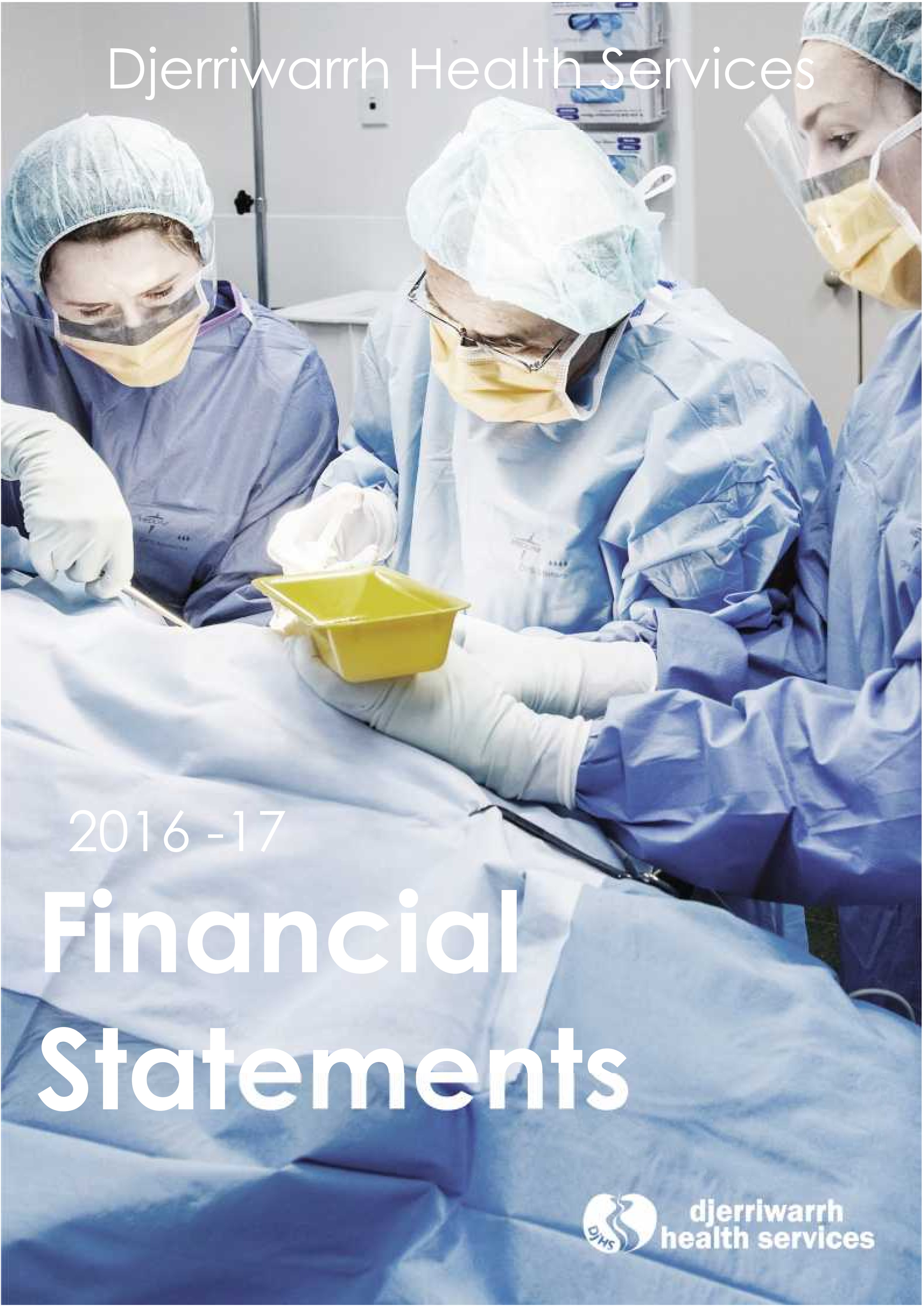

Djerriwarrh Health Services

2016 -17

Financial Statements

djerriwarrh health services

Djerriwarrh Health Services

Administrator's, Accountable Officer's and Chief Finance & Accounting Officer's declaration

The attached financial statements for *Djerriwarrh Health Services* have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of *Djerriwarrh Health Services* at 30 June 2017.

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

We authorise the attached financial statements for issue on 21 August 2017.

John Ballard	Andrew Freeman	Janan Rubeli
Dr John Ballard	Andrew Freeman	J. Rubeli FCPA
ADMINISTRATOR	**CHIEF EXECUTIVE OFFICER**	**DIRECTOR OF FINANCE & CORPORATE SERVICES**
Signed at Djerriwarrh Health Services	*Signed at Djerriwarrh Health Services*	*Signed at Djerriwarrh Health Services*
Date: 21/08/2017	*Date: 21/08/2017*	*Date: 21/08/2017*

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Administrator of Djerriwarrh Health Services

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

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
21 August 2017

Ron Mak
as delegate for the Auditor-General of Victoria

Djerriwarrh Health Services
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue from Operating Activities	2.1	63,666	61,725
Revenue from Non-Operating Activities	2.1	317	358
Employee Expenses	3.1	(42,440)	(39,725)
Non Salary Labour Costs	3.1	(5,898)	(7,371)
Supplies & Consumables	3.1	(7,742)	(7,294)
Administration Expenses	3.1	(4,153)	(4,150)
Other Expenses	3.1	(3,250)	(3,399)
Net Result Before Capital & Specific Items		**500**	**144**
Capital Purpose Income	2.1	7,445	4,711
Depreciation and Amortisation	4.3	(2,567)	(2,438)
Assets provided free of charge	2.2	2	-
Expenditure for Capital Purpose	3.1	(82)	(259)
Net Result after Capital & Specific Items		**5,298**	**2,158**
Other economic flows included in net result			
Revaluation of Long Service Leave		578	(551)
NET RESULT FOR THE YEAR		**5,876**	**1,607**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1	715	-
Total other comprehensive income		**715**	**-**
COMPREHENSIVE RESULT		**6,591**	**1,607**

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

Djerriwarrh Health Services
Balance Sheet
As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current Assets			
Cash and Cash Equivalents	6.2	3,613	3,284
Receivables	5.1	793	1,190
Investments and Other Financial Assets	4.1	6,883	4,476
Inventories	5.2	207	277
Prepayments and Other Assets	5.4	205	308
Total Current Assets		**11,701**	**9,535**
Non-Current Assets			
Receivables	5.1	2,345	2,092
Property, Plant & Equipment	4.2	37,736	33,276
Intangible Assets	4.4	257	391
Total Non-Current Assets		**40,338**	**35,759**
TOTAL ASSETS		**52,039**	**45,294**
Current Liabilities			
Payables	5.5	3,505	3,023
Provisions	3.3	9,060	9,033
Other Current Liabilities	5.3	2,372	2,327
Total Current Liabilities		**14,937**	**14,383**
Non-Current Liabilities			
Provisions	3.3	1,830	2,230
Total Non-Current Liabilities		**1,830**	**2,230**
TOTAL LIABILITIES		**16,767**	**16,613**
NET ASSETS		**35,272**	**28,681**
EQUITY			
Property, Plant & Equipment Revaluation Surplus	8.1a	15,507	14,792
Restricted Specific Purpose Surplus	8.1a	731	717
Contributed Capital	8.1b	7,193	7,193
Accumulated Surpluses	8.1c	11,841	5,979
TOTAL EQUITY		**35,272**	**28,681**
Contingent Assets and Contingent Liabilities	7.3		
Commitments	6.3		

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

Djerriwarrh Health Services
Statement of Changes in Equity
For the Financial Year Ended 30 June 2017

	Note	Property, Plant & Equipment Revaluation Surplus $'000	Restricted Specific Purpose Surplus $'000	Contributions by Owners $'000	Accumulated Surpluses/ (Deficits) $'000	Total $'000
Balance at 1 July 2015		**14,792**	**717**	**7,193**	**4,372**	**27,074**
Net result for the year		-	-	-	1,607	1,607
Balance at 30 June 2016		**14,792**	**717**	**7,193**	**5,979**	**28,681**
Net result for the year		-	-	-	5,876	5,876
Other comprehensive income for the year	8.1a	715	-	-	-	715
Transfer to Restricted Specific Purpose Surplus	8.1a,c	-	14	-	(14)	-
Balance at 30 June 2017		**15,507**	**731**	**7,193**	**11,841**	**35,272**

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

Djerriwarrh Health Services
Cash Flow Statement
For the Financial Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		54,829	52,471
Capital Grants from Government		7,035	3,965
Patient and Resident Fees Received		1,441	1,599
Donations and Bequests Received		140	134
GST Received from/(paid to) ATO		1,534	2,056
Interest Received		47	104
Other Capital Receipts		123	1,446
Other Receipts		7,581	7,071
Total Receipts		**72,730**	**68,846**
Employee Expenses Paid		(42,672)	(40,294)
Non Salary Labour Costs		(4,968)	(5,897)
Payments for Supplies & Consumables		(8,087)	(7,662)
Administration Expenses		(6,670)	(7,981)
Other Payments		(915)	(1,668)
Total Payments		**(63,312)**	**(63,502)**
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES	8.2	**9,418**	**5,344**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Non-Financial Assets		(6,796)	(4,362)
Proceeds from Sale of Non-Financial Assets		-	140
Purchase of Investments		(22,638)	(18,487)
Proceeds from Sale of Investments		20,232	18,653
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		**(9,202)**	**(4,056)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government		-	-
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**216**	**1,288**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		3,073	1,785
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	**3,289**	**3,073**

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

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30 June 2017
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Basis of Presentation

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

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

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

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

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

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

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

Comprehensive Operating Statement

The Comprehensive Operating Statement includes the subtotal entitled 'Net Result Before Capital & Specific Items' to enhance the understanding of the financial performance of *Djerriwarrh Health Services*. 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 & Specific Items' is used by the management of *Djerriwarrh Health Services*, the Department of Health and Human Services 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 2.1). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.

❖ Specific income/expense, comprises the following items, where material:
  - Non-current asset revaluation increments/decrements
  - Diminution/impairment of investments

❖ Impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Notes 4.1 and 7.1

❖ Depreciation and amortisation, as described in Note 4.3

❖ Assets provided or received free of charge (refer to Note 2.2)

❖ 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 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.

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.

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

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

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

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

Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction.

Note 1: Summary of significant accounting policies

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

(a) Statement of compliance

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

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

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 AASBs.

The annual financial statements were authorised for issue by the Administrator of Djerriwarrh Health Services on 21 August 2017.

(b) Reporting entity

The financial statements include all the controlled activities of Djerriwarrh Health Services.
Its principal address is:

Grant Street
Bacchus Marsh
Victoria 3340.

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

Objectives and funding

Djerriwarrh Health Services overall objective is to help people of our community to better health and well-being, as well as improve the quality of life to Victorians.

Djerriwarrh Health Services is predominantly funded by accrual based grant funding for the provision of outputs.

(c) Basis of accounting preparation and measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016.

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 when new indices are published by the Valuer General to ensure that the carrying amounts do not materially differ from their fair values;
- 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.

Judgments, estimates and assumptions are required to be made about 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.

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 AASBs 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 4.2); and
- employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3).

Consistent with AASB 13 *Fair Value Measurement*, Djerriwarrh Health Services 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, Djerriwarrh Health Services 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, Djerriwarrh Health Services 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 Djerriwarrh Health Services independent valuation agency. Djerriwarrh Health Services, 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.

Intersegment Transactions

Transactions between segments within the Djerriwarrh Health Services have been eliminated to reflect the extent of the Djerriwarrh Health Services operations as a group.

Associates

Associates are accounted for in accordance with the policy outlined in Note 8.11.

Note 2: Funding delivery of our services

Note 2.1: Analysis of Revenue by Source

	Admitted Patients	Non-Admitted	Aged Care	Primary Health	RAC incl Mental Health	Other	Total
	2017	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Government Grants	31,476	12,563	4,855	6,718	2,980	87	58,679
Indirect contributions by Department of Health and Human Services	15	7	2	1	2	1	28
Patient & Resident Fees	264	61	235	219	613	-	1,392
Commercial Activities	-	627	-	225	-	-	852
Other Revenue from Operating Activities	720	1,370	27	82	54	462	2,715
Total Revenue from Operating Activities	**32,475**	**14,628**	**5,119**	**7,245**	**3,649**	**550**	**63,666**
Interest	119	-	-	-	-	-	119
Other Revenue from Non-Operating Activities	-	-	-	-	-	198	198
Total Revenue from Non-Operating Activities	**119**	**-**	**-**	**-**	**-**	**198**	**317**
Capital Purpose Income (excluding Interest)	3,401	-	84	3,550	33	332	7,400
Capital Interest	-	-	-	-	45	-	45
Total Capital Purpose Income	**3,401**	**-**	**84**	**3,550**	**78**	**332**	**7,445**
Total Revenue	**35,995**	**14,628**	**5,203**	**10,795**	**3,727**	**1,080**	**71,428**

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

Note 2.1: Analysis of Revenue by Source(Continued)

	Admitted Patients	Non-Admitted	Aged Care	Primary Health	RAC incl Mental Health	Other	Total
	2016	**2016**	**2016**	**2016**	**2016**	**2016**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Government Grants	29,956	12,352	4,641	6,888	2,948	66	56,851
Indirect contributions by Department of Health and Human Services	19	9	2	-	2	-	32
Patient & Resident Fees	358	43	205	307	615	-	1,528
Commercial Activities	-	224	-	320	-	-	544
Other Revenue from Operating Activities	792	1,341	28	83	55	471	2,770
Total Revenue from Operating Activities	**31,125**	**13,969**	**4,876**	**7,598**	**3,620**	**537**	**61,725**
Interest	140	-	-	-	-	-	140
Other Revenue from Non-Operating Activities	-	-	-	-	-	218	218
Total Revenue from Non-Operating Activities	**140**	**-**	**-**	**-**	**-**	**218**	**358**
Capital Purpose Income (excluding Interest)	3,826	-	-	139	48	648	4,661
Capital Interest	-	-	-	-	50	-	50
Total Capital Purpose Income	**3,826**	**-**	**-**	**139**	**98**	**648**	**4,711**
Total Revenue	**35,091**	**13,969**	**4,876**	**7,737**	**3,718**	**1,403**	**66,794**

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

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 Djerriwarrh Health Services and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

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

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

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

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

Indirect Contributions from the Department of Health and Human Services

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

Patient and Resident Fees

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

Private Practice Fees

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

Revenue from commercial activities

Revenue from commercial activities such as commercial laboratory medicine is recognised at the time invoices are raised.

Donations and Other Bequests

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

Interest Revenue

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

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 received as a donation.

Category Groups

Djerriwarrh Health Services has used the following category groups for reporting purposes for the current and previous financial years:

- **Admitted Patient Services (Admitted Patients)** comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.
- **Non Admitted Services** comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospitals beds and supports the transition from hospital to home in a safe and timely manner.
- **Aged Care** comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.

- **Primary, Community and Dental Health** comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.
- **Residential Aged Care including Mental Health (RAC incl. Mental Health)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the Department under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units and secure extended care units.
- **Other Services not reported elsewhere – (Other)** comprises services not separately classified above, 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, 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.

Note 2.2: Assets received free of charge or for nominal consideration

During the reporting period, the fair value of assets received free of charge, was as follows:	**2017**	**2016**
	$'000	**$'000**
Plant and Equipment	2	-
Total	**2**	**-**

During the year, a Pressure Care Mattress was received from a family whose relative was a past Palliative Care Patient.

Note 3: The Cost of delivering our services

Note 3.1: Analysis of Expenses by Source

	Admitted Patients	Non-Admitted	Aged Care	Primary Health	RAC Inc. Mental Health	Other	Total
	2017	**2017**	**2017**	**2017**	**2017**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Employee Expenses	18,354	10,346	4,795	5,566	2,799	580	42,440
Other Operating Expenses							
Non Salary Labour Costs	4,357	758	21	505	242	15	5,898
Supplies & Consumables	5,838	1,347	67	239	236	15	7,742
Administration Expenses	1,661	1,169	237	586	339	161	4,153
Other Expenses	2,202	446	99	132	309	62	3,250
Total Expenses from Operating Activities	**32,412**	**14,066**	**5,219**	**7,028**	**3,925**	**833**	**63,483**
Expenditure for Capital Purpose	82	-	-	-	-	-	82
Depreciation & Amortisation (refer note 4.3)	1,101	607	371	355	98	35	2,567
Total Other Expenses	**1,183**	**607**	**371**	**355**	**98**	**35**	**2,649**
Total Expenses	**33,595**	**14,673**	**5,590**	**7,383**	**4,023**	**868**	**66,132**

	Admitted Patients	Non-Admitted	Aged Care	Primary Health	RAC Inc. Mental Health	Other	Total
	2016	**2016**	**2016**	**2016**	**2016**	**2016**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Employee Expenses	16,179	10,053	4,542	5,890	2,586	475	39,725
Other Operating Expenses							
Non Salary Labour Costs	5,288	1,293	31	423	315	21	7,371
Supplies & Consumables	5,763	967	64	243	244	13	7,294
Administration Expenses	1,682	1,188	236	508	368	168	4,150
Other Expenses	1,919	859	104	147	309	61	3,399
Total Expenses from Operating Activities	**30,831**	**14,360**	**4,977**	**7,211**	**3,822**	**738**	**61,939**
Expenditure for Capital Purpose	259	-	-	-	-	-	259
Depreciation & Amortisation (refer note 4.3)	1,220	585	146	268	195	24	2,438
Total Other Expenses	**1,479**	**585**	**146**	**268**	**195**	**24**	**2,697**
Total Expenses	**32,310**	**14,945**	**5,123**	**7,479**	**4,017**	**762**	**64,636**

There have been no ex gratia payments made during the financial year ending 30 June 2017 (2016: $nil).

Expenses from transactions

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

Employee expenses

Employee expenses include:

- Wages and salaries;
- Fringe Benefit Tax;
- Leave entitlements;
- Termination payments;
- Work cover premiums; and
- Superannuation (refer Note 3.4) expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Grants and other transfers

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

Other operating expenses

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

Supplies and consumables

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

Bad and doubtful debts

Refer to Note 5.1 Receivables

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 Health Service or 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.

Net gain/ (loss) on non-financial assets

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

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

Refer to Note 4.2 *Property plant and equipment.*

Net gain/ (loss) on disposal of non-financial assets

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

Net gain/ (loss) on financial instruments

Net gain/ (loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 *Investments and other financial assets*; and
- disposals of financial assets and derecognition of financial liabilities

Amortisation of non-produced intangible assets

Intangible non-produced assets with finite lives are amortised as an 'other economic flow' on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Impairment of non-financial assets
Goodwill and intangible assets with indefinite useful lives (and intangible assets not available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Refer to Note 4.1 *Investments and other financial assets.*

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

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

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

Category Groups
Djerriwarrh Health Services has used the following category groups for reporting purposes for the current and previous financial years:

- **Admitted Patient Services (Admitted Patients)** comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.
- **Non Admitted Services** comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospitals beds and supports the transition from hospital to home in a safe and timely manner.
- **Aged Care** comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.
- **Primary, Community and Dental Health** comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.
- **Residential Aged Care including Mental Health (RAC incl. Mental Health)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the Department under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units and secure extended care units.
- **Other Services not reported elsewhere – (Other)** comprises services not separately classified above, 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, 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.

Note 3.2: Analysis of expense and revenue by internally managed and restricted specific purpose funds

	Expense		Revenue	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Commercial Activities				
Private Practice & Other Patient Activities	810	517	852	544
Total	810	517	852	544

Note 3.3: Employee Benefits in the Balance Sheet

	2017 $'000	2016 $'000
CURRENT PROVISIONS		
Employee Benefits		
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months	2,930	2,527
- Unconditional and expected to be settled wholly after 12 months	189	560
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months	892	718
- Unconditional and expected to be settled wholly after 12 months	3,352	3,646
ADO'S		
- Unconditional and expected to be settled wholly within 12 months	145	129
Accrued Wages and Salaries		
- Unconditional and expected to be settled wholly within 12 months	566	470
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled wholly within 12 months	543	457
- Unconditional and expected to be settled wholly after 12 months	443	526
Total Current Provisions	**9,060**	**9,033**
Non-Current Provisions		
Employee Benefits	1,627	1,982
Provisions related to Employee Benefit On-Costs	203	248
Total Non-Current Provisions	**1,830**	**2,230**
Total Provisions	**10,890**	**11,263**
(a) Employee Benefits and Related On-Costs		
Current Employee Benefits and related on-costs		
Unconditional LSL Entitlements	4,775	4,909
Annual Leave Entitlements	3,509	3,474
Accrued Wages and Salaries	613	505
Accrued Days Off	163	145
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements	1,830	2,230
Total Employee Benefits and Related On-Costs	**10,890**	**11,263**
(b) Movements in provisions		
Movement in Long Service Leave:		
Balance at start of year	**7,139**	**6,532**
Provision made during the year		
- Revaluations	(578)	551
- Expense recognising Employee Service	1,015	957
Settlement made during the year	(971)	(901)
Balance at end of year	**6,605**	**7,139**

Provisions

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

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

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

Employee Benefits

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

Wages and Salaries, Annual Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accrued days off are all recognised in the provision for employee benefits as 'current liabilities', because the Health Service does not have an unconditional right to defer settlement of these liabilities.

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

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

Long Service Leave (LSL)

Liability for long service leave (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 Djerriwarrh Health Services does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – component that Djerriwarrh Health Services expects to wholly settle within 12 months.
- Present value – component that Djerriwarrh Health Services does not expect to settle wholly within 12 months; and

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 liability is measured at present value.

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

On-Costs related to Employee Expenses

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

Note 3.4: Superannuation

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

	2017	2016
(i) Defined benefit plans:		
First State Super	86	117
Defined contribution plans:		
First State Super	2,079	1,997
Hesta	879	743
Other	408	343
Total	**3,452**	**3,200**
	Contributions paid or payable for the year	

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

The Health Service does not recognise any defined benefit liability in respect of the plan 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 items.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service. The name and details of the major employee superannuation funds are listed above and the contributions made by Djerriwarrh Health Services are as follows:

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

Defined benefit superannuation plans
The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.
Employees of the Djerriwarrh Health Services are entitled to receive superannuation benefits and Djerriwarrh Health Services contributes to both the defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

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

Note 4: Key Assets to support service delivery

Note 4.1: Investments and other Financial Assets

	Operating Fund		Specific Purpose Fund		Capital Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CURRENT								
Loans and Receivables								
Aust. Dollar Term Deposits > 3 months	166	461	4,075	4,015	2,642	-	6,883	4,476
Total Current	**166**	**461**	**4,075**	**4,015**	**2,642**	**-**	**6,883**	**4,476**
TOTAL	**166**	**461**	**4,075**	**4,015**	**2,642**	**-**	**6,883**	**4,476**
Represented by:								
Health Service Investments	166	461	1,703	1,688	2,642	-	4,511	2,149
Accommodation Bonds (Refundable Entrance Fees)	-	-	2,372	2,327	-	-	2,372	2,327
TOTAL Investments And Other Financial Assets	**166**	**461**	**4,075**	**4,015**	**2,642**	**-**	**6,883**	**4,476**

(a) Ageing analysis of investments and other financial assets

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

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

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

Fund Accounting

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

Investments and Other Financial Assets

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

Investments are classified as Loans and Receivables.

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

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

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

Impairment of Financial Assets

At the end of each reporting period Djerriwarrh Health Services 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 or loss, are subject to annual review for impairment.

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. 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.

Note 4.2: Property, Plant & Equipment

(a) Gross carrying amount and accumulated depreciation

	2017 $'000	2016 $'000
Land		
- Land at Fair Value	7,235	6,520
Total Land	**7,235**	**6,520**
Buildings		
- Buildings under Construction at Cost	5,047	2,764
- Buildings at Cost	2,215	15
Less Acc'd Depreciation	38	-
- Buildings at Fair Value	20,729	20,729
Less Acc'd Depreciation	3,306	2,205
- Leasehold Improvements at Cost	90	90
Less Acc'd Depreciation	66	63
Total Buildings	**24,671**	**21,330**
Plant and Equipment		
- Plant and Equipment at Fair Value	7,031	6,167
Less Acc'd Depreciation	4,386	3,943
Total Plant and Equipment	**2,645**	**2,224**
Medical Equipment		
- Medical Equipment at Fair Value	4,416	4,108
Less Acc'd Depreciation	2,479	2,111
Total Medical Equipment	**1,937**	**1,997**
Computers and Communications		
- Computers and Communications at Fair Value	4,126	3,675
Less Acc'd Depreciation	3,251	2,970
Total Computers and Communications	**875**	**705**
Motor Vehicles		
- Motor Vehicles at Fair Value	1,072	1,035
Less Acc'd Depreciation	699	535
Total Motor Vehicles	**373**	**500**
TOTAL PROPERTY, PLANT & EQUIPMENT	**37,736**	**33,276**

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.

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

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

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Fair value measurement

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

The fair value measurement is based on the following assumptions:

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

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

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

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

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

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

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

These indicators, as a minimum, include:

External factors:

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

In addition, Health Services need to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103F *Non-financial physical assets* and FRD 107B *Investment properties*.

Revaluations of Non-current Physical Assets

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

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

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

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

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

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

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.

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

Djerriwarrh Health Services, 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.

Land and buildings carried at valuation

An independent valuation of the Health Service's property, plant and equipment 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 was 30/6/2014. Subsequently to this date, FRD103F requires a managerial valuation of the relevant property when there is a material increase in Fair value over carrying value in excess of 10%. As at 30th June 2017 the land value of Djerriwarrh Health Services had increased by 11% since the last formal valuation on 30/6/2014, therefore a Land revaluation occurred as at 30/6/2017.

Vehicles

The Health Service acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by the Health Service who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying value (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 2017.

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

Note 4.2: Property, Plant & Equipment (Continued)

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

	Land	Buildings	Plant & Equipment	Medical Equipment	Computers & Comm's	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	**6,520**	**20,605**	**2,157**	**1,687**	**503**	**527**	**31,999**
Additions	-	1,830	530	649	454	244	3,707
Disposals	-	-	-	-	-	(103)	(103)
Depreciation (Note 4.3)	-	(1,105)	(463)	(339)	(252)	(168)	(2,327)
Balance at 1 July 2016	**6,520**	**21,330**	**2,224**	**1,997**	**705**	**500**	**33,276**
Additions	-	4,483	864	308	451	37	6,143
Revaluation Increments	715	-	-	-	-	-	715
Depreciation (Note 4.3)	-	(1,142)	(443)	(368)	(281)	(164)	(2,398)
Balance at 30 June 2017	**7,235**	**24,671**	**2,645**	**1,937**	**875**	**373**	**37,736**

(c) Fair value measurement hierarchy for assets as at 30 June 2017

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
	$'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Land at fair value				
Non - specialised land	304	-	304	
Specialised land	6,931	-	-	6,931
Total of Land at fair value	**7,235**	**-**	**304**	**6,931**
Buildings at fair value				
Non – specialised buildings	455	-	455	-
Specialised buildings	19,144	-	-	19,144
Total of Buildings at fair value	**19,599**	**-**	**455**	**19,144**
Buildings under construction	**5,047**	**-**	**-**	**5,047**
Leasehold Improvements	**25**	**-**	**25**	**-**
Plant and equipment at fair value	**2,645**	**-**	**-**	**2,645**
Medical equipment at fair value	**1,937**	**-**	**-**	**1,937**
Computers and Communications at fair value	**875**	**-**	**-**	**875**
Motor Vehicles at fair value	**373**	**-**	**-**	**373**
	37,736	**-**	**784**	**36,952**

Note 4.2: Property, Plant & Equipment (Continued)

Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
	$'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Land at fair value				
Non - specialised land	290	-	290	-
Specialised land	6,230	-	-	6,230
Total of Land at fair value	**6,520**	**-**	**290**	**6,230**
Buildings at fair value				
Non – specialised buildings	482	-	482	-
Specialised buildings	18,059	-	-	18,059
Total of Buildings at fair value	**18,541**	**-**	**482**	**18,059**
Buildings under construction	**2,762**	**-**	**-**	**2,762**
Leasehold Improvements	**27**	**-**	**27**	**-**
Plant and equipment at fair value	**2,224**	**-**	**-**	**2,224**
Medical equipment at fair value	**1,997**	**-**	**-**	**1,997**
Computers and Communications at fair value	**705**	**-**	**-**	**705**
Motor Vehicles at fair value	**500**	**-**	**-**	**500**
	33,276	-	799	32,477

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

A Health Service shall develop unobservable inputs using the best information available in the circumstances, which might include the Health Service's own data. In developing unobservable inputs, a Health Service may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to the Health Service that is not available to other market participants. A Health Service need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, a Health Service shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings 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 Egan National Valuers (Vic) 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 was 30 June 2014, updated via the 30 June 2017 managerial valuation as required by FRD103F.

To the extent that non-specialised land and non-specialised buildings 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 Service, 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 was 30 June 2014, updated via the 30 June 2017 managerial valuation as required by FRD103F.

d) Reconciliation of Level 3 fair value

2017	Land $'000	Buildings $'000	Plant and Equipment $'000	Medical Equipment $'000	Computers & Comm's $'000	Motor Vehicles $'000
Opening Balance	**6,230**	**20,821**	**2,224**	**1,997**	**705**	**500**
Purchases (sales)	**-**	**4,483**	**864**	**308**	**451**	**37**
Gains or losses recognised in net result						
- Depreciation	-	(1,113)	(443)	(368)	(281)	(164)
Subtotal	**6,230**	**24,191**	**2,645**	**1,937**	**875**	**373**
Items recognised in other comprehensive income						
- Revaluation	701	-	-	-	-	-
Subtotal	**701**	**-**	**-**	**-**	**-**	**-**
Closing Balance	**6,931**	**24,191**	**2,645**	**1,937**	**875**	**373**

2016	Land $'000	Buildings $'000	Plant and Equipment $'000	Medical Equipment $'000	Computers & Comm's $'000	Motor Vehicles $'000
Opening Balance	**6,230**	**20,068**	**2,157**	**1,687**	**503**	**527**
Purchases (sales)	**-**	**1,830**	**530**	**649**	**454**	**141**
Gains or losses recognised in net result						
- Depreciation	-	(1,077)	(463)	(339)	(252)	(168)
Subtotal	**-**	**(1,077)**	**(463)**	**(339)**	**(252)**	**(168)**
Closing Balance	**6,230**	**20,821**	**2,224**	**1,997**	**705**	**500**

There have been no transfers between levels during the periods.

Note 4.2: Property, Plant & Equipment (Continued)

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

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land - Public Hospital, Aged Care Service, and Community Health Centre	Market approach	Community Service Obligation (CSO) adjustment	50- 70% (60%) (2016: 50- 70% (60%))	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised buildings - Public Hospital, Aged Care Service, and Community Health Centre	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings	$1,000 - $1,500/M2 ($1,300) 30-60 Years (45 years) (2016: $1,000 - $1,500/M2 ($1,300)) (2016: 30-60 Years (45 years))	A significant increase or decrease in 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.
Plant and equipment at fair value	Depreciated replacement cost	Cost per unit Useful life of PPE	$9,000-$10,000 ($9,500) 5-10 years (7 years) (2016: $9,000-$10,000 ($9,500)) (2016: 5-10 years (7 years))	A significant increase or decrease in 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	$9,000-$10,000 ($9,500 per unit) 3-5 years (7 years) (2016: $9,000-$10,000 ($9,500 per unit)) (2016:3-5 years (7 years))	A significant increase or decrease in 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.
Medical equipment at fair value	Depreciated replacement cost	Cost per unit Useful life of medical equipment	$6,000-$7,000 ($6,500 per unit) 10-15 years (12 years) (2016: $6,000-$7,000 ($6,500 per unit)) (2016: 10-15 years (12 years))	Increase (decrease) in gross replacement cost would result in a significantly higher (lower) fair value Increase (decrease) in gross replacement cost would result in a significantly higher or lower valuation.
Assets under construction at fair value	Depreciated replacement cost	Cost per unit	$500-$600 ($550) (2016: $500-$600 ($550))	A significant increase or decrease in cost per unit adjustment would result in a significantly higher or lower fair value

Note 4.3: Depreciation and Amortisation

	2017 $'000	2016 $'000
Depreciation		
Buildings	1,142	1,105
Plant & Equipment	443	463
Medical Equipment	368	339
Computers & Communications	281	252
Motor Vehicles	164	168
Total Depreciation	**2,398**	**2,327**
Amortisation		
Intangible Assets	169	111
Total Amortisation	**169**	**111**
Total Depreciation & Amortisation	**2,567**	**2,438**

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.

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 and Human Services. 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 non-current assets on which the depreciation charges are based.

	2017	2016
Buildings		
- Structure Shell Building Fabric	Up to 50 Years	Up to 50 Years
- Site Engineering Services and Central Plant	Up to 50 Years	Up to 50 Years
Central Plant		
- Fit Out	Up to 50 Years	Up to 50 Years
- Trunk Reticulated Building Systems	Up to 50 Years	Up to 50 Years
Plant & Equipment	Up to 10 Years	Up to 10 Years
Medical Equipment	Up to 20 Years	Up to 20 Years
Computers and Communication	Up to 3 Years	Up to 3 Years
Motor Vehicles	Up to 5 Years	Up to 5 Years
Intangible Assets	Up to 3 Years	Up to 3 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 separated into components and each component assessed for its useful life which is represented above.

Note 4.4: Intangible Assets

	2017 $'000	2016 $'000
Other Software	2,662	2,627
Less Acc'd Amortisation	2,405	2,236
Total Intangible Assets	**257**	**391**

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

	Other Software $'000	Total $'000
Balance at 1 July 2015	**243**	**243**
Additions	259	259
Amortisation (note 4.3)	(111)	(111)
Balance at 30 June 2016	**391**	**391**
Additions	35	35
Amortisation (note 4.3)	(169)	(169)
Balance at 30 June 2017	**257**	**257**

Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, and computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Health Service.

Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The consumption of intangible non-produced assets with finite useful lives is classified as amortisation.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the Health Service tests all intangible assets with indefinite useful lives for impairment by comparing the recoverable amount for each asset with its carrying amount:

- annually; and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over a 3 year period (2016: 3 years).

Note 5: Other assets and liabilities

Note 5.1: Receivables

	2017 $'000	2016 $'000
CURRENT		
Contractual		
Trade Debtors	174	571
Patient Fees	125	99
Accrued Investment Income	21	12
Accrued Revenue - Other (Sundry)	22	78
Third Party Bonds	12	14
LESS Allowance for Doubtful Debts		
Patient Fees	(38)	(60)
	316	714
Statutory		
GST Receivable	189	211
Accrued Revenue – Department of Health and Human Services	-	59
Accrued Revenue – Dental Health Services Victoria	288	206
	477	476
TOTAL CURRENT RECEIVABLES	**793**	**1,190**
NON CURRENT		
Statutory		
Long Service Leave – Department of Health and Human Services	2,345	2,092
TOTAL NON-CURRENT RECEIVABLES	**2,345**	**2,092**
TOTAL RECEIVABLES	**3,138**	**3,282**

(a) Movement in the Allowance for doubtful debts

	2017 $'000	2016 $'000
Balance at beginning of year	60	30
Amounts written off during the year	(16)	(5)
Increase/(decrease) in allowance recognised in net result	(6)	35
Balance at end of year	**38**	**60**

(b) Ageing analysis of receivables

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

(c) Nature and extent of risk arising from receivables

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

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 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.

Doubtful debts

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

Note 5.2: Inventories

	2017 $'000	2016 $'000
Pharmaceuticals		
At cost	106	163
Medical and Surgical Lines		
At cost	101	114
TOTAL INVENTORIES	**207**	**277**

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 at the date of acquisition.

Note 5.3: Other Current Liabilities

	2017 $'000	2016 $'000
CURRENT		
Monies Held in Trust*		
- Accommodation Bonds (Refundable Entrance Fees)*	2,372	2,327
Total Current	**2,372**	**2,327**
Total Other Liabilities	**2,372**	**2,327**

	2017 $'000	2016 $'000
*** Total Monies Held in Trust**		
Represented by the following assets:		
Investment and other Financial Assets (refer to Note 4.1)	2,372	2,327
TOTAL	**2,372**	**2,327**

Note 5.4: Prepayments and Other Assets

	2017 $'000	2016 $'000
CURRENT		
Prepayments	205	308
Total Current Other Assets	**205**	**308**
TOTAL OTHER ASSETS	**205**	**308**

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.

Note 5.5: Payables

	2017 $'000	2016 $'000
CURRENT		
Contractual		
Trade Creditors	1,600	1,756
Accrued Expenses	1,448	810
Superannuation	47	35
Other	57	55
	3,152	2,656
Statutory		
Taxation Payable	353	306
Department of Health and Human Services	-	61
	353	367
TOTAL CURRENT	**3,505**	**3,023**
NON CURRENT	-	-
TOTAL NON CURRENT	-	-
TOTAL PAYABLES	**3,505**	**3,023**

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

(b) Nature and extend of risk arising from payables
Please refer to Note 7.1(d) for the nature and extent of risks arising from contractual payables

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.

Note 6: How we finance our operations

Note 6.1: Borrowings

Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

For service concession arrangements, the commencement of the lease term is deemed to be the date the asset is commissioned.

All other leases are classified as operating leases.

Finance Leases

The Health Service does not hold any finance lease arrangements with other parties.

Operating Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Operating leases payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

Note 6.2: 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.

	2017	2016
	$'000	$'000
Cash on Hand	3	3
Cash at Bank	3,610	3,281
Total Cash and Cash Equivalents	**3,613**	**3,284**
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	3,289	3,073
Cash for Grampians Rural Health Alliance	324	211
Total Cash and Cash Equivalents	**3,613**	**3,284**

Cash and Cash Equivalents

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

Note 6.3: Commitments for Expenditure

a) Commitments other than public private partnerships	2017 $'000	2016 $'000
Capital Expenditure Commitments		
Payable:		
Land and Buildings	14,952	1,699
Plant & Equipment	-	578
Intangible Assets	-	61
Total Capital Expenditure Commitments	**14,952**	**2,338**
Land and Buildings		
Not later than one year	14,840	1,699
Later than 1 year and not later than 5 years	112	-
Plant & Equipment		
Not later than one year	-	578
Intangible Assets		
Not later than one year	-	61
Total	**14,952**	**2,338**
b) Commitments Payable		
Lease Commitments		
Commitments in relation to leases contracted for at the reporting date:		
Operating Leases	684	1,164
Total Lease Commitments	**684**	**1,164**
Operating Leases		
Operating leases held by the Health Service include rental leasing of properties, payable as follows:		
Non-cancellable		
Not later than one year	469	480
Later than 1 year and not later than 5 years	215	684
TOTAL LEASE COMMITMENTS	**684**	**1,164**
Total Commitments (inclusive of GST) other than public private partnerships	**15,636**	**3,502**

All amounts shown in the commitments note are nominal amounts inclusive of GST.

Commitments

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

Note 7: Risks, contingencies & valuation uncertainties

Note 7.1: Financial Instruments

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 entity. Due to the nature of the Djerriwarrh Health Services 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, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

(a) Financial Risk Management Objectives and Policies

The Djerriwarrh Health Services 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 (Refer Note 1, 2.1, 3.1, 5.1, 5.5 and 6.2).

The Health Services 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 Audit Committee of the Health Service.

The main purpose in holding financial instruments is to prudentially manage Djerriwarrh Health Services financial risks within the government policy parameters.

Categorisation of financial instruments

2017	**Contractual Financial Assets - loans and receivables $'000**	**Contractual Financial Liabilities at amortised cost $'000**	**Total $'000**
Financial Assets			
Cash and cash equivalents	3,289	-	3,289
Loans and Receivables			
- Trade debtors	174	-	174
- Other receivables	142	-	142
Other Financial assets			
- Term Deposit	6,883	-	6,883
Total Financial Assets (i)	**10,488**	**-**	**10,488**
Financial Liabilities			
At Amortised cost			
- Payables	-	3,152	3,152
Other Financial Liabilities			
- Accommodation Bonds	-	2,372	2,372
Total Financial Liabilities (ii)	-	**5,524**	**5,524**

2016	**Contractual Financial Assets- loans and receivables $'000**	**Contractual Financial Liabilities at amortised cost $'000**	**Total $'000**
Financial Assets			
Cash and cash equivalents	3,073	-	3,073
Loans and Receivables			
- Trade debtors	571	-	571
- Other receivables	143	-	143
Other Financial assets			
- Term Deposit	4,476	-	4,476
Total Financial Assets (i)	**8,263**	**-**	**8,263**
At Amortised cost			
- Payables	-	2,656	2,656
Other Financial Liabilities			
- Accommodation Bonds	-	2,327	2,327
Total Financial Liabilities (ii)	-	**4,983**	**4,983**

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

Note 7.1: Financial Instruments (continued)

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

	Total interest Income/ (expense) $'000	Total $'000
2017		
Financial Assets		
Cash and Cash Equivalents – Cash at Bank	56	56
Loans and Receivables – Term Deposits	108	108
Total Financial Assets (i)	**164**	**164**
Financial Liabilities		
At Amortised cost	-	-
Total Financial Liabilities (ii)	**-**	**-**
2016		
Financial Assets		
Cash and Cash Equivalents – Cash at Bank	61	61
Loans and Receivables – Term Deposits	129	129
Total Financial Assets (i)	**190**	**190**
Financial Liabilities		
At Amortised cost	-	-
Total Financial Liabilities (ii)	**-**	**-**

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

(ii) For financial liabilities 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.

(c) Credit Risk

Credit risk arises from the contractual financial assets of the Health Service, which comprised 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.

In the context of Djerriwarrh Health Services, credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Financial instruments particular to Djerriwarrh Health Services which would be subject to credit risk include:

- Cash Equivalents;
- Other financial assets;
- Receivables;
- Monies held in Trust and Aged Care Bonds; and
- Other liabilities.

With regards to credit risk for Cash Equivalents and Other Financial Assets, it is Djerriwarrh Health Services policy to only invest funds in reputable Australian Deposit taking institutions listed as recommended by the Victorian Department of Treasury. Credit risk should be minimised as such Institutions have their capital adequacy monitored by the Australian Prudential Regulatory Authority.
Receivables are regularly monitored by management and, should collection be doubted, a specific provision is created.

Note 7.1: Financial Instruments (continued)

It is Djerriwarrh Health Services policy that provisions over a certain threshold are approved by management and the Board. Receivables in both the monthly management reports and yearly Djerriwarrh Health Services financial statements are shown as net of provisions.
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 Djerriwarrh Health Services 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 (AA credit rating)	Government agencies (AA credit rating)	Other	Total
2017	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets				
Cash and Cash Equivalents	3,289	-	-	3,289
Receivables				
- Trade Debtors	-	-	174	174
- Other Receivables (i)	-	-	142	142
Other Financial Assets				
- Term Deposit	3,375	3,508	-	6,883
Total Financial Assets	**6,664**	**3,508**	**316**	**10,488**
2016				
Financial Assets				
Cash and Cash Equivalents	3,073	-	-	3,073
Receivables				
- Trade Debtors	-	-	571	571
- Other Receivables	-	-	143	143
Other Financial Assets				
- Term Deposit	4,476	-	-	4,476
Total Financial Assets	**7,549**	**-**	**714**	**8,263**

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

Note 7.1: Financial Instruments (continued)

Ageing analysis of Financial Asset as at 30 June

			Past Due But Not Impaired				
	Carrying Amount	Not Past Due and Not Impaired	Less than 1 Month	1-3 Months	3 months – 1 Year	1-5 Years	Impaired Financial Assets
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets							
Cash and Cash Equivalents	3,289	3,289	-	-	-	-	-
Loans and Receivables							
- Trade Debtors	174	123	30	19	-	-	2
- Other Receivables	142	60	38	8	-	-	36
- Term Deposit	6,883	6,883	-	-	-	-	-
Total Financial Assets	**10,488**	**10,355**	**68**	**27**	**-**	**-**	**38**
2016							
Financial Assets							
Cash and Cash Equivalents	3,073	3,073	-	-	-	-	-
Loans and Receivables							
- Trade Debtors	571	431	122	-	-	-	18
- Other Receivables	143	80	15	6	-	-	42
- Term Deposit	4,476	4,476	-	-	-	-	-
Total Financial Assets	**8,263**	**8,060**	**137**	**6**	**-**	**-**	**60**

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

Contractual financial assets that are either past due or impaired
There are no material financial assets which are individually determined to be impaired. Currently the Health Service does not hold any collateral as security nor credit enhancements relating to its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and 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.

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

In the context of Djerriwarrh Health Services, liquidity risk refers to the risk that the Health Service would be unable to meet its financial obligations as and when they fall due. The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

Djerriwarrh Health Services is a statutory corporation that is primarily funded by the Department of Health and Human Services Victoria (DHH). It is the Board's policy to manage the Health Service under the Financial Management Act to ensure it meets its financial obligations as and when they fall due.

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

Note 7.1: Financial Instruments (continued)

Maturity analysis of Financial Liabilities as at 30 June

	Carrying Amount	Nominal amount	Maturity Dates			
			Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Liabilities						
At amortised cost						
Payables	3,152	3,152	3,152	-	-	-
Other Financial Liabilities (i)						
- Accommodation Bonds	2,372	2,372	-	-	2,372	-
Total Financial Liabilities	**5,524**	**5,524**	**3,152**	**-**	**2,372**	**-**
2016						
Financial Liabilities						
At amortised cost						
Payables	2,656	2,656	2,656	-	-	-
Other Financial Liabilities (i)						
- Accommodation Bonds	2,327	2,327	-	-	2,327	-
Total Financial Liabilities	**4,983**	**4,983**	**2,656**	**-**	**2,327**	**-**

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

(e) Market Risk

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

Currency Risk

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

Interest Rate Risk

Djerriwarrh Health Services is only generally subject to interest rate risk on Investments. Djerriwarrh Health Services is not empowered to borrow funds subject to interest on the principal and is therefore not subject to market risk on financial liabilities.

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

Note 7.1: Financial Instruments (continued)

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

			Interest Rate Exposure		
2017	**Weighted Average Effective Interest Rate (%)**	**Carrying Amount $'000**	**Fixed Interest Rate $'000**	**Variable Interest Rate $'000**	**Non- Interest Bearing $'000**
Financial Assets					
Cash and Cash Equivalents	1.67	3,289	-	3,286	3
Loans and Receivables					
- Trade Debtors		174	-	-	174
- Other Receivables		142	-	-	142
- Term Deposit	2.22	6,883	6,883	-	-
		10,488	**6,883**	**3,286**	**319**
Financial Liabilities					
At amortised cost					
Payables (i)		3,152	-	-	3,152
Other Financial Liabilities					
- Accommodation Bonds		2,372	-	-	2,372
		5,524	**-**	**-**	**5,524**
2016					
Financial Assets					
Cash and Cash Equivalents	2.08	3,073	-	3,070	3
Loans and Receivables					
- Trade Debtors		571	-	-	571
- Other Receivables		143	-	-	143
- Term Deposit	2.70	4,476	4,476	-	-
		8,263	**4,476**	**3,070**	**717**
Financial Liabilities					
At amortised cost					
Payables (i)		2,656	-	-	2,656
Other Financial Liabilities					
- Accommodation Bonds		2,327	-	-	2,327
		4,983	**-**	**-**	**4,983**

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

Note 7.1: Financial Instruments (continued)

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

- A parallel shift of 1% and -1% in market interest rates (AUD) from year-end rates of 2.35%;
- A parallel shift of 1% and -1% in inflation rate from year-end rates of 2.1%

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

	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets					
Cash and Cash Equivalents (i)	3,289	(33)	(33)	33	33
Loans and Receivables					
- Trade Debtors	174	-	-	-	-
- Other Receivables	142	-	-	-	-
- Term Deposit	6,883	(69)	(69)	69	69
Financial Liabilities					
At amortised cost					
Payables	3,152	-	-	-	-
Other Financial Liabilities (ii)					
- Accommodation Bonds	2,372	-	-	-	-
		(102)	**(102)**	**102**	**102**
2016					
Financial Assets					
Cash and Cash Equivalents (i)	3,073	(31)	(31)	31	31
Loans and Receivables					
- Trade Debtors	571	-	-	-	-
- Other Receivables	143	-	-	-	-
- Term Deposit	4,476	(45)	(45)	45	45
Financial Liabilities					
At amortised cost					
Payables	2,656	-	-	-	-
Other Financial Liabilities (ii)					
- Accommodation Bonds	2,327	-	-	-	-
		(76)	**(76)**	**76**	**76**

(i) eg. Sensitivity of cash and cash equivalents to a +1% movement in interest rates:
[$3,289k*0.0335] - [$3,289k*0.0235] = $33k. Similar for a -1% movement in interest rate, impact = -$33k.

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

Note 7.1: Financial Instruments (continued)

(f) Fair Value

The fair value 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.

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

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

Comparison between carrying amount and fair value

	Carrying Amount 2017 $'000	Fair Value 2017 $'000	Carrying Amount 2016 $'000	Fair Value 2016 $'000
Financial Assets				
Cash and Cash Equivalents	3,289	3,289	3,073	3,073
Loans and Receivables				
- Trade Debtors	174	174	571	571
- Other Receivables	142	142	143	143
- Term Deposit	6,883	6,883	4,476	4,476
Total Financial Assets	**10,488**	**10,488**	**8,263**	**8,263**
Financial Liabilities				
At amortised cost				
Payables (i)	3,152	3,152	2,656	2,656
Other Financial Liabilities				
- Accommodation Bonds	2,372	2,372	2,327	2,327
Total Financial Liabilties	**5,524**	**5,524**	**4,983**	**4,983**

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

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

	2017 $'000	2016 $'000
Proceeds from Disposals of Non-Current Assets		
Motor Vehicles	-	142
Total Proceeds from Disposal of Non-Current Assets	**-**	**142**
Less: Written Down Value of Non-Current Assets Sold		
Motor Vehicles	-	103
Total Written Down Value of Non-Current Assets Sold	**-**	**103**
Net gain/(loss) on Disposal of Non-Financial Assets	**-**	**39**

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

Impairment of Non-Financial Assets

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; and
- Investment properties that are measured at fair value.

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

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

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

Note 7.3: Contingent Assets and Contingent Liabilities

There were no Contingent Assets and Contingent Liabilities as at 30 June 2017 (2016: $nil).

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.

Note 7.4: Fair value determination

Asset class	Examples of types of assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	In areas where there is an active market: -vacant land -land not subject to restrictions as to use or sale	Level 2	Market approach	N/A
Specialised land	Land subject to restrictions as to use and /or sale Land in areas where there is not an active market	Level 3	Market approach	CSO adjustments
Non-specialised buildings	For general/commercial buildings that are just built	Level 2	Market approach	N/A
Specialised buildings	Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hosptials, and schools	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Dwellings	Social/public housing/employee housing	Level 2, where there is an active market in the area Level 3, where there is no active market in the area	Market approach Depreciated replacement cost approach	N/A Cost per square metre Useful life
Infrastructure	Any type	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Road, infrastructure and earthworks	Any type	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Plant and equipment	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Vehicles	If there is an active resale market available; If there is no active resale market available	Level 2 Level 3	Market approach Depreciated replacement cost approach	N/A Cost per square metre Useful life
Cultural assets	Items for which here is an active market and there are operational uses for the item	Level 2	Market approach	N/A
Cultural assets	Items for which there is no active market and/or for which there are limited uses	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life

Note 8: Other disclosures

Note 8.1: Equity

	2017 $'000	2016 $'000
(a) Surpluses		
Property, Plant & Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	14,792	14,792
Revaluation Increment/(Decrements)		
- Land	715	-
- Buildings	-	-
Balance at the end of the reporting period*	**15,507**	**14,792**
* Represented by:		
- Land	4,233	3,518
- Buildings	11,274	11,274
	15,507	**14,792**

The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment.

	2017 $'000	2016 $'000
Restricted Specific Purpose Surplus		
Balance at the beginning of the reporting period	717	717
Transfer to and from Restricted Specific Purpose Surplus - Restricted Capital Donations	14	-
Balance at the end of the reporting period	**731**	**717**
Total Surpluses	**16,238**	**15,509**
(b) Contributed Capital		
Balance at the beginning of the reporting period	7,193	7,193
Capital contribution received from Victorian Government	-	-
Balance at the end of the reporting period	**7,193**	**7,193**
(c) Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	5,979	4,372
Net Result for the Year	5,876	1,607
Transfer to and from Restricted Specific Purpose Surplus - Restricted Capital Donations	(14)	-
Balance at the end of the reporting period	**11,841**	**5,979**
Total Equity at end of financial year	**35,272**	**28,681**

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 & Equipment Revaluation Surplus

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

Restricted Specific Purpose Surplus

A Restricted Specific 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.

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

	2017 $'000	2016 $'000
Net Result for the Period	5,876	1,607
Non-Cash movements:		
Net Result From Jointly Controlled Operations	(168)	(319)
Depreciation & Amortisation	2,567	2,438
Provision for Doubtful Debts	22	(30)
Resources/assets received free of charge	(2)	-
Movements included in investing and financing activities:		
Net (Gain)/Loss from Disposal of Non Financial Physical Assets	-	(39)
Movements in assets & liabilities:		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	144	(395)
(Increase)/Decrease in Prepayments	103	26
(Increase)/Decrease in Inventories	70	(43)
Increase/(Decrease) in Payables	1,134	(149)
Increase/(Decrease) in Provisions	(373)	850
Increase/(Decrease) in Other Liabilities	45	1,398
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**9,418**	**5,344**

Note 8.3: Operating Segments

	RACS		Other		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
Commonwealth Subsidies	1,760	1,921	4,737	1,382	6,497	3,303
State Grants	1,222	1,029	58,023	56,518	59,245	57,547
Resident Fees	613	615	779	913	1,392	1,528
Bond Retentions , Accommodation Charges and Interest	78	98	119	140	197	238
Other Operating Revenue	54	55	4,045	4,123	4,099	4,178
Total Revenue	**3,727**	**3,718**	**67,703**	**63,076**	**71,430**	**66,794**
EXPENSES						
Employee Benefits	2,799	2,586	39,641	37,139	42,440	39,725
Non-Salary Labour costs	242	315	5,656	7,056	5,898	7,371
Non-Salary Expenses	884	921	14,343	14,181	15,227	15,102
Depreciation & Amortisation Expense	98	195	2,469	2,243	2,567	2,438
Total Expenses	**4,023**	**4,017**	**62,109**	**60,619**	**66,132**	**64,636**
NET RESULT FOR YEAR	**(296)**	**(299)**	**5,594**	**2,457**	**5,298**	**2,158**
OTHER INFORMATION						
Segment Assets	2,515	2,482	49,524	42,812	52,039	45,294
Total Assets	**2,515**	**2,482**	**49,524**	**42,812**	**52,039**	**45,294**
Segment Liabilities	2,372	2,327	14,395	14,286	16,767	16,613
Total Liabilities	**2,372**	**2,327**	**14,395**	**14,286**	**16,767**	**16,613**
Acquisition of Property, Plant and Equipment and Intangible Assets	35	25	6,143	3,941	6,178	3,966

Refer Note 2 and Note 3 for further breakdown of Segment Revenue and Expenses, in particular, the column headed "RAC including Mental Health".

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

Business Segments	**Services**
Residential Aged Care Services (RACS)	30 bed Nursing Home
Other	Provider of Acute & Community Health services

Residential Aged Care Service

The *Grant Lodge Residential Aged Care Service* operations are an integral part of the Djerriwarrh Health Services and shares its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation.

The *Grant Lodge Residential Aged Care Service* is managed by the Health Service's Board of Management and is substantially funded from Commonwealth bed-day subsidies.

Geographical Segment

Djerriwarrh Health Services operates predominantly in Bacchus Marsh, Melton and Caroline Springs, Victoria. More than 90% of revenue, net surplus from ordinary activities and segment assets relate to operations in Bacchus Marsh, Melton and Caroline Springs, Victoria.

Note 8.4: Responsible Persons Disclosures

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

	Period
Responsible Ministers:	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	01/07/2016 - 30/06/2017
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	01/07/2016 - 30/06/2017
Governing Boards	
Board Administrator	
Dr. J. Ballard	01/07/2016 - 30/06/2017
Accountable Officers	
Mr. A. Freeman (Chief Executive)	01/07/2016 - 30/06/2017

Remuneration
Remuneration received or receivable by responsible persons was in the range: $310,000- $319,999 ($650,000 - $659,999 in 2015-16)

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

Note 8.5: Executive Officer Disclosures

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

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

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

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

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

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.7)	**Total remuneration**	
	2017 $	**2016(i) $**
Short term employee benefits	1,018,541	[redacted]
Post-employment benefits	81,597	
Other long-term benefits	24,498	
Total remuneration (i)	**1,124,636**	
Total number of executives (ii)	**6**	**6**
Total annualised employee equivalent (AEE) (iii)	**5.02**	**5.08**

Notes:
(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to prior year's financial statements for executive remuneration for the 2015-16 reporting period.
(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).
(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

Note 8.6: Related parties

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

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

Djerriwarrh Health Services received funding from the Department of Health and Human Services of $14.1m in the financial year (2016: $14.4m).

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the Health Service include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the Health Services. The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

Compensation	2017 $
Short term employee benefits	1,310,871
Post-employment benefits	100,300
Other long-term benefits	31,023
Total	**1,442,194**

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

During the year, transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scare resources.

Note 8.7: Payments to other personnel (i.e contractors with significant management responsibilities)

	Remuneration 2017 No.	Remuneration 2016 No.
Expense Band		
$180,000 - $189,999	-	1
Total expenses (exclusive of GST)	**$0**	**$184,685**

In 2015-16, payments were made to one contractor with significant management responsibilities. The contractor was responsible for planning, directing or controlling, directly or indirectly, of the Health Services activities.

Note 8.8: Remuneration of auditors

	2017 $'000	2016 $'000
Victorian Auditor-General's office		
Audit of financial statement	14	14
	14	**14**
Other Providers		
Internal Audit	9	11
	9	**11**

Note 8.9: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.
As at 30 June 2017, the following standards and interpretations had been issued by the AASB but were not effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Djerriwarrh Health Services has not and does not intend to adopt these standards early.

Future reporting periods

The table below outlines the accounting standards that have been issued but not effective for 2016-17, which may result in potential impacts on public sector reporting for future reporting periods.

Topic	Key requirements	Effective date
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: The changes attributable to changes in credit risk are presented in other comprehensive income (OCI). The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk is also presented in profit or loss.	1 January 2018
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018

Topic	**Key requirements**	**Effective date**
AASB 9 Financial Instruments	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	• Amends the measurement of trade receivables and the recognition of dividends.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer;	1 January 2018

Topic	Key requirements	Effective date
	and for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017
AASB 1058 Income of Not-for-Profit Entities	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019

Note 8.10: Events Occurring after the Balance Sheet Date

No matter or circumstance has arisen since the end of the financial period to 30 June 2017 that has significantly affected or may significantly affect:

a) The operations in financial year 30 June 2017 of the Health Service

b) The results of those operations

c) The state of affairs in financial years after 30 June 2017 of the Health Service.

Note 8.11: Jointly Controlled Operations and Assets

Name of Entity	Principal Activity	Ownership Interest 2017 %	2016 %
Grampians Rural Health Alliance	Information Systems	10	9.93

Djerriwarrh Health Services 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 assets categories:

	2017 $'000	2016 $'000
Current Assets		
Cash & Cash Equivalents	324	211
Receivables	44	128
Other Assets	3	17
Total Current Assets	**371**	**356**
Non Current Assets		
Property, Plant and Equipment	371	269
Total Non Current Assets	**371**	**269**
Total Assets	**742**	**625**
Current Liabilities		
Payables	47	94
Employee Benefits and Related On –Costs Provisions	11	15
Total Current Liabilities	**58**	**109**
Total Non Current Liabilities	**-**	**-**
Total Liabilities	**58**	**109**

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

	2017 $'000	2016 $'000
Revenues		
Revenue from Operating Activities	548	506
Capital Purpose Income	193	374
Total Revenue	**741**	**880**
Expenses		
Employee Expenses	101	95
Non Salary Labour Costs	28	21
Administration Expenses	394	351
Other Expenses From Continuing Operations	9	21
Depreciation and Amortisation	41	73
Total Expenses	**573**	**561**
Net Result	**168**	**319**

Joint Control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint operations

In respect of any interest in joint operations, Djerriwarrh Health Service recognises in the financial statements:

- Its assets, including its share of any assets held jointly;
- Any liabilities including its share of liabilities that it had incurred;
- Its revenue from the sale of its share of the output from the joint operation;
- Its share of the revenue from the sale of the output by the operation; and
- Its expenses, including its share of any expenses incurred jointly.

Note 8.12: Economic Dependency

The financial performance and position of Djerriwarrh Health Services continues to be poor with the Health Service reporting a surplus net result before capital and specific items of $500,000 (2016: surplus of $144,000) and a working capital deficit of $3,236,000 (2016: deficit of $4,848,000)

As a result of the financial performance and position, Djerriwarrh Health Service has obtained a letter of support from the State Government and in particular, the Department of Health and Human Services (DHHS), confirming that the Department will continue to provide Djerriwarrh Health Service adequate cash flow to meet its current and future obligations up to September 2018. A letter was also obtained for the previous financial year. On that basis, the financial statements have been prepared on a going concern basis.

djerriwarrh health services

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