



ANNUAL REPORT



Peninsula
Health

Financial Statements 2017

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Chairperons’s, Chief Executive Officer’s and Chief Finance & Accounting Officer’s Declaration

The attached financial statements for Peninsula Health have been prepared in accordance with Direction 4.2 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 Peninsula Health at 30 June 2017.

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

We authorise the attached financial statements for issue on 29 August 2017.



Ms Diana Heggie
Chairperson
Frankston
29 August 2017



Ms Sue Williams
Chief Executive Officer
29 August 2017



Mr David Anderson
Chief Finance & Accounting Officer
Frankston
29 August 2017

Independent Auditor's Report

To the Board of Peninsula Health

Opinion I have audited the financial report of Peninsula Health (the health service) which comprises the:

- balance sheet as at 30 June 2017
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including a summary of significant accounting policies
- chairperson's, chief executive officer's and chief finance & accounting officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the financial report The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

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

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

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

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

MELBOURNE
1 September 2017



Charlotte Jeffries

as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement

Comprehensive Operating Statement For the financial year ended 30 June 2017			
	Note	2017 \$'000	2016 \$'000
Revenue from Operating Activities	2	550,121	510,851
Revenue from Non-Operating Activities	2	1,578	1,643
Employee Expenses	3	(414,022)	(390,759)
Non Salary Labour Costs	3	(6,661)	(3,314)
Supplies & Consumables	3	(68,797)	(62,728)
Other Expenses	3	(59,998)	(54,399)
Finance Costs - Self Funded Activity	3 & 13	(417)	(434)
Net Result Before Capital and Specific Items		1,804	860
Capital Purpose Income	2	13,533	16,097
Assets Received Free of Charge	2b	260	1,615
Available-for-Sale Revaluation Reserve Surplus Gain/(Loss) Recognised	2	-	1,020
Impairment of Financial Assets	3	-	(395)
Depreciation & Amortisation	3 & 4	(27,484)	(30,805)
Net Result after Capital and Specific Items		(11,887)	(11,608)
Other Economic Flows included in Net Result			
Net Gain/(Loss) on Non-Financial Assets	2a	27	(42)
Revaluation of Long Service Leave		717	-
Total Other Economic Flows included in Net Result		744	(42)
NET RESULT FOR THE YEAR	16c	(11,143)	(11,650)
Other Comprehensive Income			
Items that will not be reclassified to net result			
- Changes in physical asset revaluation surplus	16a	12,927	8,528
Items that may be reclassified subsequently to net result			
- Changes to financial assets available-for-sale revaluation surplus	16a	770	(94)
COMPREHENSIVE RESULT		2,554	(3,216)

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

Balance Sheet

Balance Sheet as at 30 June 2017			
	Note	2017 \$'000	2016 \$'000
Current Assets			
Cash and Cash Equivalents	5	23,845	16,840
Receivables	6	14,211	21,209
Investments and Other Financial Assets	7	13,375	12,605
Inventories	8	2,440	2,291
Prepayments and Other Assets	9	871	597
Non-Financial Assets Classified as Held for Sale	10a	18,334	-
Total Current Assets		73,076	53,542
Non-Current Assets			
Receivables	6	17,758	13,921
Property, Plant & Equipment	10	369,552	372,393
Intangible Assets	11	4,711	6,756
Total Non-Current Assets		392,021	393,070
TOTAL ASSETS		465,097	446,612
Current Liabilities			
Payables	12	21,433	18,707
Borrowings	13	5,099	948
Provisions	14	98,054	88,976
Other Current Liabilities	15	1,853	1,261
Total Current Liabilities		126,439	109,892
Non-Current Liabilities			
Borrowings	13	7,640	7,810
Provisions	14	16,046	16,492
Total Non-Current Liabilities		23,686	24,302
TOTAL LIABILITIES		150,125	134,194
NET ASSETS		314,972	312,418
EQUITY			
Property, Plant & Equipment Revaluation Surplus	16a	89,522	76,595
Financial Asset Available for Sale Revaluation Surplus	16a	770	-
Contributed Capital	16b	193,214	193,214
Accumulated Surpluses/(Deficits)	16c	31,466	42,609
TOTAL EQUITY		314,972	312,418
Commitments for Expenditure	19		
Contingent Assets and Contingent Liabilities	19		

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

Statement of Changes in Equity

Statement of Changes in Equity For the financial year ended 30 June 2017						
		Property, Plant & Equipment Revaluation Surplus	Financial Asset Available for Sale Revaluation Surplus	Contributed Capital	Accumulated Surpluses/ (Deficits)	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	16	68,067	1,114	193,201	54,259	316,641
Net result for the year	16c	-	-	-	(11,650)	(11,650)
Transfer to Accumulated Surplus - impairment	16a	-	-	-	-	-
Transfer to Accumulated Surplus - on disposal	16a	-	(1,020)	-	-	(1,020)
Other Comprehensive Income for the year	16a	8,528	(94)	-	-	8,434
Capital Contribution received from Victorian Government	16b	-	-	13	-	13
Balance at 30 June 2016		76,595	-	193,214	42,609	312,418
Net result for the year	16c	-	-	-	(11,143)	(11,143)
Transfer to Accumulated Surplus - impairment		-	-	-	-	-
Transfer to Accumulated Surplus - on disposal	16a	-	-	-	-	-
Other Comprehensive Income for the year	16a	12,927	770	-	-	13,697
Capital Contribution received from Victorian Government	16b	-	-	-	-	-
Balance at 30 June 2017		89,522	770	193,214	31,466	314,972

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

Cash Flow Statement

Cash Flow Statement			
For the financial year ended 30 June 2017			
	Note	2017	2016
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		472,671	426,608
Capital Grants from Government		10,443	14,590
Patient and Resident Fees Received		38,148	36,019
Commonwealth Government - Residential Aged Care Subsidy		3,065	3,094
Interest Received		801	871
Dividends Received		685	604
Other Capital Receipts		76	62
Donations and Bequests Received		92	168
Capital Donations and Bequests Received		2,916	1,161
Other Receipts		38,327	37,031
Total receipts		567,224	520,208
Employee Expenses Paid		(404,808)	(385,452)
Non Salary Labour Costs Paid		(6,661)	(3,314)
Payments for Supplies & Consumables		(127,273)	(113,021)
Finance Costs Paid		(417)	(434)
Total payments		(539,159)	(502,221)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	17	28,065	17,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments		-	(3,000)
Payments for Non-Financial Assets		(26,587)	(22,659)
Proceeds from Sale of Non-Financial Assets		1,988	174
Proceeds from Sale of Investments		-	4,052
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(24,599)	(21,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		4,075	-
Repayment of Borrowings		(536)	(514)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		3,539	(514)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		7,005	(3,960)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,840	20,800
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	23,845	16,840
Non-Cash Financing and Investing Activities		-	-

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

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 1: Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Peninsula Health for the year ended 30 June 2017.

The purpose of the report is to provide users with information about the Health Service's 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 Australian Accounting Standards (AASs), which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of *AASB 101 Presentation of Financial Statements*.

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

Peninsula Health is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to 'not-for-profit' Health Services under the AASs.

The annual Financial Statements were authorised for issue by the Board of Directors of Peninsula Health on 29 August 2017.

(b) Reporting Entity

The Financial Statements include all the controlled activities of Peninsula Health.

Its principal address is:
Hastings Road (PO Box 52)
Frankston Victoria 3199

A description of the nature of Peninsula Health's operations and its principal activities are included in the report of operations, which does not form part of these Financial Statements.

Objectives and funding

Peninsula Health embraces an integrated and collaborative view of health, working with community and service partners to promote health and to plan for the future needs of the local community of Frankston and the Mornington Peninsula.

Peninsula Health provides acute care, sub acute care, residential care, mental health services and community health services, and is a major teaching centre.

Peninsula Health is predominantly funded by grants for the provision of outputs in these areas.

(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; and
- The fair value of assets other than land is generally based on their depreciated replacement value.

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

Judgements, 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 judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(d) Scope and presentation of financial statements

Fund Accounting

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

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

Activities classified as Services supported by Health Services Agreement (HSA) are substantially funded by the Department of Health and Human Services and include Residential Aged Care Services (RACS) which are also

funded from other sources such as the Commonwealth, patients and residents, while Services Supported by Hospital and Community Initiatives (H&CI) are funded by Peninsula Health's own activities or local initiatives and/or the Commonwealth.

Residential Aged Care Services

Carinya Nursing Home is a part of Peninsula Health operations and shares its resources. Where appropriate an apportionment of land and buildings has been made based on floor space. The results of these operations have been segregated based on actual revenue earned and expenditure incurred by each operation in Note 2 and Note 3 to the Financial Statements. Carinya Nursing Home is substantially funded from Commonwealth bed-day subsidies.

Comparative Information

Where necessary, figures for the previous year have been reclassified to facilitate comparison where requested by the applicable accounting standards.

Rounding of Amounts

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

Goods and Services Tax

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

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

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

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

Note 2: Analysis of Revenue by Source

	Acute Care 2017 \$'000	Mental Health 2017 \$'000	Mental Health 2016 \$'000	Residential Aged Care - Mental Health 2017 \$'000	Residential Aged Care - Mental Health 2016 \$'000	Aged Care 2017 \$'000	Aged Care 2016 \$'000	Primary Health 2017 \$'000	Primary Health 2016 \$'000	Other 2017 \$'000	Other 2016 \$'000	Total 2017 \$'000	Total 2016 \$'000
Government grants	404,877	39,845	36,880	3,065	3,094	19,651	19,688	22,371	22,009	-	-	489,809	451,169
Indirect contributions by Department of Health and Human Services	-	-	-	-	-	-	-	-	-	4,130	4,288	4,130	4,288
Patient and Resident Fees	30,877	-	-	688	591	398	452	-	-	-	-	31,963	31,160
Commercial Activities	-	-	-	-	-	-	-	-	-	10,642	11,293	10,642	11,293
Other Revenue from Operating Activities	4,749	428	421	-	-	3,115	2,780	4,831	4,718	454	345	13,577	12,941
Total Revenue from Operating Activities	440,503	40,273	37,301	3,753	3,685	23,164	22,920	27,202	26,727	15,226	15,926	550,121	510,851
Interest	-	-	-	-	-	-	-	-	-	801	871	801	871
Dividends	-	-	-	-	-	-	-	-	-	685	604	685	604
Other Revenue from Non-Operating Activities	-	-	-	-	-	-	-	-	-	92	168	92	168
Total Revenue from Non-Operating Activities	-	-	-	-	-	-	-	-	-	1,578	1,643	1,578	1,643
Capital Purpose Income (excluding interest)	-	-	-	-	-	-	-	-	-	11,912	14,874	11,912	14,874
Capital Donations & Bequests	-	-	-	-	-	-	-	-	-	1,545	1,161	1,545	1,161
Other Capital Purpose Income	-	-	-	-	-	-	-	-	-	76	62	76	62
Total Capital Purpose Income	-	-	-	-	-	-	-	-	-	13,533	16,097	13,533	16,097
Assets Received Free of Charge (refer Note 2b)	-	-	-	-	-	-	-	-	-	260	1,615	260	1,615
Available-for-Sale Revaluation Reserve Surplus Recognised	-	-	-	-	-	-	-	-	-	-	1,020	-	1,020
Total Revenue	440,503	40,273	37,301	3,753	3,685	23,164	22,920	27,202	26,727	30,597	36,301	565,492	531,226

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

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

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

Government Grants and Other Transfers of Income (other than Contributions By Owners)

In accordance with *AASB 1004 Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when Peninsula Health 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 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 or accrued when a service is performed.

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.

Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from Peninsula Health's investments in financial assets.

Interest Revenue

Interest revenue is recognised on a time proportionate basis; in that it takes into 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 service would have been purchased if not received as a donation.

Other Income

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

Category Groups

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

Acute Care comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals, or free standing day hospital facilities, or palliative care facilities, or rehabilitation facilities. It also includes revenue/expenditure on outpatient and emergency department services.

Mental Health comprises all recurrent health revenue/expenditure on specialised mental health services (child and adolescent, general adult and community) managed or funded by the State, and includes: admitted patient services, outpatient services, community based services and ambulatory services.

Residential Aged Care comprises all recurrent revenue/expenditure on high level and low level residential aged care facilities.

Residential Aged Care-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 Department of Health and Human Services 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.

Aged Care comprises revenue/expenditure from Home and Community Care (HACC) programs, Allied Health, Aged Care Assessment and support services. This category also includes the MePACS personal alarm monitoring service.

MePACS provides personal alarm services to private clients, government funded (PAV) clients, and some research activities. Personal Alert Victoria (PAV) is a 24 hour personal monitoring service that responds to calls for assistance and is funded by the Victorian Government through the Department of Health and Human Services.

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.

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

Note 2a: Net Gain/Loss on Disposal

	2017	2016
	\$'000	\$'000
Proceeds from Disposals of Non Financial Assets		
Furniture & Fittings	-	-
Plant & Equipment	2	-
Motor Vehicles	31	174
Total Proceeds from Disposal of Non Financial Assets	33	174
Less: Written Down Value of Non Financial Assets Sold		
Furniture & Fittings	-	-
Plant & Equipment	2	213
Motor Vehicles	4	3
Total Written Down Value of Non Financial Assets Sold	6	216
Net gains/(losses) on disposal of Non Financial Assets	27	(42)

Disposal of Non-Financial Assets

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

Impairment of Non-Financial Assets

All assets of Peninsula Health are assessed annually for indications of impairment, except for;

- inventories; and
- assets arising from construction contracts.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying 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 change in the estimate of an asset's recoverable amount since the last

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

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs of disposal.

Note 2b: Assets Received Free of Charge

	2017	2016
	\$'000	\$'000
During the reporting period, the fair value of assets received free of charge, was as follows:		
- Plant & Equipment	260	1,615
Total	260	1,615

Note 3: Analysis of Expenses by Source

	Acute Care 2017 \$'000	Acute Care 2016 \$'000	Mental Health 2017 \$'000	Mental Health 2016 \$'000	Residential Aged Care - Mental Health 2017 \$'000	Residential Aged Care - Mental Health 2016 \$'000	Aged Care 2017 \$'000	Aged Care 2016 \$'000	Primary Health 2017 \$'000	Primary Health 2016 \$'000	Other 2017 \$'000	Other 2016 \$'000	Total 2017 \$'000	Total 2016 \$'000
Employee expenses	333,054	313,707	34,402	32,752	3,920	3,877	10,504	9,640	26,368	25,807	5,774	4,976	414,022	390,759
Non Salary Labour Costs	4,509	1,618	214	57	98	28	1,721	1,466	68	84	51	61	6,661	3,314
Supplies & Consumables	66,445	60,742	227	241	62	84	18	27	764	494	1,281	1,140	68,797	62,728
Client Costs	832	828	2,175	2,047	-	-	4,651	4,619	1,416	1,846	-	-	9,074	9,340
Other Expenses	43,318	39,187	1,779	1,754	142	156	2,394	1,886	1,402	1,053	1,889	1,023	50,924	45,059
Finance Costs	-	-	-	-	-	-	-	-	-	-	417	434	417	434
- Self Funded Activity (refer Note 13)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure from Operating Activities	448,158	416,082	38,797	36,851	4,222	4,145	19,288	17,638	30,018	29,284	9,412	7,634	549,895	511,634
Depreciation & Amortisation (refer Note 4)	-	-	-	-	-	-	-	-	-	-	27,484	30,805	27,484	30,805
Impairment of Financial Assets (refer Note 18c)	-	-	-	-	-	-	-	-	-	-	-	395	-	395
Total Other Expenses	-	-	-	-	-	-	-	-	-	-	27,484	31,200	27,484	31,200
Total Expenses	448,158	416,082	38,797	36,851	4,222	4,145	19,288	17,638	30,018	29,284	36,896	38,834	577,379	542,834

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

Cost of goods sold

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

Employee expenses

Employee expenses include:

- Wages and salaries;
- Leave entitlements;
- Termination payments;
- Workcover premiums; and
- Superannuation expenses, which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

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 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 6 Receivables.

· Other economic flows included in net result

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

· Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluation gains/(losses) of non-financial physical assets (refer to Note 10 Property Plant and Equipment).

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

· 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 7 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

All assets of Peninsula Health are assessed annually for indications of impairment, except for;

- inventories; and
- assets arising from construction contracts

Revaluations of financial instrument at fair value

Refer to Note 18 Financial instruments.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised as an expense in the comprehensive operating statement.

Note 3a: Analysis of Expense and Revenue by Internally managed and Specific Purpose Funds

	2017 Expense \$'000	2016 Revenue \$'000	2017 Revenue \$'000	2016 Revenue \$'000
Commercial Activities				
Thoracic Medicine	553	463	563	496
Echo Cardiology/Angiography	1,087	1,012	866	807
Sleep Laboratory	915	892	216	210
Property Rental	-	-	323	196
Cafeteria & Catering Services	1,324	1,221	1,521	1,476
Car Park	1,257	891	3,387	3,197
Special Purpose Funds	460	396	165	1,265
Other Specific Purpose Funds	3,582	2,759	3,601	3,646
TOTAL	9,178	7,634	10,642	11,293

Note 4: Depreciation & Amortisation

	2017 \$'000	2016 \$'000
Depreciation		
Buildings	14,412	17,079
Plant & Equipment	8,444	8,031
Furniture & Fittings	2,397	3,512
Motor Vehicles	186	143
Total Depreciation	25,439	28,765
Amortisation		
Software	2,045	2,040
Total Amortisation	2,045	2,040
Total Depreciation and Amortisation	27,484	30,805

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.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services. Assets with a cost in excess of \$1,000 (2016: \$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 (in years) of non-current assets on which the depreciation charges are based.

	2017	2016
Buildings		
- Structure Shell Building Fabric	45 to 60	45 to 60
- Site Engineering Services and Central Plant	20 to 30	20 to 30
Central Plant		
- Fit Out	20 to 30	20 to 30
- Trunk Reticulated Building Systems	20 to 30	20 to 30
Plant & Equipment	5 to 10	5 to 10
Medical Equipment	3 to 10	3 to 10
Computers & Communication	3	3
Furniture and Fitting	7 to 10	7 to 10
Motor Vehicles	4	4
Leasehold Improvements	8 to 10	8 to 10
Other Equipment	5 to 10	5 to 10

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

Note 5: Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash assets include 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	26	26
Cash at Bank	1,950	5,366
Deposits at Call	21,869	11,448
TOTAL	23,845	16,840
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	23,845	16,840
TOTAL	23,845	16,840

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

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

Note 6: Receivables

	2017	2016
	\$'000	\$'000
CURRENT		
Contractual		
Inter Hospital Debtors	202	331
Trade Debtors	3194	6,676
Patient Fees	6305	6,671
Accrued Investment Income	105	137
Less Allowance for Doubtful Debts	(395)	(299)
	9,411	13,516
Statutory		
Accrued Revenue - Department of Health and Human Services	-	3,158
Long Service Leave - Department of Health and Human Services	3,632	3,632
GST Receivable	1,168	903
	4,800	7,693
TOTAL CURRENT RECEIVABLES	14,211	21,209
NON CURRENT		
Contractual		
Trade Debtors	-	-
Statutory		
Department of Health and Human Services - Long Service Leave	17,758	13,921
TOTAL NON-CURRENT RECEIVABLES	17,758	13,921
TOTAL RECEIVABLES	31,969	35,130

(a) Movement in Allowance for Doubtful Debts

	2017	2016
	\$'000	\$'000
Balance at beginning of year	299	74
Amounts written off during the year	(310)	(76)
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in profit or loss	406	301
Balance at end of year	395	299

(b) Ageing analysis of receivables

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

(c) Nature and extent of risk arising from receivables

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

Receivables consist of:

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

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 uncollectable 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. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt not written off by mutual consent and the allowance for doubtful debts are classified as 'other comprehensive income' in the net result.

Note 7: Investments and Other Financial Assets

	Total	Total
	2017	2016
	\$'000	\$'000
Equities & Managed Investments Available for Sale at Fair Value		
VFMC Growth Fund	13,375	12,605
Total Current	13,375	12,605
Represented by:		
Operating Fund		
- Health Service Investments	11,522	11,344
Specific Purpose Fund		
Monies Held in Trust:		
- Patient Monies	10	7
- Accommodation Bonds (Refundable Entrance Fees)	1,843	1,254
TOTAL	13,375	12,605

(a) Ageing analysis of other financial assets

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

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

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

Investments and Other Financial Assets

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

Investments are classified in the following categories:

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

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

Peninsula Health assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Health Service retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Health Service has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset; or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets

At the end of each reporting period, Peninsula Health assesses whether there is objective evidence that a financial asset or group of financial asset 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.

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

In order to determine an appropriate fair value as at 30 June 2017 for its portfolio of financial assets, Peninsula Health used the quoted market price for each individual holding. The quoted market price has been advised by reputable financial institutions. The above valuation process was used to quantify the level of impairment on the portfolio of financial assets at year end.

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 8: Inventories

	2017	2016
	\$'000	\$'000
Pharmaceuticals - at cost	756	720
Catering Supplies - at cost	60	62
Housekeeping Supplies - at cost	-	32
Medical and Surgical Lines - at cost	1,624	1,473
Administration Stores - at cost	-	4
TOTAL INVENTORIES	2,440	2,291

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

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

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

The basis 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.

Note 9: Prepayments and Other Assets

	2017	2016
	\$'000	\$'000
CURRENT		
Prepayments	871	597
TOTAL	871	597

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 10: Property, Plant & Equipment

(a) Gross carrying amount and accumulated depreciation

	2017	2016
	\$'000	\$'000
Land		
- Land at Fair Value	66,410	71,817
Total Land	66,410	71,817
Buildings		
- Buildings at Fair Value	357,735	349,495
Less Accumulated Depreciation	(105,978)	(91,566)
Total Buildings	251,757	257,929
Plant and Equipment		
- Plant and Equipment at fair value	85,852	75,063
Less Accumulated Depreciation	(50,545)	(42,350)
Total Plant and Equipment	35,307	32,713
Furniture and Fittings		
- Furniture and Fittings at fair value	31,230	29,614
Less Accumulated Depreciation	(24,472)	(22,075)
Total Furniture and Fittings	6,758	7,539
Motor Vehicles		
- Motor Vehicles at fair value	4,400	4,184
Less Accumulated Depreciation	(3,642)	(3,735)
Total Motor Vehicles	758	449
Assets Under Construction		
- Assets under construction at cost	8,562	1,946
Total Assets Under Construction	8,562	1,946
TOTAL	369,552	372,393

(b) Note 10: Reconciliations of the carrying amounts of each class of asset

	Land	Buildings	Plant & Equipment	Furniture & Fittings	Motor Vehicles	Assets Under Construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	63,289	263,209	29,714	9,544	347	2,186	368,289
Additions	-	5,876	6,663	1,371	248	8,784	22,942
Disposals	-	-	(213)	-	(3)	-	(216)
Assets received free of charge	-	-	1,615	-	-	-	1,615
Transfers from Assets Under Construction	-	5,923	2,965	136	-	(9,024)	-
Net Transfers to Intangible Assets (Note 11)	-	-	-	-	-	-	-
Impairment Losses (recognised)/reversed in Net Result	-	-	-	-	-	-	-
Revaluation increments/(decrements)	8,528	-	-	-	-	-	8,528
Depreciation (Note 4)	-	(17,079)	(8,031)	(3,512)	(143)	-	(28,765)
Balance at 30 June 2016	71,817	257,929	32,713	7,539	449	1,946	372,393
Additions	-	4,958	9,966	1,578	498	10,750	27,750
Disposals	-	-	(2)	-	(3)	-	(5)
Transfer to Asset Held for Sale (Note 10a)	(18,334)	-	-	-	-	-	(18,334)
Assets received free of charge	-	-	260	-	-	-	260
Transfers from Assets Under Construction	-	3,282	814	38	-	(4,134)	-
Net Transfers to Intangible Assets (Note 11)	-	-	-	-	-	-	-
Impairment Losses (recognised)/reversed in Net Result	-	-	-	-	-	-	-
Revaluation increments/(decrements)	12,927	-	-	-	-	-	12,927
Depreciation (Note 4)	-	(14,412)	(8,444)	(2,397)	(186)	-	(25,439)
Balance at 30 June 2017	66,410	251,757	35,307	6,758	758	8,562	369,552

Land and buildings carried at valuation

An independent valuation of Peninsula Health's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30 June 2014.

Between each scheduled revaluation, fair value assessments are conducted in each annual reporting period. For 30 June 2017, a material movement occurred in the fair value of the Peninsula Health's land assets. A managerial revaluation of the carrying amount of that class of assets was performed. The compounded movement in the relevant indicators since the last scheduled revaluation was \$12,927,041.

(c) Note 10: 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:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
Land at fair value				
- Non-specialised land	3,970	-	3,970	-
- Specialised land	67,847	-	-	67,847
Total of land at fair value	71,817	-	3,970	67,847
Buildings at fair value				
- Specialised buildings	257,929	-	-	257,929
Plant and equipment at fair value				
- Plant and equipment	32,713	-	-	32,713
Furniture and Fittings at fair value				
- Office furniture, computers and leasehold improvements	7,539	-	-	7,539
Motor Vehicles at fair value				
- Vehicles (ii)	449	-	-	449
	370,447	-	3,970	366,477

(c) Note 10: 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:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
Land at fair value				
- Non-specialised land	4,685	-	4,685	-
- Specialised land	61,725	-	-	61,725
Total of land at fair value	66,410	-	4,685	61,725
Buildings at fair value				
- Specialised buildings	251,757	-	-	251,757
Plant and equipment at fair value				
- Plant and equipment	35,307	-	-	35,307
Furniture and Fittings at fair value				
- Office furniture, computers and leasehold improvements	6,758	-	-	6,758
Motor Vehicles at fair value				
- Vehicles (ii)	758	-	-	758
	360,990	-	4,685	356,305

Note

(i) Classified in accordance with the fair value hierarchy

(ii) Vehicles are categorised to Level 3 assets because the depreciated replacement cost is used in estimating the fair value.

There have been no transfers between levels during the period.

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 and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the Financial Statements and estimates relate to the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 10(e)).

Consistent with AASB 13 Fair Value Measurement, Peninsula Health determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment 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, Peninsula Health has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

Peninsula Health, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. Refer to Note 10 for a description of the valuation processes used.

(d) Note 10: Reconciliation of Level 3 fair value at 30 June 2016(i)

	Land	Buildings	Plant and Equipment	Furniture & Fittings	Motor Vehicles
Opening Balance at 1 July 2015	59,744	263,209	29,714	9,544	347
Purchases (sales)	-	11,799	11,030	1,507	245
Transfers in (out) of Level 3	-	-	-	-	-
Gains or losses recognised in net result					
- Depreciation	-	(17,079)	(8,031)	(3,512)	(143)
- Impairment loss	-	-	-	-	-
Subtotal	59,744	257,929	32,713	7,539	449
Items recognised in other comprehensive income					
- Revaluation	8,103	-	-	-	-
Subtotal	8,103	-	-	-	-
	67,847	257,929	32,713	7,539	449
Unrealised gains/(losses) on non-financial assets					
	-	-	-	-	-
Closing Balance at 30 June 2016	67,847	257,929	32,713	7,539	449

(d) Note 10: Reconciliation of Level 3 fair value at 30 June 2017(i)

	Land	Buildings	Plant and Equipment	Furniture & Fittings	Motor Vehicles
Opening Balance at 1 July 2016	67,847	257,929	32,713	7,539	449
Purchases (sales)	-	8,240	11,038	1,616	495
Transfers in (out) of Level 3	-	-	-	-	-
Gains or losses recognised in net result					
- Depreciation	-	(14,412)	(8,444)	(2,397)	(186)
- Impairment loss	-	-	-	-	-
Subtotal	67,847	251,757	35,307	6,758	758
Items recognised in other comprehensive income					
- Revaluation	12,212	-	-	-	-
Subtotal	12,212	-	-	-	-
	80,059	251,757	35,307	6,758	758
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-
Transfer to Asset Held for Sale (Note 10a)	(18,334)	-	-	-	-
Closing Balance at 30 June 2017	61,725	251,757	35,307	6,758	758

Note: (i) Classified in accordance with the fair value hierarchy, see Note 10

Non-specialised land and 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, The Valuer-General Victoria (VGV) determines 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.

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 Peninsula Health, 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.

A managerial revaluation of the carrying amount of Land assets was performed at 30 June 2017. The compounded movement in the new indicators published by the Valuer General since the last scheduled revaluation was \$12,927,041.

Plant and equipment, Furniture & Fittings

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.

Vehicles

Peninsula Health acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by 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).

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.

e) Note 10: Description of significant unobservable inputs to Level 3 valuations 30 June 2017 and 30 June 2016:

	Valuation technique	Significant unobservable inputs (i)
Specialised land		
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings		
Hospital care facilities	Depreciated replacement cost	Direct cost per square metre
Residential building structures		
Community Centre (Hastings)		
Other sheds and halls		
All		Useful life of specialised buildings
Plant and equipment at fair value		
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of PPE
Vehicles		
Motor vehicles	Depreciated replacement cost	Cost per unit Useful life of Vehicles
Medical equipment at fair value		
Medical equipment	Depreciated replacement cost	Cost per unit Useful life of ME
Furniture and fittings at fair value		
Furniture and fittings	Depreciated replacement cost	Cost per unit Useful life of F&F

(i) A CSO adjustment of 20% was applied to reduce the market approach value for the Health Service's specialised land. The significant unobservable inputs have remain unchanged from 2016.

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.

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

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

Plant, Equipment and Vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for 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.

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 normally transferred to accumulated funds on derecognition of the relevant asset.

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

Note 10a: Non-financial physical assets classified as held for sale

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

	Total	Total
	2017	2016
	\$'000	\$'000
Freehold Land⁽ⁱ⁾	18,334	-
Total Non-Financial Physical Assets classified as Held for Sale	18,334	-

(i) Peninsula Health intends to dispose of freehold land it no longer utilise in the next 12 months. The land located in Mount Eliza was used until recently for Corporate Services and for Personal Alarm Call Service. All services have been relocated to other sites. A search is underway for a buyer. No impairment loss was recognised on reclassification of the freehold land as held for sale or at the end of the reporting period.

(b) Fair value measurement of non-financial physical assets held for sale

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using		
		\$'000	Level 1(1)	Level 2(1)
Freehold Land held for sale⁽ⁱⁱ⁾	18,334	-	-	18,334
Total Non-Financial Physical Assets classified as Held for Sale	18,334	-	-	18,334

Notes

(1) Classified in accordance with the fair value hierarchy (Note 10).

(ii) Freehold land held for sale is carried at fair value less costs to disposal.

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using		
		\$'000	Level 1(1)	Level 2(1)
Freehold Land held for sale⁽ⁱⁱ⁾	-	-	-	-
Total Non-Financial Physical Assets classified as Held for Sale	-	-	-	-

Notes

(1) Classified in accordance with the fair value hierarchy (Note 10).

(ii) Freehold land held for sale is carried at fair value less costs to disposal.

Note 11: Intangible Assets

	2017	2016
	\$'000	\$'000
Software	11,894	11,894
Less Accumulated Amortisation	(7,183)	(5,138)
Total Intangible Assets	4,711	6,756

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

	Software	
	2017	2016
	\$'000	\$'000
Balance at beginning of year	6,756	8,785
Additions	-	11
Net Transfers from Assets Under Construction (Note 10)	-	-
Disposals	-	-
Amortisation expense (Note 4)	(2,045)	(2,040)
Balance at end of year	4,711	6,756

Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as 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 Peninsula Health.

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

Amortisation

Amortisation is allocated to intangible 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 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 assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

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

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 three to seven year period (2016: 3 – 7 years).

Note 12: Payables

	2017	2016
	\$'000	\$'000
CURRENT		
Contractual		
Trade Creditors (i)	3,601	6,859
Salary Packaging	1,857	2,258
Accrued Expenses	15,385	9,590
	20,843	18,707
Statutory		
Department of Health and Human Services	590	-
TOTAL CURRENT	21,433	18,707

(i) The average credit period is 30 days.

(a) Maturity analysis of payables

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

(b) Nature and extent of risk arising from payables

Please refer to Note 18(e) for the nature and extent of risks arising from contractual payables.

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the Peninsula Health prior to the end of the financial year that are unpaid, and arise when the Peninsula Health 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 net 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 13: Borrowings

	2017	2016
	\$'000	\$'000
CURRENT		
VicFleet	72	-
TCV borrowings	5,027	948
	5,099	948
NON CURRENT		
VicFleet	370	-
TCV borrowings	7,270	7810
	7,640	7,810
TOTAL BORROWINGS	12,739	8,758

The terms and conditions of the interest bearing borrowings include a 15 year repayment period at a fixed interest rate of 4.80%.

Finance costs of the Peninsula Health incurred during the year are accounted for as follows:

	2017	2016
Interest on long term borrowings (recognised as a finance cost - self funded activity)	(417)	(434)

(a) Maturity analysis of borrowings

Please refer to Note 18(e) for the ageing analysis of borrowings

(b) Nature and extent of risk arising from borrowings

Please refer to Note 18(e) for the nature and extent of risks arising from borrowings.

(c) Defaults and breaches

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

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. All other leases are classified as operating leases.

Borrowings

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition for liabilities is amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowings using the effective interest method.

Operating Leases as a lessee

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

Finance Leases as a lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. If there is certainty that Peninsula Health will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Lease Incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received by the lessee to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset is diminished.

Leasehold Improvements

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

Finance costs

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

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Note 14: Provisions

Employee Benefits

	2017	2016
	\$'000	\$'000
CURRENT		
Employee Benefits (i) (Note 14(a))		
Annual Leave (Note 14(a))		
- Unconditional and expected to be settled within 12 months (iii)	25,947	24,530
- Unconditional and expected to be settled after 12 months (ii)	4,329	4,128
Long Service Leave (Note 14(a))		
- Unconditional and expected to be settled within 12 months (iii)	5,933	5,888
- Unconditional and expected to be settled after 12 months (ii)	41,241	36,098
Accrued Days Off (Note 14(a))		
- Unconditional and expected to be settled within 12 months (iii)	1,006	894
- Unconditional and expected to be settled after 12 months (ii)	-	-
Accrued Wages and Salaries	11,286	9,874
	89,742	81,412
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months (iii)	3,349	3,190
- Unconditional and expected to be settled after 12 months (ii)	4,963	4,374
	8,312	7,564
Total Current Provisions	98,054	88,976
NON-CURRENT		
Employee Benefits (i) (Note 14(a))	14,535	15,000
Provisions related to Employee Benefit On-Costs (Note 14(a) and Note 14(b))	1,511	1,492
Total Non-Current Provisions	16,046	16,492
Total Provisions	114,100	105,468

(a) Employee Benefits and Related On-Costs

Current Employee Benefits and related on-costs		
Annual Leave Entitlements	33,298	31,519
Unconditional Long Service Leave Entitlement	52,357	46,596
Accrued Days Off	1,113	987
Accrued Wages and Salaries	11,286	9,874
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements	16,046	16,492
Total Employee Benefits and Related On-Costs	114,100	105,468

Notes:

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

(ii) The amounts disclosed are at present values.

(iii) The amounts disclosed are at nominal values.

(b) Movement in Long Service Leave:

Balance at start of year	63,088	57,011
Provision made during the year:		
-Revaluations	(717)	2,861
-Expense recognising employee service	12,617	9,751
Settlement made during the year	(6,585)	(6,535)
Balance at end of year	68,403	63,088

Provisions

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

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

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

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 and annual leave are all recognised in the provision for employee benefits as 'current liabilities', because Peninsula Health does not have an unconditional right to defer settlements of these liabilities.

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

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

Long Service Leave

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

Current Liability – unconditional LSL (representing 10 or more years of continuous service) is disclosed in the notes to the Financial Statements as a current liability even where Peninsula Health does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. The components of this current LSL liability are measured at:

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

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

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an

employee decides to accept an offer of benefits in exchange for termination of employment.

Peninsula Health recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-Costs related to employee expense

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

Note 14a: Superannuation

Contributions Paid or Payable for the Year

	2017	2016
	\$'000	\$'000
Defined benefit plans:		
Hospital Superannuation Fund	353	409
Government Superannuation Fund	148	161
Defined contribution plans:		
Hospital Superannuation Fund	18,783	18,927
Other Funds	12,854	11,399
Total	32,138	30,896
Contributions outstanding at the end of the financial year	812	616

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

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 Peninsula Health to the superannuation plans in respect of the services of current staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

Superannuation liabilities

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

Note 15: Other Liabilities

	2017	2016
	\$'000	\$'000
CURRENT		
*Trust Funds - Patient Monies held in Trust	1,853	1,261
	1,853	1,261
* Total Monies Held in Trust		
Represented by the following assets:		
- Cash Assets Held in Trust (refer to Note 7)	10	7
- Other Financial Assets Held at Trust (refer to Note 7)	1,843	1,254
TOTAL	1,853	1,261

Note 16: Equity

(a) Surpluses

	2017	2016
	\$'000	\$'000
Property, Plant & Equipment Revaluation Surplus 1		
Balance at the beginning of the reporting period	76,595	68,067
Revaluation increment/(decrement)	12,927	8,528
Impairment losses	-	-
Balance at the end of the reporting period	89,522	76,595
* Represented by:		
- Buildings	47,691	47,691
- Land	41,831	28,904
	89,522	76,595
Financial Asset Available-for-Sale Revaluation Surplus 2		
Balance at the beginning of the reporting period	-	1,114
Cumulative (gain)/loss transferred to Operating Statement on sale of financial assets	-	(1,020)
Cumulative (gain)/loss transferred to Operating Statement on impairment of financial assets	-	-
Valuation gain/(loss) recognised direct to equity	770	(94)
Balance at the end of the reporting period	770	-
Total Surpluses	90,292	76,595

1. The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment.
2. The financial assets available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to the financial asset, and is effectively realised, is recognised in the net result. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in net result.

(b) Contributed Capital

Balance at the beginning of the reporting period	193,214	193,201
Capital Contribution received from Victorian Government		13
Balance at the end of the reporting period	193,214	193,214

(c) Accumulated Surpluses/(Deficits)

Balance at the beginning of the reporting period	42,609	54,259
Net Result for the Year	(11,143)	(11,650)
Balance at the end of the reporting period	31,466	42,609
Total Equity at the end of the reporting period	314,972	312,418

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.

Property, Plant & Equipment Revaluation Surplus

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

Financial Assets Available-for-Sale Revaluation Surplus

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets.

Where a revalued financial asset is sold, that portion of the surplus which relates to that financial asset is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired, that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

Note 17: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	2017	2016
	\$'000	\$'000
Net Result for the Year	(11,143)	(11,650)
Non-cash movements		
Depreciation & Amortisation	27,484	30,805
Non-Cash Department of Health Capital Grants	(98)	(306)
Non-Cash Assets Available for Sale	-	(1,020)
Non-Cash Impairment of Financial Assets	-	395
Non-Cash Revaluation of Long Service Leave	(717)	-
Assets received free of charge	(260)	(1,615)
Movements included in investing and financing activities		
Net (Gain)/Loss from Sale of Plant and Equipment	(27)	42
(Gain)/Loss from Discontinued Operation	-	-
Movements in Assets & Liabilities		
- Increase/(Decrease) in Payables	2,136	4,291
- Increase/(Decrease) in Employee Benefits	9,346	4,489
- (Increase)/Decrease in Inventories	(149)	33
- (Increase)/Decrease in Receivables	1,175	(8,250)
- (Increase)/Decrease in Other Non Current Assets		
- (Increase)/Decrease in Prepayments	(274)	290
- Increase/(Decrease) in Other Liabilities	592	483
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	28,065	17,987

Note 18: Financial Instruments

(a) Financial Risk Management Objectives & Policies

Peninsula Health's principal financial instruments comprise of cash assets, term deposits, receivables (excluding statutory receivables), investment in managed funds, payables (excluding statutory payables), accommodation bonds and borrowings.

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.

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

Peninsula Health 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 Finance and Resources Committee of Peninsula Health.

(b) Risk management policies

Peninsula Health's risk management framework is based on the Australian Standard and has an overarching policy with 10 policies relating to specific areas such as clinical governance, financial risk, IT risk and building and infrastructure risk.

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

Risk management is seen as a core component of service delivery and high or extreme risks are managed at an appropriate level of seniority. A consistent risk assessment and management tool is used across all risk areas.

This is supported by a risk register which is regularly updated in conjunction with our internal auditors.

(c) Categorisation of financial instruments

Details of each category in accordance with AASB139

			Carrying Amount	Carrying Amount
			2017	2016
	Note	Category	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	5	Loans and Receivables	23,845	16,840
Receivables	6	Loans and Receivables	9,411	13,516
Other Financial Assets	7	Available for sale financial assets	13,375	12,605
Total Financial Assets (i)			46,631	42,961
Financial Liabilities				
Payables	12	Financial liabilities measured at amortised cost	20,843	18,707
Borrowings	13	Financial liabilities measured at amortised cost	12,739	8,758
Accommodation Bonds	15	Financial liabilities measured at amortised cost	1,843	1,254
Other Liabilities	15	Financial liabilities measured at amortised cost	10	7
Total Financial Liabilities (ii)			35,435	28,726

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

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

Net holding gain/(loss) on financial instruments by category	Net holding gain/(loss)	Total interest income / (expense)	Fee income / (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2017					
Financial Assets					
Cash and Cash Equivalents (i)	-	801	-	-	801
Loans and Receivables (i)	-	-	-	-	-
Available for Sale (i)	770	-	685	-	1,455
Total Financial Assets	770	801	685	-	2,256
Financial Liabilities					
At Amortised Cost (ii)	-	(417)	-	-	(417)
Total Financial Liabilities	-	(417)	-	-	(417)
2016					
Financial Assets					
Cash and Cash Equivalents (i)	-	871	-	-	871
Loans and Receivables (i)	-	-	-	-	-
Available for Sale (i)	1,114	-	604	(395)	1,323
Total Financial Assets	1,114	871	604	(395)	2,194
Financial Liabilities					
At Amortised Cost (ii)	-	(434)	-	-	(434)
Total Financial Liabilities	-	(434)	-	-	(434)

(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.

(d) Credit Risk

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

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

In addition, Peninsula Health does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that Peninsula Health will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings. Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents Peninsula Health's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Ageing analysis of Financial Asset as at 30 June

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired				Impaired Financial Assets
			Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017							
Financial Assets							
Cash and Cash Equivalents	23,845	23,845	-	-	-	-	-
Receivables							
- Trade Debtors	9,411	7,943	1,140	188	535	-	(395)
Other Financial Assets							
- Managed Investments	13,375	13,375	-	-	-	-	-
Total Financial Assets (i)	46,631	45,163	1,140	188	535	-	(395)
2016							
Financial Assets							
Cash and Cash Equivalents	16,840	16,840	-	-	-	-	-
Receivables							
- Trade Debtors	13,516	11,497	1,188	456	674	-	(299)
Other Financial Assets							
- Managed Investments	12,605	12,605	-	-	-	-	-
Total Financial Assets	42,961	40,942	1,188	456	674	-	(299)

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

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

	Financial institutions (AAA credit rating)	Financial Institutions (AA credit rating)	Government agencies (AAA credit rating)	Other (min BBB credit rating)	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents	-	1,976	21,869	-	23,845
Loans and Receivables	-	-	-	9,411	9,411
<i>Available for sale</i>					
- Managed Investments	-	-	13,375	-	13,375
Total Financial Assets (i)	-	1,976	35,244	9,411	46,631
2016					
Financial Assets					
Cash and Cash Equivalents	-	5,392	11,448	-	16,840
Loans and Receivables	-	-	-	13,516	13,516
<i>Available for sale</i>					
- Managed Investments	-	-	12,605	-	12,605
Total Financial Assets (i)	-	5,392	24,053	13,516	42,961

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

(e) Liquidity Risk

Liquidity risk is the risk that Peninsula Health would be unable to meet its financial obligations as and when they fall due. Peninsula Health 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. Peninsula Health's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. Peninsula Health manages its liquidity risk through regular cash forecasts and ensuring sufficient available cash is held to meet its obligations.

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

Maturity analysis of Financial Liabilities as at 30 June

	Carrying Amount	Nominal Amount	Maturity Dates			
			Less than 1 Month	1-3 Months	3 months - 1 Year	1-13 Years
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
<i>At amortised cost</i>						
Payables	20,843	20,843	18,986	928	929	-
Borrowings	12,739	15,187		1,275	3,824	10,088
Other Financial Liabilities						
- Accommodation Bonds	1,843	1,843	1,843	-	-	-
- Other	10	10	10	-	-	-
Total Financial Liabilities	35,435	37,883	20,839	2,203	4,753	10,088
2016						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	18,707	18,707	16,081	1,497	1,129	-
Borrowings	8,758	11,614	-	237	711	10,666
Other Financial Liabilities						
- Accommodation Bonds	1,254	1,254	1,254	-	-	-
- Other	7	7	7	-	-	-
Total Financial Liabilities	28,726	31,582	17,342	1,734	1,840	10,666

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

(f) Market Risk

Peninsula Health's exposures to market risk are primarily through interest rate risk, and other price risks such as variability in equity markets, with only an insignificant exposure to foreign currency price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

Currency Risk

Peninsula Health is exposed to insignificant foreign currency risk through its payables relating to purchases

of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

Interest Rate Risk

Exposure to interest rate risk might arise primarily through Peninsula Health's interest bearing financial assets. Minimisation of risk has been achieved by using fixed rate for financial liabilities.

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

	Weighted average effective interest rate (%)	Carrying Amount	Interest Rate Exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2017		\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and Cash Equivalents	1.74%	23,845	-	23,819	26
Receivables(i)					
- Trade Debtors	-	9,411	-	-	9,411
Other Financial Assets					
- Managed Investments	-	13,375	-	-	13,375
		46,631	-	23,819	22,812
Financial Liabilities					
<i>At amortised cost</i>					
Payables(i)	-	20,843	-	-	20,843
Borrowings	4.79%	12,739	12,739	-	-
Other Financial Liabilities					
- Accommodation Bonds	-	1,843	-	-	1,843
- Other	-	10	-	-	10
		35,435	12,739	-	22,696
2016					
Financial Assets					
Cash and Cash Equivalents	2.06%	16,840	-	16,814	26
Receivables(i)					
- Trade Debtors	-	13,516	-	-	13,516
Other Financial Assets					
- Managed Investments	-	12,605	-	-	12,605
		42,961	-	16,814	26,147
Financial Liabilities					
<i>At amortised cost</i>					
Payables(i)	-	18,707	-	-	18,707
Borrowings	4.79%	8,758	8,758	-	-
Other Financial Liabilities					
- Accommodation Bonds	-	1,254	-	-	1,254
- Other	-	7	-	-	7
		28,726	8,758	-	19,968

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

Sensitivity Disclosure Analysis

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

- A shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.75% (2017: 1.75%);
- A movement of 5% up and down (2017: 5%) for the top ASX 200 index.

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

	Carrying Amount	Interest Rate Risk				Other Price Risk			
		-1%	+1%	-5%	+5%	Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017									
Financial Assets									
Cash and Cash Equivalents(i)	23,845	(238)	(238)	238	238	-	-	-	-
Receivables(ii)									
- Trade Debtors	9,411	-	-	-	-	-	-	-	-
Other Financial Assets									
- Managed Investments	13,375	-	-	-	-	-	(669)	-	669
Financial Liabilities									
<i>At amortised cost</i>									
Payables	20,843	-	-	-	-	-	-	-	-
Borrowings (fixed rate)	12,739	-	-	-	-	-	-	-	-
Other Financial Liabilities									
- Accommodation Bonds	1,843	-	-	-	-	-	-	-	-
- Other	10	-	-	-	-	-	-	-	-
		(238)	(238)	238	238	-	(669)	-	669
2016									
Financial Assets									
Cash and Cash Equivalents ⁽ⁱ⁾	16,840	(168)	(168)	168	168	-	-	-	-
Receivables ⁽ⁱⁱ⁾									
- Trade Debtors	13,516	-	-	-	-	-	-	-	-
Other Financial Assets									
- Managed Investments	12,605	-	-	-	-	-	(630)	-	630
Financial Liabilities									
<i>At amortised cost</i>									
Payables	18,707	-	-	-	-	-	-	-	-
Borrowings (fixed rate)	8,758	-	-	-	-	-	-	-	-
Other Financial Liabilities									
- Accommodation Bonds	1,254	-	-	-	-	-	-	-	-
- Other	7	-	-	-	-	-	-	-	-
		(168)	(168)	168	168	-	(630)	-	630

(i) eg. Sensitivity of cash and cash equivalents to a +1% movement in interest rates.

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

(g) Fair Value

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

- **Level 1** - the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined
- **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.

There have been no transfers between levels during the period.

The financial assets include holdings in listed shares. The listed share assets are valued at fair value with reference to a quoted (unadjusted) market price from an active market. Peninsula Health categorises these instruments as Level 1.

Peninsula Health 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.

Accordingly, the following table presents that the fair values of most of the contractual financial assets and liabilities, are the same as the carrying amounts.

Comparison between carrying amount and fair value

	Carrying Amount	Fair Value Amount	Carrying Amount	Fair Value Amount
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	23,845	23,845	16,840	16,840
Receivables	9,411	9,411	13,516	13,516
Other Financial Assets	13,375	13,375	12,605	12,605
Total Financial Assets	46,631	46,631	42,961	42,961
Financial Liabilities				
At amortised cost				
Payables	20,843	20,843	18,707	18,707
Borrowings	12,739	13,655	8,758	10,130
Accommodation Bonds	1,843	1,843	1,254	1,254
Other Liabilities	10	10	7	7
Total Financial Liabilities	35,435	36,351	28,726	30,098

Financial Assets measured at fair value

	Carrying Amount as at 30 June	Fair value measurement at end of year using		
		Level 1	Level 2	Level 3
2017	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value				
Available for sale financial assets				
- Managed funds	13,375	13,375	-	-
Total Financial Assets	13,375	13,375	-	-
2016				
Financial assets at fair value				
Available for sale financial assets				
- Managed funds	12,605	12,605	-	-
Total Financial Assets	12,605	12,605	-	-

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Peninsula Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments*: Presentation.

For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

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

Held-to-maturity investments

If Peninsula Health has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially

at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Peninsula Health makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale.

The Health Service would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, gains and losses arising from changes in fair value are recognised in 'other comprehensive income' until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period. Fair value is determined in the manner described in Note 18(g).

Financial liabilities at amortised cost

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

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

Note 19: Commitments for Expenditure & Contingencies

	2017	2016
	\$'000	\$'000
Capital Expenditure Commitments		
Payable:		
- Land and Buildings	10,364	622
- Plant & Equipment	550	-
Total Capital Commitments	10,914	622
Not later than one year	10,914	622
Later than one year and not later than 5 years	-	-
Total Capital commitments inclusive of GST	10,914	622
Less GST recoverable from the Australian Tax Office	992	57
Total Capital commitments exclusive of GST	9,922	565
Lease Commitments		
Commitments in relation to leases contracted for at the reporting date:		
- Operating leases	997	707
- Finance leases	442	-
Total Lease Commitments	1,439	707
Operating Leases		
Non-Cancellable		
Not later than one year	409	447
Later than one year and not later than 5 years	588	260
Later than 5 years	-	-
Sub-total	997	707
Total Operating Lease commitments inclusive of GST	997	707
Finance Leases		
Commitments in relation to finance leases are payable as follows:		
Current	85	-
Non-current	387	-
Minimum Lease Payments	472	-
Less Future Finance Charges	(30)	-
Sub-total	442	-
Total Finance Lease commitments inclusive of GST	442	-
Less GST recoverable from the Australian Tax Office	131	64
Total Lease commitments exclusive of GST	1,308	643

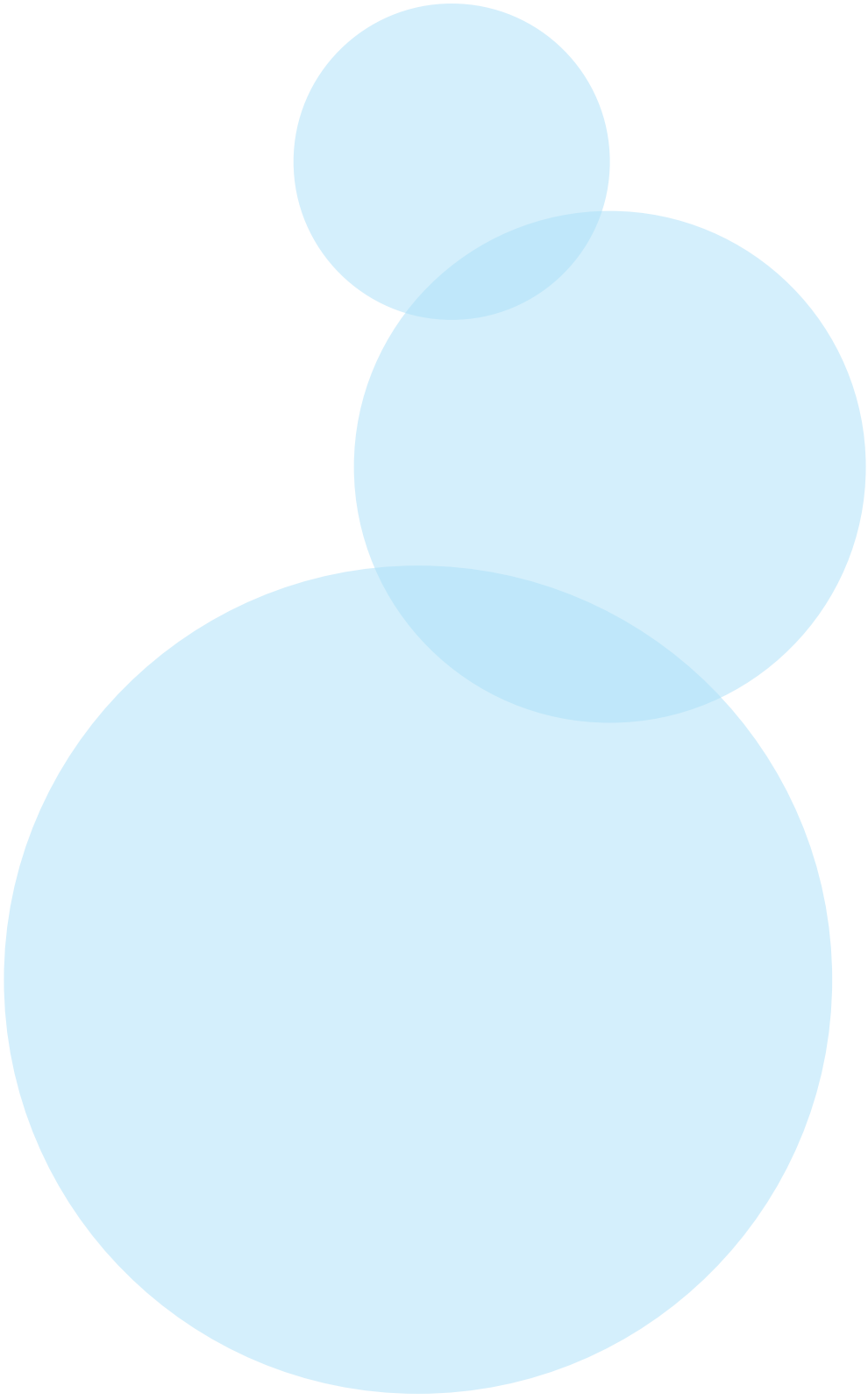
Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information 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.

Contingent Assets and Contingent Liabilities

As at 30 June 2017, Peninsula Health does not have any contingent assets or liabilities (2016: Nil). 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 20: Segment Reporting

	Residential Aged Care Services	Residential Aged Care Services	Pers. Alarm Call systems	Pers. Alarm Call systems	Acute Care	Acute Care	Mental Health	Mental Health	Aged Care	Aged Care	Primary Health	Primary Health	Other	Other	Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue																
External Segment Revenue	3,753	3,685	11,903	11,645	440,503	404,292	40,273	37,301	11,261	11,275	27,202	26,727	15,226	15,926	550,121	510,851
Unallocated Revenue	-	-	-	-	-	-	-	-	-	-	-	-	13,625	16,265	13,625	16,265
Total Revenue	3,753	3,685	11,903	11,645	440,503	404,292	40,273	37,301	11,261	11,275	27,202	26,727	28,851	32,191	563,746	527,116
Expenses																
External Segment Expenses	4,222	4,145	9,404	8,046	448,158	416,082	38,797	36,851	9,884	9,592	30,018	29,284	8,995	7,200	549,478	511,200
Unallocated Expense	-	-	-	-	-	-	-	-	-	-	-	-	27,484	30,805	27,484	30,805
Total Expenses	4,222	4,145	9,404	8,046	448,158	416,082	38,797	36,851	9,884	9,592	30,018	29,284	36,479	38,005	576,962	542,005
Net Result from ordinary activities	(469)	(460)	2,499	3,599	(7,655)	(11,790)	1,476	450	1,377	1,683	(2,816)	(2,557)	(7,628)	(5,814)	(13,216)	(14,889)
Interest and dividend income	-	-	-	-	-	-	-	-	-	-	-	-	1,486	1,475	1,486	1,475
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(417)	(434)	(417)	(434)
Assets Received Free of Charge	-	-	-	-	-	-	-	-	-	-	-	-	260	1,615	260	1,615
Net Gain/(Loss) on Non-Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	27	(42)	27	(42)
Revaluation of Long Service Leave	-	-	-	-	-	-	-	-	-	-	-	-	717	-	717	-
Gain/(Loss) from Discontinued Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-Sale Revaluation Reserve Surplus recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	1,020	-	1,020
Impairment of Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(395)	-	(395)
Net Result for Year	(469)	(460)	2,499	3,599	(7,655)	(11,790)	1,476	450	1,377	1,683	(2,816)	(2,557)	(5,555)	(2,575)	(11,143)	(11,650)
Other Information																
Segment Assets	3,173	1,584	10,063	4,382	372,421	394,696	34,049	15,410	9,521	1,298	22,998	17,450	12,873	11,792	465,097	446,612
Total Assets	3,173	1,584	10,063	4,382	372,421	394,696	34,049	15,410	9,521	1,298	22,998	17,450	12,873	11,792	465,097	446,612
Segment Liabilities	1,024	2,157	3,248	2,831	120,211	98,882	10,990	9,067	3,073	2,071	7,423	6,557	4,155	12,629	150,125	134,194
Total Liabilities	1,024	2,157	3,248	2,831	120,211	98,882	10,990	9,067	3,073	2,071	7,423	6,557	4,155	12,629	150,125	134,194
Acquisition of property, plant and equipment	47	114	3,553	2,022	20,996	20,599	2,982	59	36	32	136	116	-	-	27,750	22,942
Assets Received Free of Charge	-	-	-	-	260	1,615	-	-	-	-	-	-	-	-	260	1,615
Revaluation of Non-Financial Assets	-	-	-	-	12,927	7,951	-	577	-	-	-	-	-	-	12,927	8,528
Depreciation expense	85	88	2,035	1,549	24,054	27,869	460	449	78	71	564	571	208	208	27,484	30,805



Business Segments

Residential Aged Care Services (RACS)

The Commonwealth Government regulates and partly funds the provision of residential care for older people who can no longer live independently in their own home. Carinya is a 30-bed purpose built Aged Persons Mental Health Residential Care Facility designed to provide high level specialist nursing care to residents with complex mental health diagnoses.

Personal Alarm Call Systems (MEPACS)

MEPACS provides personal alarm services to private clients as well as government funded (PAV) clients. Personal Alert Victoria (PAV) is a 24 hour personal monitoring service that responds to calls for assistance and is funded by the Victorian Government through the Department of Health and Human Services. This segment reporting note excludes some corporate costs and significant capital expenditure items.

Acute Care

Peninsula Health provides inpatient and outpatient care within the areas of general and specialty medical and surgical services, maternity, paediatric and emergency services.

Mental Health

Peninsula Mental Health Service provides a range of mental health services including aged and adult acute inpatient services, community liaison early intervention acute and recovery services (CLEARs), consultation liaison inpatient psychiatric services (CLIPS) and community care units (residential care).

Aged Care

Peninsula Health provides a range of inpatient, interim care and domiciliary aged care and rehabilitation services as well as palliative care and Hospital in the Home services.

Primary Health

Peninsula Health provides support for the community in the areas of speech pathology and audiology, counselling, dental, nutrition, podiatry, physiotherapy, occupational therapy, cardiac rehabilitation, diabetes education, health education and health promotion.

Geographical Segment

Peninsula Health operates predominantly in Melbourne (South Eastern Suburbs and Mornington Peninsula), Victoria. Peninsula Health's revenue, net surplus from ordinary activities and segment assets relate to operations in that area.

Note 21: Responsible Persons Disclosures

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

	Period	
Responsible Ministers		
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1-Jul-2016	30-Jun-2017
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	1-Jul-2016	30-Jun-2017
Governing Board		
Ms Nancy Hogan	1-Jul-2016	30-Jun-2017
Mr Naim Melhem	1-Jul-2016	30-Jun-2017
Professor Henry Ekert AM	1-Jul-2016	30-Jun-2017
Mr Jonathan Tribe	1-Jul-2016	30-Jun-2017
Ms Erika Wilke	1-Jul-2016	30-Jun-2017
Ms Bronwyn Lewis	1-Jul-2016	30-Jun-2017
Dr Nathan Pinski	1-Jul-2016	30-Jun-2017
Ms Peta Murphy	11-Oct-2016	30-Jun-2017
Ms Allison Smith	1-Jul-2016	30-Jun-2017
Accountable Officer		
Sue Williams	1-Jul-2016	30-Jun-2017

(b) Remuneration of responsible Persons & Accountable Officer

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

	2017	2016
	No.	No.
Income Band		
\$0 - \$9,999	-	1
\$10,000 - \$19,999	1	2
\$20,000 - \$29,999	7	4
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	-	1
\$390,000 - \$399,999	1	-
\$410,000 - \$419,999	-	1
Total Numbers	10	9
	\$'000	\$'000
Total remuneration for the reporting period for Responsible Persons included above amounted to:	614	599

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au/publications/register_of_interests.

Note 22: Executive Officer Disclosures

Executive Officer Remuneration

The number of executive officers, other than Ministers and Accountable Officers, and their Remuneration is shown in the table below.

Remuneration under *FRD 21C* is disaggregated and separately disclosed according to the nature of the payment, consistent with the requirements of *AASB 124*.

Remuneration (i)	2017 (\$'000)
Short term employee benefits	1 562
Post-employment benefits	127
Other long-term benefits	41
Termination benefits	-
Share based payments	n/a
Total remuneration (ii)	1 730
Total number of executives(ii)	7
Total annualised employee equivalent (iv)	6.4

NB: Includes two acting arrangements in remuneration figures

(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) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with *AASB 119 Employee Benefits*.
- (iii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) under *AASB 124 Related Party Disclosures* and are also reported within the related parties note disclosure.
- (iv) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

Note 23: Related Parties

Peninsula Health is a wholly owned and controlled entity of the State of Victoria. Related parties of Peninsula Health 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.

All related party transactions have been entered into on an arm's length basis. Peninsula Health recorded the following major Expenditure transactions with other Government Entities:

Related entity	Nature of transaction	Category	Note	2017 '\$000
DHHS	Government Grants	Income	2	439 939
	Long Service Leave	Debtors	6	21 390
	MEPACS Advance	Payables	12	590
Alfred Health	Payment for Renal Dialysis Services	Expenses	3	1 429
		Payables	12	470
Monash Health	Payment for Food Supplies	Expenses	3	1 368
Ambulance Victoria	Payment for Patient Transport	Expenses	3	1 283
		Payables	12	131
TCV	Payment of Interest on Loan	Expenses	3	417
	TVC Borrowings	Borrowings	13	12 297

Key management personnel (KMP) of Peninsula Health include the Portfolio Ministers and Cabinet Ministers and KMP as determined by Peninsula Health. 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 (\$'000)
Short term employee benefits	2 141
Post-employment benefits	162
Other long-term benefits	41
Termination benefits	-
Share based payments	-
Total Key Management Personnel Compensation	2 344
Total Number of Key Management Personnel	17

NB: Includes two acting arrangements in remuneration figures

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 Peninsula Health, there were no other related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Note 24: Remuneration of Auditors

	2017 \$'000	2016 \$'000
Audit Fees Paid or Payable to the Victorian Auditor-General's Office for Audit of Peninsula Health's financial statements:		
- Paid and Payable as at 30 June	99	107
Total Paid and Payable	99	107

Note 25: Ex Gratia Payments

	2017 \$'000	2016 \$'000
Peninsula Health has made the following ex gratia payments:		
- Ex gratia payments	5	20
Total Paid	5	20

Note 26: Subsequent Events

There have been no events subsequent to reporting date that require additional disclosure.

Note 27: Economic dependency

The Health Service is reliant on the Department of Health and Human Services for a substantial part of its revenue.

Going concern

Notwithstanding the operating deficit from continuing operations for the year of \$11,143,000 (2016: deficit of \$11,650,000) and working capital deficiency of \$53,363,000 (2016: \$56,350,000) the Financial Statements have been prepared on a going concern basis.

Peninsula Health generated cash flows from operations in the financial year of \$28,065,000 (2016: \$17,987,000) and has a reporting date net asset position of \$314,972,000

(2016: \$312,418,000). A breakeven result is budgeted in the 2018/19 financial year.

The extent to which current liabilities exceed current assets is regularly reviewed by the Board of Directors using an adjusted working capital ratio which reflects the expected settlement date of employee entitlement liabilities. This adjusted measure of liquidity further supports the going concern basis adopted by the Board.

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Health



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