

Macedon Ranges Health

ABN 18 087 702 537

BOARD MEMBERS' REPORT

The members of the Board submit the financial report of the Gisborne and District Community Health and Hospital Board Inc. trading as Macedon Ranges Health for the financial year ended 30 June 2016.

Board Members

The names of Board members throughout the year and at the date of this report are:

John Wauchope (President)
Alec Djoneff (Vice-President)
Lois Cameron
Helen Relph
Gary McSwain
Chris Sykes
Russell Walker
Sharon Ward
Tony Cooke

Principal Activities

The principal activities of the entity during the financial year were:

Provision of health and aged care services to the residents of the Macedon Ranges and surrounding districts.

Financial Results

The construction of the Integrated Primary Health Care Centre (IPCC) at Neal Street, Gisborne was completed in March 2015. Consequently, the capital purpose income of \$1,644,500 received from the Commonwealth in the 2014/15 financial year to finance the completion of the Centre was not replicated in the 2015/16 financial year. This has impacted on the financial result for the financial year ended 30 June 2016.

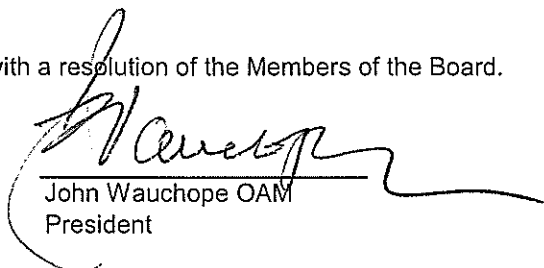
The net result for the financial year after depreciation and amortisation and prior to capital purpose income was a \$576,974 deficit (2014/15: \$672,584 deficit), an overall improvement of 14.2%.

The overall net result for the organisation for the financial year was a deficit of \$533,408 (2014/15: surplus \$1,009,115).

Net cash inflows from operating activities were \$327,422 for the financial year, of which \$43,566 related to capital purpose inflows (2014/15: net cash inflows from operating activities were \$2,193,743, of which \$1,681,698 related to capital purpose inflows).

The organisation's net assets as at 30 June 2016 totalled \$14,879,145 compared with \$15,412,553 as at 30 June 2015.

Signed in accordance with a resolution of the Members of the Board.



John Wauchope OAM
President

Dated this 4th day of October 2016

Macedon Ranges Health

ABN 18 087 702 537

FINANCIAL STATEMENTSComprehensive Operating Statement
for the financial year ended 30 June 2016

| | <u>Notes</u> | 2016 \$ | 2015 \$ |
|---|--------------|------------------|------------------|
| Operating Revenue | 2 | <u>9,020,883</u> | <u>8,246,057</u> |
| Employee benefits expense | 3 | (6,791,992) | (5,964,640) |
| Depreciation and amortisation expense | 3 | (858,069) | (997,987) |
| Finance costs | 3 | (1,201) | (739) |
| Program delivery & other expenses | | (456,775) | (416,796) |
| Utilities | | (240,870) | (228,110) |
| Medical and food costs | | (678,467) | (650,608) |
| Property costs | | (154,331) | (178,198) |
| Other operating costs | 3 | (516,793) | (628,579) |
| Profit (loss) on asset disposal | 3 | 7,000 | 1,264 |
| Net result for the year before Non-operating Revenue | | <u>(670,615)</u> | <u>(818,336)</u> |
| Non-operating Revenue | 2 | | |
| - Capital purpose revenue | | 43,566 | 1,681,698 |
| - Other non-operating revenue | | 93,641 | 145,753 |
| Net result for the year | | (533,408) | 1,009,115 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive result | | <u>(533,408)</u> | <u>1,009,115</u> |

The accompanying notes form part of these financial statements

Macedon Ranges Health

ABN 18 087 702 537

FINANCIAL STATEMENTS**Balance Sheet as at 30 June 2016**

| | <u>Notes</u> | 2016 \$ | 2015 \$ |
|--------------------------------------|--------------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 1,994,379 | 1,662,170 |
| Investments | 6 | 1,493,197 | 443,990 |
| Trade and other receivables | 7 | 496,267 | 300,052 |
| Prepayments | | 67,339 | 26,669 |
| Total Current Assets | | <u>4,051,182</u> | <u>2,432,881</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 16,491,504 | 17,098,655 |
| Intangible Assets | 10 | 3,393,889 | 3,390,035 |
| Total Non Current Assets | | <u>19,885,393</u> | <u>20,488,690</u> |
| Total Assets | | <u>23,936,575</u> | <u>22,921,571</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 11 | 778,510 | 798,822 |
| Finance Lease | 12 | 17,754 | 7,883 |
| Employee provisions | 13 | 1,128,578 | 1,053,454 |
| Other liabilities | 14 | 6,814,319 | 5,423,789 |
| Total Current Liabilities | | <u>8,739,161</u> | <u>7,283,948</u> |
| Non-Current Liabilities | | | |
| Finance Lease | 12 | 40,216 | 18,394 |
| Employee provisions | 13 | 278,053 | 206,676 |
| Total Non-Current Liabilities | | <u>318,269</u> | <u>225,070</u> |
| Total Liabilities | | <u>9,057,430</u> | <u>7,509,018</u> |
| Net Assets | | <u>14,879,145</u> | <u>15,412,553</u> |
| Equity | | | |
| Asset revaluation reserve | | 6,368,780 | 6,368,780 |
| Retained earnings | | 8,510,365 | 9,043,773 |
| Total Equity | | <u>14,879,145</u> | <u>15,412,553</u> |

The accompanying notes form part of these financial statements

FINANCIAL STATEMENTS

Statement of Changes in Equity for the year ended 30 June 2016

| | Retained Earnings | Asset Revaluation Reserve | Total Equity |
|-------------------------|----------------------|---------------------------------|-----------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2014 | 8,034,658 | 5,742,940 | 13,777,598 |
| Revaluation increment | | 625,840 | 625,840 |
| Net result for the year | 1,009,115 | | 1,009,115 |
| Balance at 30 June 2015 | 9,043,773 | 6,368,780 | 15,412,553 |

| | Retained Earnings | Asset Revaluation Reserve | Total Equity |
|-------------------------|----------------------|---------------------------------|-----------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2015 | 9,043,773 | 6,368,780 | 15,412,553 |
| Net result for the year | (533,408) | - | (533,408) |
| Balance at 30 June 2016 | 8,510,365 | 6,368,780 | 14,879,145 |

Macedon Ranges Health

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FINANCIAL STATEMENTS

Statement of Cash Flows for the year ended 30 June 2016

| | <u>Notes</u> | 2016 \$ | 2015 \$ |
|--|--------------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers, donors and government | | 8,875,653 | 8,291,842 |
| Payments to suppliers and employees | | (8,684,237) | (7,924,811) |
| Receipts from government for capital purpose | | 43,566 | 1,681,698 |
| Interest received | | 93,641 | 145,753 |
| Finance costs | | (1,201) | (739) |
| Net cash inflows from operating activities | 15(b) | <u>327,422</u> | <u>2,193,743</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payment for property, plant and equipment | | (368,230) | (4,773,209) |
| Reinvestment of term deposits | | (1,049,207) | 2,279,148 |
| Net cash outflows from investing activities | | <u>(1,417,437)</u> | <u>(2,494,061)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Receipts from accommodation bonds/trust accounts | | 1,390,531 | (1,071,542) |
| Borrowings (repayments) | | 31,693 | 26,277 |
| Net cash outflows from financing activities | | <u>1,422,224</u> | <u>(1,045,265)</u> |
| Net (decrease)/increase in cash held | | 332,209 | (1,345,583) |
| Cash at beginning of financial year | | 1,662,170 | 3,007,753 |
| Cash at end of financial year | 15(a) | <u>1,994,379</u> | <u>1,662,170</u> |

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Associations Incorporation Reform Act 2012* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. Macedon Ranges Health is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements also comply with the Australian Charities and Not-for-Profit Commission Act 2012.

The financial statements cover Gisborne and District Community Health and Hospital Board Inc. trading as Macedon Ranges Health as an individual entity. Gisborne and District Community Health and Hospital Board Inc. trading as Macedon Ranges Health is an association incorporated in Victoria and operating pursuant to the *Associations Incorporation Reform Act 2012*.

The financial statements were authorised for issue on 27 September 2016 by the members of the Board.

Accounting Policies

(a) Revenue and Other Income

Grants, fees, and donations are recognised in the Comprehensive Operating Statement when they are controlled.

Non-reciprocal grant revenue is recognised when Macedon Ranges Health obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to Macedon Ranges Health and the amount of the grant can be measured reliably.

Interest revenue and distribution income from investments is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair values less, where applicable, accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the

expected net cash flows that will be received from the assets utilization and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost or for nominal cost are valued at the fair value of the asset at the date it is acquired.

Depreciation

All fixed assets including buildings and capitalised lease assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------|-------------------|
| Buildings | 2.5% |
| Property Improvements | 10% |
| Office Equipment | 25% |
| Fixtures and Fittings | 10% |
| Machinery & Plant | 10% |
| Motor Vehicles | 14.3% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Comprehensive Operating Statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amount equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(d) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that Macedon Ranges Health commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to "profit or loss" immediately.

Classification and subsequent measurement

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of income or expense in the Comprehensive Operating Statement.

Macedon Ranges Health does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of the Australian Accounting Standards specifically applicable to financial instruments.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in the Comprehensive Operating Statement through the amortisation process and when the financial asset is derecognised.

(ii) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in the Comprehensive Operating Statement through the amortisation process and when the financial liability is derecognised.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Comprehensive Operating Statement.

Derecognition

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party, whereby Macedon Ranges Health no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Comprehensive Operating Statement.

(e) **Fair Value of Assets and Liabilities**

Macedon Ranges Health measures some of its assets and liabilities at fair value on either

a recurring or non-recurring basis, depending on the requirements of the applicable Australian Accounting Standard.

Fair value is the price Macedon Ranges Health would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, information is extracted from the most advantageous market available to Macedon Ranges Health at the reporting date (ie the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and Macedon Ranges Health's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of an identical or similar financial instrument, by reference to observable market information where identical or similar instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(f) Impairment of Assets

At the end of each reporting period, Macedon Ranges Health assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in the Comprehensive Operating Statement.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when Macedon Ranges Health would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, Macedon Ranges Health estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount of the revaluation surplus for that class of asset.

(g) Employee Provisions

Short-term employee benefits

Provision is made for Macedon Ranges Health's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Macedon Ranges Health's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the balance sheet.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to end-of-reporting-period market yields on government bonds that have maturity dates approximating the terms of the obligations. Any remeasurements of other long-term employee benefit obligations due to changes in assumptions are recognised in "profit or loss" in the periods in which the changes occur.

Macedon Ranges Health's obligations for long-term employee benefits are presented as non-current provisions in the balance sheet, except where it does not have an unconditional right to defer settlement for at least 12 months after the reporting date, in which case the obligations are presented as current provisions.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(k) Intangibles

Bed Licences are intangible assets with indefinite useful lives which are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. Any excess of the carrying amount of such assets over their recoverable amount is recognized as an impairment loss.

(l) Provisions

Provisions are recognised when Macedon Ranges Health has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Comparative Figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Critical accounting estimates and judgments

Estimates and judgments incorporated into the financial report are continually evaluated and are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within Macedon Ranges Health.

(o) Key estimates — Impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair value less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(p) Adoption of New and Revised Accounting Standards

During the current year Macedon Ranges Health adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations, which became mandatory. These mainly resulted in minor adjustments and editorial corrections.

The adoption of these standards did not have any significant impact on the recognition, measurement and disclosure of transactions.

(q) New Accounting Standards for Application in Future Periods

An assessment of Accounting Standards issued by the AASB that are not yet mandatorily applicable and their potential impact on Macedon Ranges Health when adopted in future periods is discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.
The key changes that may affect Macedon Ranges Health on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.
Although it is anticipated that the adoption of AASB 9 may have an impact on Macedon Ranges Health's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.
- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January

2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- o recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- o depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in "profit or loss" and unwinding of the liability in principal and interest components;
- o variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- o by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- o additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although it is anticipated that the adoption of AASB 16 will impact Macedon Ranges Health's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(r) Economic Dependence

Macedon Ranges Health Residential Aged Care activities are dependent on the Department Health and Ageing for the majority of its revenue. At the date of this report, the members of the Board have no reason to believe the Department will not continue to support this segment of the organisation.

Macedon Ranges Health

ABN 18,087 702 537

FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

| | 2016 | 2015 |
|---|------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| 2. Revenue | | |
| Operating activities | | |
| - Community Health grants & subsidies | 2,069,320 | 1,708,163 |
| - Aged Care grants & subsidies | 4,044,262 | 4,007,020 |
| - Donations | 122,734 | 53,518 |
| - Fees & charges | 750,560 | 631,513 |
| - Resident fees | 1,649,707 | 1,595,019 |
| - Sundry sales & other receipts | 128,350 | 102,206 |
| - Rental income | 255,950 | 148,618 |
| | <u>9,020,883</u> | <u>8,246,057</u> |
| Non-operating activities: | | |
| - Interest received | 93,641 | 145,753 |
| - Capital purpose income | 43,566 | 1,681,698 |
| | <u>9,158,090</u> | <u>10,073,509</u> |
| 3. Expenses | | |
| Depreciation of non-current assets: | | |
| - Buildings & Property Improvements | 713,774 | 840,193 |
| - Fixtures & fittings | 16,839 | 16,554 |
| - Office equipment | 36,612 | 51,877 |
| - Machinery & plant | 51,745 | 47,054 |
| - Motor vehicles | 31,470 | 34,809 |
| Amortisation of intangible assets: | | |
| - Branding | 7,629 | 7,500 |
| | <u>858,069</u> | <u>997,987</u> |
| Finance costs | <u>1,201</u> | <u>739</u> |
| Employee benefits expense | <u>6,791,992</u> | <u>5,964,640</u> |
| Profit (loss) on asset disposal | <u>7,000</u> | <u>1,264</u> |
| Other operating costs: | | |
| - Marketing | 41,764 | 36,607 |
| - Consultancy and Legal Fees | 99,313 | 205,333 |
| - Information Technology | 139,491 | 117,191 |
| - Transition - Relocation of Community Health | 929 | 25,774 |
| - Motor Vehicle | 50,624 | 48,533 |
| - Bad & Doubtful Debts | 6,481 | 4,696 |
| - Interest - Bond Refund | 43,942 | 52,647 |
| - Staff Training & Recruitment | 30,530 | 27,960 |
| - Printing, Copying, Stationery | 58,097 | 66,048 |
| - Other | 45,622 | 43,791 |
| | <u>516,793</u> | <u>628,580</u> |

FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

| | 2016 \$ | 2015 \$ |
|--|---------------------|---------------------|
| 4. Auditors' Remuneration | | |
| Remuneration of the auditor of the entity for: | | |
| - Auditing or reviewing the financial report. | <u>11,847</u> | <u>11,265</u> |
| 5. Cash and Cash Equivalents | | |
| Cash at bank | 1,994,059 | 1,661,870 |
| Cash on hand | <u>320</u> | <u>300</u> |
| | <u>1,994,379</u> | <u>1,662,170</u> |
| 6. Investments | | |
| Bank term deposits | <u>1,493,197</u> | <u>443,990</u> |
| 7. Trade and Other Receivables | | |
| Trade debtors - Other | 427,301 | 267,865 |
| Less: Provision for doubtful debts | (5,000) | (10,000) |
| Accrued Income | 36,083 | 4,829 |
| Other - Sundry | <u>37,883</u> | <u>37,358</u> |
| | <u>496,267</u> | <u>300,052</u> |
| 8. Movement in Doubtful Debts Provision | | |
| Opening Balance | 10,000 | 7,829 |
| Additional provisions | 6,481 | 4,696 |
| Amounts used | <u>(11,481)</u> | <u>(2,525)</u> |
| Closing Balance | <u>5,000</u> | <u>10,000</u> |
| 9. Property, Plant and Equipment | | |
| <i>Land at Valuation</i> | | |
| Land at fair value | <u>3,210,840</u> | <u>3,210,840</u> |
| <i>Buildings</i> | | |
| Buildings at cost | 6,218,299 | 6,185,708 |
| Less accumulated depreciation | <u>(216,115)</u> | <u>(61,623)</u> |
| | <u>6,002,184</u> | <u>6,124,085</u> |
| <i>Buildings at Valuation</i> | | |
| Buildings at fair value | 23,543,115 | 23,543,115 |
| Less accumulated depreciation | <u>(17,171,530)</u> | <u>(16,632,679)</u> |
| | <u>6,371,585</u> | <u>6,910,436</u> |
| <i>Property Improvements at Valuation</i> | | |
| Property Improvements at fair value | 227,999 | 227,999 |
| Less accumulated depreciation | <u>(135,453)</u> | <u>(130,752)</u> |
| | <u>92,546</u> | <u>97,247</u> |
| <i>Property Improvements at Cost</i> | | |
| Property Improvements at fair value | 207,929 | 147,006 |
| Less accumulated depreciation | <u>(51,200)</u> | <u>(35,470)</u> |
| | <u>156,729</u> | <u>111,536</u> |
| <i>Work in Progress - Buildings</i> | | |
| Work in Progress at cost | <u>-</u> | <u>15,694</u> |
| | <u>-</u> | <u>15,694</u> |
| <i>Office Equipment</i> | | |
| At cost | 387,628 | 354,144 |
| Less accumulated depreciation | <u>(314,671)</u> | <u>(278,059)</u> |
| | <u>72,957</u> | <u>76,085</u> |
| <i>Fixtures and Fittings</i> | | |
| At cost | 590,175 | 558,922 |
| Less accumulated depreciation | <u>(488,694)</u> | <u>(471,854)</u> |
| | <u>101,481</u> | <u>87,068</u> |

FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| 9. Property, Plant and Equipment (continued) | | |
| <i>Machinery & Plant</i> | | |
| At cost | 948,727 | 909,113 |
| Less accumulated depreciation | <u>(598,624)</u> | <u>(546,878)</u> |
| | <u>350,103</u> | <u>362,235</u> |
| <i>Motor vehicles</i> | | |
| At cost | 304,238 | 326,195 |
| Less accumulated depreciation | <u>(171,159)</u> | <u>(222,767)</u> |
| | <u>133,079</u> | <u>103,428</u> |
| Total Property, Plant and Equipment | <u>16,491,504</u> | <u>17,098,654</u> |

Land and buildings carried at valuation

An independent valuation of the entity's land and buildings was performed by Valueit Property Valuers to determine the fair value of the land and buildings as at 31 December 2012.

The valuation which conforms to Australian Valuation Standards, was determined by reference to amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. A review was conducted as at 30 June 2015 that incorporated changes in indices and changes in commercial values used for rating calculation purposes. The review found that the asset class of Land reflects a carrying value of \$3,210,840 an increase of \$625,840 on the prior year's carrying value.

Movements in carrying amounts

Land at Valuation

| | | |
|-------------------------------------|------------------|------------------|
| Balance at the beginning of year | 3,210,840 | 2,585,000 |
| Revaluation increments/(decrements) | | 625,840 |
| Balance at the end of year | <u>3,210,840</u> | <u>3,210,840</u> |

Buildings at Cost

| | | |
|----------------------------------|------------------|------------------|
| Balance at the beginning of year | 6,124,085 | 264,027 |
| Additions | 32,590 | 5,914,912 |
| Depreciation expense | <u>(154,491)</u> | <u>(54,854)</u> |
| Balance at the end of year | <u>6,002,184</u> | <u>6,124,085</u> |

Buildings at Valuation

| | | |
|----------------------------------|------------------|------------------|
| Balance at the beginning of year | 6,910,436 | 7,679,661 |
| Depreciation expense | <u>(538,851)</u> | <u>(769,225)</u> |
| Balance at the end of year | <u>6,371,585</u> | <u>6,910,436</u> |

Property Improvements at Valuation

| | | |
|----------------------------------|----------------|----------------|
| Balance at the beginning of year | 97,247 | 101,955 |
| Depreciation expense | <u>(4,701)</u> | <u>(4,708)</u> |
| Balance at the end of year | <u>92,546</u> | <u>97,247</u> |

Property Improvements at Cost

| | | |
|----------------------------------|-----------------|-----------------|
| Balance at the beginning of year | 111,536 | 86,318 |
| Additions | 60,924 | 36,624 |
| Depreciation expense | <u>(15,731)</u> | <u>(11,406)</u> |
| Balance at the end of year | <u>156,729</u> | <u>111,536</u> |

FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Movements in carrying amounts (continued) | | |
| <i>Office Equipment</i> | | |
| Balance at the beginning of year | 76,085 | 110,078 |
| Additions | 33,484 | 17,884 |
| Depreciation expense | (36,612) | (51,877) |
| Balance at the end of year | <u>72,957</u> | <u>76,085</u> |
| <i>Fixtures and Fittings</i> | | |
| Balance at the beginning of year | 87,068 | 89,342 |
| Additions | 31,252 | 14,280 |
| Depreciation expense | (16,839) | (16,554) |
| Balance at the end of year | <u>101,481</u> | <u>87,068</u> |
| <i>Machinery & Plant</i> | | |
| Balance at the beginning of year | 362,235 | 218,337 |
| Additions | 39,613 | 190,952 |
| Depreciation expense | (51,745) | (47,054) |
| Balance at the end of year | <u>350,103</u> | <u>362,235</u> |
| <i>Motor vehicles</i> | | |
| Balance at the beginning of year | 103,428 | 118,644 |
| Additions | 61,121 | 41,936 |
| Disposals | - | (22,343) |
| Depreciation expense | (31,470) | (34,809) |
| Balance at the end of year | <u>133,079</u> | <u>103,428</u> |
| <i>Work in Progress</i> | | |
| Balance at the beginning of year | 15,694 | 1,918,629 |
| Additions | - | 3,891,921 |
| Transfer to Land & Buildings | (15,694) | (5,794,856) |
| Balance at the end of year | <u>-</u> | <u>15,694</u> |
| 10. Intangibles | | |
| Bed Licences at valuation - 2006 | 3,375,000 | 3,375,000 |
| Branding at Cost - 2012 | 37,525 | 37,525 |
| Additions | 11,483 | - |
| Less Amortisation of Branding | (30,119) | (22,490) |
| | <u>3,393,889</u> | <u>3,390,035</u> |

A review of value per bed licence was conducted as at 30 June 2016 that incorporated service modelling conducted for Macedon Ranges Shire. Given the current number of aged care beds in the shire and the expected demand as illustrated in the service modelling, the current bed licence valuation is considered appropriate.

11. Trade and Other Payables*Current*

| | | |
|---|----------------|----------------|
| Trade creditors - Building construction | - | 120,456 |
| Trade creditors - Ongoing business | 253,651 | 163,326 |
| Accrued Expenses | 294,195 | 364,741 |
| GST Payable | 26,322 | 17,979 |
| PAYG Payable | 63,804 | 42,766 |
| Grants in Advance | 140,538 | 89,554 |
| | <u>778,510</u> | <u>798,821</u> |

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FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| 12. Finance Lease | | |
| <i>Current</i> | | |
| Lease | 20,009 | 8,991 |
| less unexpired interest | <u>(2,255)</u> | <u>(1,108)</u> |
| | <u>17,754</u> | <u>7,883</u> |
| <i>Non Current</i> | | |
| Lease | 43,932 | 19,872 |
| less unexpired interest | <u>(3,716)</u> | <u>(1,478)</u> |
| | <u>40,216</u> | <u>18,394</u> |
| | | |
| 13. Employee Provisions | | |
| <i>Current</i> | | |
| Annual leave | 435,388 | 393,272 |
| Long service leave | 500,901 | 477,500 |
| On-costs | 192,289 | 182,682 |
| | <u>1,128,578</u> | <u>1,053,454</u> |
| <i>Non-current</i> | | |
| Long service leave | 250,129 | 186,182 |
| On-costs | 27,924 | 20,494 |
| | <u>278,053</u> | <u>206,676</u> |
| | | |
| Analysis of Employee Provisions - Annual Leave Entitlements (including oncosts) | | |
| Opening Balance at 1 July 2015 | 531,073 | |
| Additional provisions | 57,589 | |
| Amounts used | (16,905) | |
| Balance as at 30 June 2016 | <u>571,757</u> | |
| | | |
| Analysis of Employee Provisions - Long Service Leave Entitlements (including oncosts) | | |
| Opening Balance at 1 July 2015 | 729,057 | |
| Additional provisions | 162,467 | |
| Amounts used | (56,650) | |
| Balance as at 30 June 2016 | <u>834,874</u> | |
| | | |
| 14. Other liabilities | | |
| <i>Current</i> | | |
| Money held in Trust | 27,367 | 22,167 |
| Accommodation Bonds/RADS | 6,786,952 | 5,401,622 |
| | <u>6,814,319</u> | <u>5,423,789</u> |

Accommodation Bonds/Refundable Accommodation Deposits (RADS) are shown as Current Liabilities in accordance with AASB 101 as there is no unconditional right to defer repayment beyond 12 months. It is not anticipated that all Bonds/RADS will be required to be repaid within the next 12 months.

Following changes to Commonwealth legislation from 1 July 2015 to the Aged Care Act, all new non government supported residents have options in the way that accommodation charges are levied. New non government supported residents have the option to pay a Refundable Accommodation Deposit (RAD) or a Daily Accommodation Payment (DAP), or a combination of both.

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FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

| | 2016 | 2015 |
|---|------------------|------------------|
| 15. Cash Flow Statement | \$ | \$ |
| <i>(a) Reconciliation of cash</i> | | |
| Operating accounts | 1,994,059 | 1,661,870 |
| Cash on hand | 320 | 300 |
| | <u>1,994,379</u> | <u>1,662,170</u> |
| <i>(b) Reconciliation of net result for the year to net cash inflows from operating activities</i> | | |
| Net Result for the year | (533,408) | 1,009,115 |
| <u>Non cash items</u> | | |
| - Depreciation | 858,069 | 997,987 |
| - Bad & Doubtful Debts | 6,481 | 4,696 |
| - (Profit)/Loss on disposal of assets | (7,000) | (1,264) |
| <u>Changes in assets and liabilities</u> | | |
| - (Increase)/decrease in receivables | (202,697) | 6,598 |
| - Increase/(decrease) in payables | 100,145 | 40,740 |
| - (Increase)/decrease in prepayments | (40,670) | 626 |
| - Increase/(decrease) in provisions | 146,501 | 135,245 |
| Net cash inflows from operating activities | <u>327,422</u> | <u>2,193,743</u> |
| 16. Finance Lease Commitments | | |
| Finance lease commitments | | |
| Being Motor Vehicle and Hi-Ace Bus | | |
| Payable: | | |
| No later than 1 year | 20,009 | 8,991 |
| Later than 1 year & not later than 5 years | 43,932 | 19,872 |
| Later than 5 years | - | - |
| | <u>63,941</u> | <u>28,863</u> |
| Total commitments include \$5,971 (30 June 2015 \$2,586) of unexpired interest | | |
| 17. Related Party Disclosures | | |
| a. Key Management Personnel | | |
| Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, is considered to be key management personnel. | | |
| Key Management Personnel Compensation | | |
| - short-term benefits | 415,407 | 397,969 |
| - post employment benefits | 32,739 | 29,747 |
| | <u>448,146</u> | <u>427,716</u> |
| Number of Personnel included | 4 | 6 |
| b. Other Related Parties | | |
| No other transactions with related parties during the financial year. (2014/15 \$ Nil) | | |

FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

18. Events after the Balance Sheet Date

There have been no events after the end of the financial year that would materially affect the financial statements.

19. Commitments

There were no capital commitments as at 30 June 2016. (30 June 2015 \$ Nil)

20. Contingent Liabilities and Contingent Assets

As at the date of this report, Macedon Ranges Health is not aware of any contingent assets or liabilities.

FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

21. Segment Reporting

| | Residential Aged Care | | Other | | Total | |
|-------------------------------|-----------------------|------------|-----------|-----------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUE | | | | | | |
| Government subsidies/grants | 4,044,262 | 4,007,020 | 2,069,320 | 1,708,164 | 6,113,582 | 5,715,184 |
| Resident charges | 1,596,476 | 1,531,028 | - | - | 1,596,476 | 1,531,028 |
| Other fees & charges | - | - | 750,560 | 631,513 | 750,560 | 631,513 |
| Capital Grants | - | 151,100 | - | 1,530,598 | - | 1,681,698 |
| Bond retentions | 53,231 | 63,991 | - | - | 53,231 | 63,991 |
| Interest Income | 93,641 | 145,753 | - | - | 93,641 | 145,753 |
| Donations, including bequests | 22,557 | 10,064 | 143,743 | 43,454 | 166,300 | 53,518 |
| Other | 20,791 | 11,855 | 363,509 | 238,968 | 384,300 | 250,823 |
| Total Revenue | 5,830,958 | 5,920,811 | 3,327,132 | 4,152,697 | 9,158,090 | 10,073,508 |
| EXPENSES | | | | | | |
| Aged Care employee expenses | 3,917,027 | 3,535,391 | - | - | 3,917,027 | 3,535,391 |
| Other employee expenses | - | - | 2,874,965 | 2,429,249 | 2,874,965 | 2,429,249 |
| Interest expense | - | - | 1,201 | 739 | 1,201 | 739 |
| Depreciation | 578,328 | 807,112 | 279,741 | 190,875 | 858,069 | 997,987 |
| Other operating expenses | 2,004,756 | 1,984,773 | 42,480 | 114,990 | 2,047,236 | 2,099,763 |
| Profit on disposal of asset | (7,000) | - | - | 1,264 | (7,000) | 1,264 |
| Total Expenses | 6,493,111 | 6,327,276 | 3,198,387 | 2,737,117 | 9,691,498 | 9,064,393 |
| Net Result (Loss) | (662,153) | (406,465) | 128,745 | 1,415,580 | (533,408) | 1,009,115 |
| OTHER INFORMATION | | | | | | |
| Segment Assets | 18,077,444 | 17,956,333 | 5,859,131 | 4,965,238 | 23,936,575 | 22,921,571 |
| Segment Liabilities | 8,532,099 | 7,073,495 | 525,331 | 435,523 | 9,057,430 | 7,509,018 |
| Capital Expenditure | 145,902 | 189,078 | 222,328 | 4,584,131 | 368,230 | 4,773,209 |

22. Registered office/Principal place of business

The registered office and principal place of business is 5 Neal Street Gisborne VIC 3437.

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FINANCIAL STATEMENTS

Notes to the Financial Statements for the year ended 30 June 2016

Note 23 Financial Instruments

(a) Financial Risk and Management

The entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivables and payable, and borrowings (hire purchase). The entity does not have any derivative instruments at 30 June 2016.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|------------------|------------------|
| Financial Assets | | | |
| Cash and cash equivalents | 5 | 1,994,379 | 1,662,170 |
| Receivables | 7 | 496,267 | 300,052 |
| Investments | 6 | 1,493,197 | 443,990 |
| Total Financial Assets | | 3,983,843 | 2,406,212 |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost: | | | |
| - Trade and other payables | 11 | 778,510 | 798,822 |
| - Finance Leases | 12 | 57,970 | 26,277 |
| - Other non-interest bearing liabilities | 14 | 6,814,319 | 5,423,789 |
| | | 7,650,799 | 6,248,888 |

Financial Risk Management Policies

The main risks the entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The entity currently has no floating interest bearing liabilities and is therefore not exposed to interest rate risk.

Foreign currency risk

The entity is not exposed to fluctuations in foreign currencies.

Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk by holding surplus funds in at call / short term interest bearing bank deposits.

Credit risk

The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Balance Sheet and the notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2016.

The entity only deals with financial institutions listed in the Commonwealth Government's Deposits Guarantee Scheme.

(b) Net Fair Values

The aggregate net fair values of the financial assets and financial liabilities is equal to their carrying value as disclosed in the Balance Sheet and in the notes to the financial statements.

b. Financial liability and financial asset maturity analysis

| Financial Instrument | Floating Interest Rate | | Fixed Interest Rate maturing in | | | | | | Non Interest Bearing | | Weighted average Effective interest rate | |
|--|------------------------|-----------|---------------------------------|---------|-------------------|--------|--------------|------|----------------------|-----------|--|-------|
| | 2016 | 2015 | 1 year or less | | Over 1 to 5 years | | Over 5 years | | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | \$ | \$ | % | % |
| Financial Assets | | | | | | | | | | | | |
| Cash assets | 1,994,059 | 1,661,870 | - | - | - | - | - | - | 320 | 300 | 2.15% | 2.00% |
| Investments | - | - | 1,493,197 | 443,990 | - | - | - | - | - | - | 2.75% | 2.75% |
| Receivables | - | - | - | - | - | - | - | - | 496,267 | 300,052 | 0.0% | 0.0% |
| Financial Liabilities | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 778,510 | 798,822 | 0.0% | 0.0% |
| Finance Leases | - | - | 17,754 | 7,883 | 40,216 | 18,394 | - | - | - | - | 10.58% | 10.5% |
| Other non-interest bearing liabilities | - | - | - | - | - | - | - | - | 6,814,319 | 5,423,789 | 0.0% | 0.0% |

c. Net Fair Values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Areas of judgement and the assumptions used have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

| | 2016 | | 2015 | | Net Fair Value |
|--|--------------------|------------------|--------------------|------------------|------------------|
| | Net Carrying Value | Net Fair Value | Net Carrying Value | Net Fair Value | |
| Financial assets | | | | | |
| Cash and cash equivalents | (i) 1,994,379 | 1,994,379 | 1,662,170 | 1,662,170 | 1,662,170 |
| Trade and other receivables | (i) 496,267 | 496,267 | 300,052 | 300,052 | 300,052 |
| Investments | (ii) 1,493,197 | 1,493,197 | 443,990 | 443,990 | 443,990 |
| Total financial assets | 3,983,843 | 3,983,843 | 2,406,212 | 2,406,212 | 2,406,212 |
| Financial liabilities | | | | | |
| Trade and other payables | (i) 778,510 | 778,510 | 798,822 | 798,822 | 798,822 |
| Finance Leases | (ii) 57,970 | 57,970 | 26,277 | 26,277 | 26,277 |
| Other non-interest bearing liabilities | (ii) 6,814,319 | 6,814,319 | 5,423,789 | 5,423,789 | 5,423,789 |
| Total financial liabilities | 7,650,799 | 7,650,799 | 6,248,888 | 6,248,888 | 6,248,888 |

The fair values disclosed in the previous table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts relating to annual leave which is not considered a financial instrument.
- (ii) For listed available-for-sale financial assets, closing quoted bid prices at reporting date are used.

d. Sensitivity Analysis

The entity has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on current year results and equity which could result from a change in risk.

As at 30 June 2016, the effect on the net result and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Movement in Interest Rate | | | | | | | | | | |
|-----------------------|---------------------------|-----------|-----------|----------|----------|----|--------|--------|---------|---------|---------|
| | -5% | -4% | -3% | -2% | -1% | 0% | 1% | 2% | 3% | 4% | 5% |
| Change in net result: | | | | | | | | | | | |
| - 2016 | (174,363) | (139,490) | (104,618) | (69,745) | (34,873) | - | 34,873 | 69,745 | 104,618 | 139,490 | 174,363 |
| - 2015 | (105,293) | (84,234) | (63,176) | (42,117) | (21,059) | - | 21,059 | 42,117 | 63,176 | 84,234 | 105,293 |
| Change in equity: | | | | | | | | | | | |
| - 2016 | (174,363) | (139,490) | (104,618) | (69,745) | (34,873) | - | 34,873 | 69,745 | 104,618 | 139,490 | 174,363 |
| - 2015 | (105,293) | (84,234) | (63,176) | (42,117) | (21,059) | - | 21,059 | 42,117 | 63,176 | 84,234 | 105,293 |

e. Capital Management

Macedon Ranges Health's capital is its total assets less total liabilities. Macedon Ranges Health currently has an exposure to Accommodation Bonds and Refundable Accommodation Deposits but has no borrowings. However, any borrowings in response to changes would be approved by the Board. There have been no changes in the strategy adopted to control the capital of the entity since the previous financial year. The strategy is to ensure that:

- (i) The overall risk management framework is approved and reviewed by the Board on a regular basis
- (ii) Adequate cash and investments are held in relation to Accommodation Bonds and Refundable Accommodation Deposits to meet their repayment when due
- (iii) Adequate cash flows are generated to fund its programs
- (iv) The return from assets is maximised

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NOTE 23: FAIR VALUE MEASUREMENTS

Macedon Ranges Health measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Property, Plant and Equipment

Macedon Ranges Health does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

| Level 1 | Level 2 | Level 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

Macedon Ranges Health selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by Macedon Ranges Health are consistent with one or more of the following valuation approaches:

- *Market approach*: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- *Income approach*: converts estimated future cash flows or income and expenses into a single current (ie discounted) value.
- *Cost approach*: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, Macedon Ranges Health gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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NOTE 23: FAIR VALUE MEASUREMENTS

The following tables provide the fair values of Macedon Ranges Health's assets measured and recognised on a recurring basis after initial recognition, categorised within the fair value hierarchy.

| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|---------------|---------------|---------------|-------------|
| 2016 | | | | | |
| Recurring fair value measurements | | | | | |
| Non Current Assets | | | | | |
| – Land, Buildings & Property Improvements | 9 | | | 9,674,971 | 9,674,971 |
| Total non current assets recognised at fair value | | | | 9,674,971 | 9,674,971 |
| 2015 | | | | | |
| Recurring fair value measurements | | | | | |
| Non Current Assets | | | | | |
| – Land, Buildings, & Property Improvements | 9 | | | 10,218,523 | 10,218,523 |
| Total non current assets recognised at fair value | | | | 10,218,523 | 10,218,523 |

There were no transfers in 2016 and 2015 between Levels 1 and 2 for assets measured at fair value on a recurring basis during the reporting period.

Macedon Ranges Health

ABN 18 087 702 537

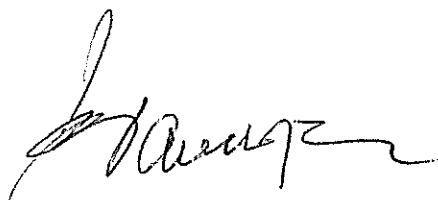
CERTIFICATION

We certify that the financial report fairly presents the financial position of Gisborne and District Community Health and Hospital Board Inc. trading as Macedon Ranges Health as at 30 June 2016 and its performance for the financial year ended on that date, in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, at the date of this statement, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

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

Signed at Gisborne on the 4th day of October, 2016 on behalf of the Board.



John Wauchope OAM
President
Macedon Ranges Health



Don Tidbury
Chief Executive Officer
Macedon Ranges Health



Peter Hansard
Finance Manager
Macedon Ranges Health