOTE 18: FINANCIAL INSTRUMENTS (Continued)

(d) Market Risk (Continued)

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

	Weighted Average Effective Interest Rate (%)	Carrying Amount \$'000	Interest Rate Exposure		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non - Interest Bearing \$'000
2013					
Financial Assets					
Cash and Cash Equivalents	2.85	2,649	0	2,645	4
Receivables (i)					
- Trade Debtors		1,298	0	0	1,298
Other Financial Assets					
- Term Deposit	4.12	2,813	2,813	0	0
- Equity Securities	7.13	2,653	0	2,553	0
Total Financial Assets		9,313	2,813	5,198	1,302
Financial Liabilities					
Payables (i)		1,810	0	0	1,810
Other Financial Liabilities					
- Accommodation Bonds		6,477	0	0	6,477
- Other Liabilities		927	0	0	927
Total Financial Liabilities		9,214	0	0	9,214

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

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the 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 +1% and -1% in market interest rates (AUD) from year-end rates of 3.5%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2%; and
- A movement of 15% up and down (2012 15%) for the top ASX 200 Index.

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

	Carrying Amount \$'000	Interest Rate Risk			
		-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
2014					
Financial Assets					
Cash and Cash Equivalents	6,232	(62)	(62)	62	62
Receivables					
- Trade Debtors	851	0	0	0	0
Other Financial Assets					
- Equity Securities	1,961	(20)	(20)	20	20
Financial Liabilities					
Payables	2,121	0	0	0	0
Other Financial Liabilities					
- Accommodation Bonds	8,227	0	0	0	0
- Other Liabilities	709	0	0	0	0
		(82)	(82)	82	82

NOTE 18: FINANCIAL INSTRUMENTS (Continued)

(d) Market Risk (Continued)

2013	Carrying Amount \$'000	Interest Rate Risk			
		-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
Financial Assets					
Cash and Cash Equivalents	2,649	(26)	(26)	26	26
Receivables					
- Trade Debtors	1,298	0	0	0	0
Other Financial Assets					
- Term Deposit	2,813	(28)	(28)	28	28
- Equity Securities	2,553	(26)	(26)	26	26
Financial Liabilities					
Payables	1,810	0	0	0	0
Other Financial Liabilities					
- Accommodation Bonds	6,477	0	0	0	0
- Other Liabilities	927	0	0	0	0
		(80)	(80)	80	80

(e) Fair Value

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

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

The Health Service considers that the carrying amount of financial 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
	2014 \$'000	2014 \$'000	2013 \$'000	2013 \$'000
Financial Assets				
Cash and Cash Equivalents	6,232	6,232	2,649	2,649
Receivables (i)				
- Trade Debtors	851	851	1,298	1,298
Other Financial Assets				
- Term Deposits	0	0	2,813	2,813
- Equity Securities	1,961	1,961	2,553	2,553
Total Financial Assets	9,044	9,044	9,313	9,313
Financial Liabilities				
Payables	0			
	2,121	2,121	1,810	1,810
Other Financial Liabilities (i)				
- Accommodation Bonds	8,227	8,227	6,477	6,477
- Other Liabilities	709	709	927	927
Total Financial Liabilities	11,057	11,057	9,214	9,214

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

NOTE 19: COMMITMENTS FOR EXPENDITURE

Castlemaine Health has received a State Government budgeted commitment to fund \$10 Million of re-development of the main hospital building, including a second operating theatre and re-modelled main entrance. As at 30 June 2014 the Project has finished and funding fully expended.

	2014 \$'000	2013 \$'000
Capital Expenditure Commitments		
<u>Payable</u>		
Land and Buildings	0	7,800
Plant and Equipment	0	440
Total Capital Expenditure Commitments	<u>0</u>	<u>8,240</u>
 Commitments payable		
Land and Buildings		
Less than 1 year	0	6,800
Longer than 1 year but not longer than 5 years	0	1,000
Total	<u>0</u>	<u>7,800</u>
 Plant and Equipment		
Less than 1 year	0	440
Longer than 1 year but not longer than 5 years	0	0
Total	<u>0</u>	<u>440</u>
 Total capital expenditure commitments	<u>0</u>	<u>8,240</u>

NOTE 20: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

NOTE 21: OPERATING SEGMENTS

	RAC		OTHER		TOTAL	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE						
External Segment Revenue	13,251	11,512	23,915	20,872	37,166	32,384
Unallocated Revenues	0	0	1,764	7,762	1,764	7,762
Total Revenue	13,251	11,512	25,679	28,634	38,930	40,145
EXPENSES						
External Segment Expenses	(9,794)	(13,078)	(14,876)	(20,691)	(24,670)	(33,769)
Internal Segment Expenses	(5,427)		(5,606)		(11,033)	
Unallocated Expense			(5,649)	(9,556)	(5,649)	(9,556)
Total Expenses	(15,221)	(13,078)	(26,131)	(30,247)	(41,352)	(43,325)
Net Result from ordinary activities	(1,970)	(1,566)	(452)	(1,613)	(2,422)	(3,180)
Interest Expense	0	0	0	(4)	0	(4)
Interest Income	441	517	0	0	441	517
Net Result for Year	(1,529)	(1,049)	(452)	(1,617)	(1,981)	(2,666)
OTHER INFORMATION						
Segment Assets	32,394	21,156	0	0	32,394	21,156
Unallocated Assets	0	0	27,660	26,478	27,660	26,478
Total Assets	32,394	21,156	27,660	26,478	60,054	47,634
Segment Liabilities	8,936	7,546	0	0	8,936	7,546
Unallocated Liabilities	0	0	11,274	10,892	11,274	10,892
Total Liabilities	8,936	7,546	11,274	10,892	20,210	18,438
Acquisition of property, plant and equipment and intangible assets	0	0	7,727	3,398	7,727	3,398
Depreciation expense	0	0	3,956	3,967	3,956	3,967

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 Municipalities 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 those areas.

NOTE 22: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Principal Activity	Ownership Interest	
		2014	2013
		%	%
Loddon Mallee Rural Health Alliance	Information Systems	8.13	8.24

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:

	2014	2013
	\$'000	\$'000
Current Assets		
Cash and Cash Equivalents	384	280
Receivables	16	177
Other	15	15
Total Current Assets	<u>415</u>	<u>472</u>
Non Current Assets		
Property Plant and Equipment	38	9
Total Non Current Assets	<u>38</u>	<u>9</u>
Total Assets	<u>453</u>	<u>481</u>
Current Liabilities		
Payables	64	45
Total Current Liabilities	<u>64</u>	<u>45</u>
Total Liabilities	<u>64</u>	<u>45</u>
Net Assets	<u>389</u>	<u>436</u>

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

Revenues		
Operating Activities	276	329
Non-Operating Activities	57	136
Total Revenue	<u>333</u>	<u>465</u>
Expenses		
Information Technology and Administrative Expenses	595	597
Depreciation	12	11
Total Expenses	<u>607</u>	<u>607</u>
Net Result	<u>(274)</u>	<u>(142)</u>

Commitments for Expenditure

There are no commitments for capital expenditure at the date of this report.

Contingent Liabilities and Capital Commitments

There are no contingencies or capital commitments.

NOTE 23a: RESPONSIBLE PERSON DISCLOSURES

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

Responsible Ministers:

The Honourable David Davis, MLC, Minister for Health and Ageing
The Honourable Mary Wooldridge, MLA, Minister for Mental Health

Period
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014

Governing Boards

Mr G Sutherland
Ms L Bower
Mr I McKenzie
Dr L Fitzgerald
Mrs E Grainger
Ms M Simpson
Ms C Wallace
Ms S Fraser
Mr A Sevdalis

01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014
01/07/2013 - 30/06/2014

Accountable Officers

Mr I Fisher

01/07/2013 - 30/06/2014

Remuneration of Responsible Persons

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

Income Band

\$0 - \$9,999
\$40,000 - \$49,999
\$50,000 - \$59,999
\$80,000 - \$89,999
\$89,000 - \$199,999

Total Numbers

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

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

Total Remuneration	
2014	2013
No.	No.
9	9
0	1
0	1
0	1
1	0
10	12
180,262	184,477

Other Transactions of Responsible Persons and their Related Parties

Ms C Wallace is a Director of the Mt Alexander Shire. Net transactions with Mt Alexander Shire are:

Mr L Fitzgerald is a Department Head at LaTrobe University Bendigo. Net transactions with LaTrobe University are:

2014	2013
\$'000	\$'000
481	-
133	-

NOTE 23b: EXECUTIVE OFFICER DISCLOSURES

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. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2014	2013	2014	2013
	No.	No.	No.	No.
\$100,000 - \$109,999	0	0	0	0
\$110,000 - \$119,999	0	0	2	0
\$120,000 - \$129,999	2	2	0	2
\$130,000 - \$139,999	0	1	0	1
\$140,000 - \$149,999	0	0	0	0
Total number of executives	2	3	2	3
Total annualised employee equivalent (AEE)	2	3	2	3
(Based on working 38 ordinary hours per week over the reporting period)				
Total Remuneration	251,645	385,405	230,339	226,344

NOTE 24: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 25: ECONOMIC DEPENDENCY

Castlemaine Health is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health. The Department of Health has provided confirmation that it will continue to provide Castlemaine Health adequate cash flow support to meet its current and future operational obligations as and when they fall due for a period up to September 2015, should this be required.

NOTE 26: REMUNERATION OF AUDITORS

	2014	2013
	\$'000	\$'000
Victorian Auditor-General's Office		
Audit or review of financial statements	23	22
	23	22