South West Healthcare

Financial Statements **2015**

South West Healthcare

Board Member's, Accountable Officer's and Chief Finance & Accounting Officer's Declaration

The attached financial statements for South West Healthcare have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act* 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position of South West Healthcare at 30 June 2015.

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 this day.

John Maher
Chairperson

Warrnambool
19 August 2015

Andrew Trigg
Acting Chief Executive Officer

Warrnambool
19 August 2015

David McLaren
Acting Chief Finance & Accounting Officer

Warrnambool
19 August 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, South West Healthcare

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of South West Healthcare which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board Member's, Accountable Officer's and Chief Finance & Accounting Officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of South West Healthcare as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
21 August 2015

John Doyle
Auditor-General

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
REVENUE FROM OPERATING ACTIVITIES	2	147,458	139,166
REVENUE FROM NON-OPERATING ACTIVITIES	2	485	560
Employee Benefits	3	(97,331)	(90,246)
Non Salary Labour Costs	3	(10,006)	(9,869)
Supplies & Consumables	3	(18,726)	(17,329)
Other Operating Expenses	3	(11,262)	(11,479)
Administrative Expenses	3	(9,680)	(10,021)
NET RESULT BEFORE CAPITAL AND SPECIFIC ITEMS		938	782
Capital Purpose Income	2	3,044	3,267
Depreciation and Amortisation	4	(13,019)	(8,762)
Finance Costs	25	(58)	-
Expenditure Using Capital Purpose Income	3	(234)	(82)
NET RESULT FOR THE YEAR		**(9,329)**	**(4,795)**
COMPREHENSIVE RESULT FOR THE YEAR		**(9,329)**	**(4,795)**
OTHER COMPREHENSIVE INCOME			
Revaluation of Land & Buildings net movement		-	42,964
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**42,964**
COMPREHENSIVE RESULT		**(9,329)**	**38,169**

This Statement should be read in conjunction with the accompanying notes

BALANCE SHEET AS AT 30 JUNE 2015

	Note	2015 $'000	2014 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	13,030	12,493
Receivables	7	3,876	3,774
Inventories	8	1,691	1,447
Other Assets	9	12	69
Total Current Assets		**18,609**	**17,783**
Non Current Assets			
Receivables	7	3,189	2,150
Property, Plant & Equipment	10	198,937	201,540
Total Non-Current Assets		**202,126**	**203,690**
TOTAL ASSETS		**220,735**	**221,473**
LIABILITIES			
Current Liabilities			
Payables	11	7,043	6,708
Borrowings	26	357	-
Provisions	12	22,796	20,448
Other Liabilities	13	1,544	1,758
Total Current Liabilities		**31,740**	**28,914**
Non Current Liabilities			
Borrowings	26	803	-
Provisions	12	2,613	2,269
Total Non-Current Liabilities		**3,416**	**2,269**
TOTAL LIABILITIES		**35,156**	**31,183**
NET ASSETS		**185,579**	**190,290**
EQUITY			
Property, Plant & Equipment Revaluation Reserve	14a	56,713	56,713
Restricted Specific Purpose Reserve	14a	22	22
Contributed Capital	14b	71,362	66,744
Accumulated Surpluses / (Deficits)	14c	57,482	66,811
TOTAL EQUITY	14d	**185,579**	**190,290**
Contingent Assets and Contingent Liabilities	18		
Commitments for Expenditure	17		

This Statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Note	Property, Plant & Equipment Revaluation Surplus $'000	Restricted Specific Purpose Surplus $'000	Contributions by Owners $'000	Accumulated Surpluses/ (Deficits) $'000	Total $'000
Balance at 1 July 2013		**13,749**	22	**66,744**	**71,606**	**152,121**
Net result for the year	14c	-	-	-	(4,795)	(4,795)
Other comprehensive income for the year		42,964				42,964
Balance at 30 June 2014		**56,713**	22	**66,744**	**66,811**	**190,290**
Net result for the year	14c	-	-	-	(9,329)	(9,329)
Capital appropriation received from Victorian Government			-	4,618	-	4,618
Balance at 30 June 2015		**56,713**	22	**71,362**	**57,482**	**185,579**

This Statement should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		126,180	120,528
Patient Fees Received		4,902	4,034
Private Practice Fees Received		1,907	1,710
Interest Received		654	549
Other Receipts Received		15,226	9,021
GST Received from/ (paid to) ATO		3,698	3,058
Employee Benefits paid		(95,251)	(88,538)
Fee for service Medical Officers		(10,006)	(9,869)
Payments for Supplies & Consumables		(22,703)	(20,501)
Other Payments		(22,328)	(19,337)
Cash Generated from Operations		**2,279**	**655**
Capital Grants from Government		943	2,008
Capital Donations and Bequests Received		824	757
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	**4,046**	**3,420**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for Non-Financial Assets		(3,887)	(4,829)
Proceeds from Sale of Non-Financial Assets		567	727
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**(3,320)**	**(4,102)**
NET INCREASE / (DECREASE) IN CASH HELD		726	(682)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD		10,432	11,114
CASH AND CASH EQUIVALENTS END OF PERIOD	6	**11,158**	**10,432**

This Statement should be read in conjunction with the accompanying notes

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for South West Healthcare for the period ending 30 June 2015. The purpose of the report is to provide users with information about the Health Services' stewardship of resources entrusted to it.

(A) STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable 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.

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

The annual financial statements were authorised for issue by the Board of South West Healthcare on 19/08/2015.

(B) BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015, and the comparative information presented in these financial statements for the year ended 30 June 2014.

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 these items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The Financial Statements are prepared in accordance with the historical cost convention, except for:

> non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
> available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequent to net result).
> the fair value of assets other than land is generally based on their depreciated replacement value.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, relate to:

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

Consistent with AASB 13 *Fair Value Measurement*, South West Healthcare determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

> Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
> Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
> Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair values disclosures, South West Healthcare 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, South West Healthcare 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 South West Healthcare's independent valuation agency.

South West Healthcare , 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.

(C) REPORTING ENTITY

The financial statements include all the controlled activities of the Health Service.

Its principle address is:

Ryot Street,

Warrnambool 3280

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

Objectives and funding

South West Healthcare's mission is to meet the health and wellbeing needs of our community by delivering a comprehensive range of high quality, innovative and valued health services, as well as improve the quality of life to Victorians.

South West Healthcare funded by accrual based grant funding for the provision of outputs.

(D) PRINCIPLES OF CONSOLIDATION

In accordance with AASB 10 *Consolidated and Separate Financial Statements*:

> the consolidated financial statements of South West Healthcare incorporates the assets and liabilities of all entities controlled by South West Healthcare as at 30 June 2015, and their income and expenses for that part of the reporting period in which control existed; and

- The consolidated financial statements exclude bodies of South West Healthcare that are not controlled by South West Healthcare , and therefore are not consolidated.
- Control exists when South West Healthcare has the power to govern the financial and operating policies of a Health Service so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Intersegment Transactions

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

Jointly controlled assets

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

(E) SCOPE AND PRESENTATION OF FINANCIAL STATEMENTS

Fund Accounting

South West Healthcare operates on a fund accounting basis and maintains three funds:

Operating, Specific Purpose and Capital Funds. South West Healthcare'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 includes Residential Aged Care Services (RACS) and are also funded from other sources such as the Commonwealth, patients and residents, while *Services Supported by Hospital and Community Initiatives* (H&CI) are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

Residential Aged Care Service

The following Residential Aged Care Services operations are an integral part of South West Healthcare and share its resources.

- Merindah Lodge Nursing Home (Located in Camperdown)

An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on the actual revenue earned and expenditure incurred by each operation in Note 2 and 3 to the financial statements.

Comprehensive operating statement

The Comprehensive operating statement includes the subtotal entitled "Net Result before Capital & Specific Items" to enhance the understanding of the financial performance of South West Healthcare. This subtotal reports the result excluding items such as capital grants; assets received or provided free of charge, depreciation, expenditure using capital purpose income and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The "Net Result before Capital & Specific Items" is used by the management of South West Healthcare, the Department of Health and Human Services and the Victorian Government to measure the ongoing operating performance of Health Services.

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

- capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer Note 1 (g)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- specific income/expense, comprises the following items, where material:
  - Non-current asset revaluation increments/decrements
- impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Note 1 (k)
- depreciation and amortisation, as described in Note 1 (h)
- assets provided or received free of charge, (refer to Notes 1 (g) and (i)); and
- expenditure using capital purpose income, which comprises expenditure which either falls below the asset capitalization threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.
- Other economic flows; are changes arising from market remeasurements. They include:
  - Gains and losses from disposal of non-financial assets;
  - Revaluations and impairments of non-financial physical and intangible assets;
  - Remeasurement arising from defined benefit superannuation plans; and
  - Fair value changes of financial instruments.

Balance sheet

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

The net result is equivalent to profit or loss derived in accordance with AASs.

Statement of changes in equity

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

Cash flow statement

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

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

Rounding

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

Minor discrepancies in tables between totals and sum of components are due to rounding.

Comparative information

Where necessary the previous year's figures have been reclassified to facilitate comparisons.

(F) CHANGE IN ACCOUNTING POLICIES

Subsequent to the 2013-14 reporting period, the following new and revised Standards have been adopted for the first time in the current period with their financial impacts disclosed.

AASB 10 Consolidated financial statements

AASB 10 provides a new approach to determine whether an entity has control over another entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of **all three** criteria for control to exist over an entity for financial reporting purposes:

(a) The investor has power over the investee;

(b) The investor has exposure, or rights to variable returns from its involvement with the investee; and

(c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, South West Healthcare has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group.

South West Healthcare have assessed AASB 10, and there is no impact on the Health Service.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

South West Healthcare has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11.

SWARH is to be treated as a jointly controlled operation.

Early adoption of new Standards

Accounting Standard AASB 2015-7 *Fair Value disclosures of Not-for-Profit Public Sector Entities* was issued on 13th July 2015 for application from 1 July 2016. South West Healthcare have elected to adopt this standard early and apply the changes to the 2014-15 financial statements.

The amended standard provides relief to not-for-profit public sector entities from making certain specified disclosures about the fair value measurement of assets within the scope of AASB 116 *Property Plant and Equipment* which are held for their current service potential rather than to generate future cash inflows.

This is a disclosure impact only, with no current or future financial impact expected.

(G) INCOME FROM TRANSACTIONS

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to South West Healthcare 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 is, where applicable, net of returns, allowances and duties and taxes.

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

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

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

Indirect Contributions from the Department of Health

> Insurance is recognised as revenue following advice from the Department of Health and Human Services.

> Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013 (update for 2013-2014).

Patient and Resident Fees

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

Private Practice Fees

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

Revenue from commercial activities

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

Donations and Other Bequests

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

Interest Revenue

Interest revenue is recognised on a time proportionate basis that 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 services would have been purchased if not received as a donation.

Other income

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

(H) EXPENSE RECOGNITION

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

Cost of goods sold

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

Employee expenses

Employee expenses include;

> wages and salaries;
> annual leave;
> sick leave;
> long service leave; and
> superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Defined contribution superannuation plans

In relation to defined 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 expenses when incurred.

Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

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

The name and details of the major employee superannuation funds and contributions made by the Health Service are disclosed in note 5: Superannuation.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset's useful life. Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services. Assets with a cost in excess of $1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

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

	2015	2014
Buildings		
> Structure Shell Building Fabric	Up to 42 years	Up to 42 years
> Site Engineering Services and Central Plant	Up to 30 years	Up to 30 years
Central Plant		
> Fit Out	Up to 30 years	Up to 30 years
> Trunk Reticulated Building Systems	Up to 30 years	Up to 30 years
Plant & Equipment	Up to 30 years	Up to 30 years
Medical Equipment	Up to 20 years	Up to 20 years
Computers and Communication	Up to 5 years	Up to 5 years
Furniture and Fitting	Up to 20 years	Up to 20 years
Motor Vehicles	Up to 13 years	Up to 13 years
Leasehold Improvements	Up to 7 years	Up to 7 years

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

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

Finance Costs

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

Finance costs include;

> interest on bank overdrafts and short term and long term borrowings (interest expense is recognised in the period in which it is incurred);
> amortisation of discounts or premiums relating to borrowings;
> amortisation of ancillary costs incurred in connection with the arrangements of borrowings; and
> finance charges in respect of finance leases recognised in accordance with AASB117 Leases.

Grants and other transfers

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

Other operating expenses

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

> **Supplies and consumables**
Supplies and service costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.
> **Bad and doubtful debts**
Refer to Note 1 (k) *Impairment of financial assets*.
> **Fair value of assets, services and resources provided free of charge or for nominal consideration**
Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or

conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(I) OTHER COMPREHENSIVE INCOME

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

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

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

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

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

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

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from the revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1 (k); and
- disposals of financial assets and derecognition of financial liabilities.

Revaluations of financial instrument at fair value

Refer to Note 1 (k) *Financial instruments*.

Share of net profits/(losses) of associates and jointly controlled entities, excluding dividends.

Refer to Note 1 (d) *Basis of consolidation*.

Other gains/(losses) from other comprehensive income

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

(J) FINANCIAL INSTRUMENTS

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 South West Healthcare'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

Financial assets and liabilities at fair value through profit or loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the Health Service concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other comprehensive income. Any dividend or interest on a financial asset is recognised in the net result for the year.

Financial assets and liabilities at fair value through profit or loss include the majority of the Health Service's equity investments, debt securities and borrowings.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(k)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Held-to-maturity investments

If the Health Service 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.

The Health Service 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.

The held-to-maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

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.

(K) ASSETS

Cash and Cash Equivalents

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

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

Receivables

Receivables consist of;

> Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and

> Contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income and finance lease receivables.

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

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

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised where there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Investments and other financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under 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 & loss;

> held-to-maturity;

> loans and receivables; and

> available-for-sale financial assets.

South West Healthcare 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.

South West Healthcare assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

Inventories

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

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

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

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

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

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

Property, Plant and Equipment

All non current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 10 *Property, plant and equipment*.

The initial cost for non-financial physical assets under finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Crown Land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any 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 measured at fair value 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 FRD's. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

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

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

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

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

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

Prepayments

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

Disposal of non-financial assets

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

Impairment of non-financial assets

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

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

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

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

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

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

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

Investments in joint operations

In respect of any interest in joint operations, South West Healthcare recognises in the financial statements:

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

Derecognition of financial assets

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

> the rights to receive cash flows from the asset have expired; or
> the Health Service retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
> the Health Service has transferred its rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Health Service has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Health Service's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period South West Healthcare 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.

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

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

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

In order to determine an appropriate fair value as at 30 June 2015 for its portfolio of financial assets, South West Healthcare obtained a valuation based on the best available advice using an estimated valuation method provided by a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2015. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

(L) LIABILITIES

Payables

Payables consist of:

> contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the health service prior to the end of the financial year that are unpaid, and arise when the health service becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually Nett 30 days.
> statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Borrowings

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs (refer also to note 1(m) Leases) The measurement basis subsequent to initial recognition depends on whether the Health Service has categorised its borrowings as either, financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowings using the effective interest method.

The classification depends on the nature and purpose of the borrowing. The Health Service determines the classification of its borrowing at initial recognition.

Provisions

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

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

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

Employee Benefits

The provision arises for the 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 the health service 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 and annual 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 settle within 12 months.

Long Service Leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the Health Service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

> Undiscounted value – if the health service expects to wholly settle within 12 months; and

> Present value – if the health service does not expect to settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

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

Employee benefit on-costs

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised together with provisions for employee benefits.

Superannuation liabilities

The Health Service 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.

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 consolidated comprehensive operating statement.

(M) LEASES

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

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

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

South West Healthcare has previously recognised the leasing arrangements for local area network equipment, workstations and peripherals (purchased through group buying arrangements with SWARH) as operating leases. These are now correctly reported as finance leases. Finance leases are regarded as a financial accommodation, and under the Section 30 of *Health Services Act 1988*, the Minister for Health and the Treasurer must declare a registered funded agency to be an approved borrower for the purposes of this section. An approved borrower may, with the approval of the Minister and the Treasurer, obtain financial accommodation, whether within or outside Victoria, secured or arranged in a manner and for a period approved by the Treasurer. At this time South West Healthcare has not been declared an approved borrower in relation to these finance leases. The Department has advised they will ensure that South West Healthcare complies with Section 30 of *Health Services Act 1988* on or before 30 June 2016.

All other leases are classified as operating leases.

Finance leases

Entity as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest income and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Entity as 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 the health service 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.

Operating leases

Entity as lessor

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

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 given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more appropriate of the time pattern over which the economic benefit of the leased asset is diminished.

Entity as 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.

(N) EQUITY

Contributed capital

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

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

Property, plant & equipment revaluation surplus

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

Specific restricted purpose surplus

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

(O) COMMITMENTS

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 17) at their nominal value and are inclusive of the goods and services tax ("GST") payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

(P) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

(Q) GOODS AND SERVICES TAX ("GST")

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

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

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

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

(R) AASs ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2015, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below.

The Health Service has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014–1 *Amendments to Australian Accounting Standards [*Part E *Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014–4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* *[AASB 116 & AASB 138]*	Amends *AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets* to: > establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; > prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014–9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* *[AASB 1, 127 & 128]*	Amends *AASB 127 Separate Financial Statements* to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014–10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *[AASB 10 & AASB 128]*	AASB 2014-10 amends *AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates* to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: > a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and > a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015–6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* *[AASB 10, AASB 124 & AASB 1049]*	The Amendments extend the scope of *AASB 124 Related Party Disclosures* to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standards above, the AASB has issued a list of other amending standards that are not effective for the 2014–15 reporting period (as listed top right). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

AASB 2013–9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

AASB 2014–1 *Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only] #*

AASB 2014–3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*

AASB 2014–5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2014–6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*

AASB 2014–7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

AASB 2014–8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*

AASB 2015–2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*

AASB 2015–3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

AASB 2015–4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128] #*

AASB 2015–5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128] #*

(S) CATEGORY GROUPS

The Health Service has used the following category groups for reporting purposes for the current and previous financial years.

Admitted Patient Services (Admitted Patients) comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.

Non Admitted Services comprises acute and subacute non admitted services, where services are delivered in public hospitals clinics and provide models of integrated community care, which significantly reduces the demand for hospital beds and supports the transition from hospital to home in a safe and timely manner.

Emergency Department Services (EDS) comprises all emergency department services.

Aged Care comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.

Primary 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.

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

Other Services not reported elsewhere – (Other) comprises services not separately classified above, including: Public Health Services including laboratory testing, blood borne viruses / sexually transmitted infections clinical services, Kooris liaison officers, immunisation and screening services, drugs services including drug withdrawal, counselling and the needle and syringe program, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

NOTE 2: ANALYSIS OF REVENUE BY SOURCE

	Admitted Patients 2015 $'000	Non Admitted 2015 $'000	EDS 2015 $'000	Aged & Home Care 2015 $'000	RAC 2015 $'000	Mental Health 2015 $'000	Primary Health 2015 $'000	Other 2015 $'000	Total 2015 $'000
Revenue from Services Supported by Health Service Agreement									
Government Grants	78,442	10,487	10,585	15,963	2,733	2,145	2,295	3,818	126,467
Indirect Contributions by Department of Health and Human Services	1,123	-	-	-	-	-	-	-	1,123
Patient and Resident Fees (refer Note 2a)	2,819	435	-	45	606	360	42	657	4,965
Commercial Activities	-	-	-	-	-	-	-	6,478	6,478
Other	8,300	-	-	126	-	-	-	-	8,426
Total Revenue from Operating Activities	**90,683**	**10,922**	**10,585**	**16,135**	**3,338**	**2,505**	**2,337**	**10,954**	**147,459**
Interest	-	-	-	-	-	-	-	485	485
Total Revenue from Non Operating Activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**485**	**485**
Capital Purpose Income (excluding Interest)								3,549	3,549
Total Capital Purpose Income								**3,549**	**3,549**
Net gain / (loss) on disposal of non current assets (refer note 2b)								(505)	(505)
Total Revenue	**90,683**	**10,922**	**10,585**	**16,135**	**3,338**	**2,505**	**2,337**	**14,483**	**150,988**

	Admitted Patients 2014 $'000	Non Admitted 2014 $'000	EDS 2014 $'000	Aged & Home Care 2014 $'000	RAC 2014 $'000	Mental Health 2014 $'000	Primary Health 2014 $'000	Other 2014 $'000	Total 2014 $'000
Revenue from Services Supported by Health Service Agreement									
Government Grants	75,163	9,164	10,214	2,080	2,623	15,802	2,058	3,392	120,496
Indirect Contributions by Department of Health and Human Services	309	-	-	-	-	-	-	-	309
Patient and Resident Fees (refer note 2a)	1,963	384	-	344	595	5	39	279	3,609
Commercial Activities								6,210	6,210
Other	8,426	-	-	-	-	116	-	-	8,542
Total Revenue from Operating Activities	**85,861**	**9,548**	**10,214**	**2,424**	**3,218**	**15,923**	**2,097**	**9,881**	**139,166**
Interest	-	-	-	-	-	-	-	560	560
Total Revenue from Non Operating Activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**560**	**560**
Capital Purpose Income (excluding Interest)								3,392	3,392
Total Capital Purpose Income								**3,392**	**3,392**
Net gain / (loss) on disposal of non current assets (refer note 2b)								(125)	(125)
Total Revenue	**85,861**	**9,548**	**10,214**	**2,424**	**3,218**	**15,923**	**2,097**	**13,708**	**142,993**

NOTE 2A: PATIENT AND RESIDENT FEES RAISED

Patient & Resident Fees	Total 2015 $'000	Total 2014 $'000
Recurrent		
Acute		
– Inpatients	2,864	1,968
– Outpatients	1,495	1,046
Residential Aged Care		
– Nursing Home	606	595
Total Patient and Resident Fees	**4,965**	**3,609**
Capital Purpose:		
Residential Accomodation Payments	162	159
Total Capital	**162**	**159**

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

	Total 2015 $'000	Total 2014 $'000
Proceeds from Disposal of Non-Current Assets		
Plant & Equipment	93	4
Motor Vehicles	475	723
Total Proceeds from Disposal of Non-Current Assets	**568**	**727**
Less: Written Down Value of Non Current Assets Sold		
Buildings	487	-
Plant & Equipment	92	31
Furniture & Fittings	-	1
Motor Vehicles	494	820
Total Written Down Value of Non Current Assets Sold	**1,073**	**852**
Net Gains / (Loss) on Disposal of Non-Current Assets	**(505)**	**(125)**

NOTE 3: ANALYSIS OF EXPENSES BY SOURCE

	Admitted Patients 2015 $'000	Out-patients 2015 $'000	EDS 2015 $'000	Ambula-tory 2015 $'000	Aged & Home Care 2015 $'000	RAC 2015 $'000	Mental Health 2015 $'000	Primary Health 2015 $'000	Other 2015 $'000	Total 2015 $'000
Employee Benefits	54,991	4,047	7,302	3,488	1,728	3,075	14,813	1,612	6,275	97,331
Non salary labour benefits	10,003					3				10,006
Supplies & consumables	11,960	900	1,624	776	384	281	466	359	1,975	18,725
Other Expenses	13,357	975	1,759	840	416	184	1,147	388	1,878	20,944
Total Expenditure from Operating Activities	**90,311**	**5,922**	**10,685**	**5,104**	**2,528**	**3,543**	**16,426**	**2,359**	**10,128**	**147,006**
Expenditure for Capital Purposes	-	-	-	-	-	-	-	-	234	234
Finance Costs	-	-	-	-	-	-	-	-	58	58
Depreciation and Amortisation (refer note 4)	-	-	-	-	-	-	-	-	13,019	13,019
Total Other Expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,311**	**13,311**
Total Expenses	**90,311**	**5,922**	**10,685**	**5,104**	**2,528**	**3,543**	**16,426**	**2,359**	**23,439**	**160,317**

	Admitted Patients 2014 $'000	Out-patients 2014 $'000	EDS 2014 $'000	Ambula-tory 2014 $'000	Aged & Home Care 2014 $'000	RAC 2014 $'000	Mental Health 2014 $'000	Primary Health 2014 $'000	Other 2014 $'000	Total 2014 $'000
Services Supported by Health Services Agreement										
Employee Benefits	54,598	2,799	6,289	3,081	1,493	2,576	12,880	1,291	5,237	90,244
Non salary labour benefits	9,865					4				9,869
Supplies & consumables	12,600	646	1,452	711	345	58	200	298	1,019	17,329
Other Expenses	13,896	714	1,605	786	381	599	826	356	2,339	21,502
Total Expenditure from Operating Activities	**90,959**	**4,159**	**9,346**	**4,578**	**2,219**	**3,237**	**13,906**	**1,945**	**8,595**	**138,944**
Expenditure for Capital Purposes	-	-	-	-	-	-	-	-	82	82
Depreciation and Amortisation (refer note 4)	-	-	-	-	-	-	-	-	8,762	8,762
Total Other Expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,844**	**8,844**
Total Expenses	**90,959**	**4,159**	**9,346**	**4,578**	**2,219**	**3,237**	**13,906**	**1,945**	**17,439**	**147,788**

NOTE 3A: COMMERCIAL ACTIVITIES

Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds

	Expenses		Revenue	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Private Practice Fees	1,388	1,228	1,524	1,249
Linen Service	1,529	1,484	1,787	1,855
Food Services	1,183	1,114	1,293	1,234
Retail Services	987	901	1,234	1,205
Other Activities	523	508	640	667
Total	**5,610**	**5,235**	**6,478**	**6,210**

NOTE 4: DEPRECIATION

	2015 $'000	2014 $'000
Buildings	9,562	5,602
Plant & Equipment	623	638
Medical Equipment	992	958
Computers & Communications	745	699
Furniture and Fittings	286	292
Motor Vehicles	465	573
Leased Assets – South West Alliance of Rural Health (SWARH)	346	-
Total Depreciation	**13,019**	**8,762**

NOTE 5: SUPERANNUATION

	Paid Contributions for the Year		Contributions Outstanding at Year End	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Defined benefit plans:				
First State Super (Health Super)	374	395	-	-
State Super fund	106	104	-	-
Defined contribution plans:				
First State Super (Health Super)	5,631	5,362	-	-
Hesta Super fund	1,471	1,225	-	-
Other	104	85	-	-
Total	**7,686**	**7,171**	**-**	**-**

NOTE 6: CASH AND CASH EQUIVALENTS

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

	2015 $'000	2014 $'000
Cash on Hand	8	8
Cash at Bank	5,414	2,439
Deposits at Call	7,608	10,046
Cash at End of Reporting Period	**13,030**	**12,493**
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	11,158	10,432
Cash at Bank South West Alliance of Rural Health	307	282
Cash for Monies Held in Trust		
– Endowment Fund	22	22
– Deposits at Call	1,543	1,757
Total	**13,030**	**12,493**

NOTE 7: RECEIVABLES

	2015 $'000	2014 $'000
Current Contractual		
Acute – Inpatient	405	315
Acute – Outpatient	69	60
Aged Care - Nursing Home	135	92
Regional Institutions	1,833	2,186
South West Alliance of Rural Health (SWARH)	294	156
Linen Service Debtors	253	186
Accrued Investment Income	10	74
Less Provision for Bad Debts	(38)	(24)
	2,961	**3,045**
Statutory		
GST Receivable	287	225
Accrued Government Grants	628	504
	915	**729**
Total Current Receivables	**3,876**	**3,774**
Non Current Statutory		
Long Service Leave – DHHS	3,189	2,150
Total Non Current Receivables	**3,189**	**2,150**
Total Receivables	**7,065**	**5,924**
(a) Movement in the Allowance for doubtful debts		
Balance at beginning of year	24	34
Amounts written off during the year	(11)	(22)
Amounts recovered during the year	21	12
Balance at end of year	**34**	**24**

(b) Ageing analysis of receivables
Please refer to Note 16 (b) for the ageing analysis of receivables

(c) Nature and extent of risk arising from receivables
Please refer to Note 16 (b) for the nature and extent of credit risk arising from receivables

NOTE 8: INVENTORIES

	2015 $'000	2014 $'000
Pharmaceuticals at cost	521	473
General Supplies at cost	513	374
Healthcare Shop Supplies at cost	173	191
Bulk Linen Store - Linen Service at cost	145	112
Linen in Use at Net Realisable Value	339	297
Total Inventories	**1,691**	**1,447**

NOTE 9: OTHER ASSETS

	2015 $'000	2014 $'000
Prepayments	7	20
South West Alliance of Rural Health	5	49
Total Other Assets	**12**	**69**

NOTE 10: PROPERTY, PLANT & EQUIPMENT

	Gross Cost/ Valuation 2015 $'000	Gross Cost/ Valuation 2014 $'000	Accum. Deprec. 2015 $'000	Accum. Deprec. 2014 $'000	Net Assets at 2015 $'000	Net Assets at 2014 $'000
Land at fair value	9,329	9,329	-	-	9,329	9,329
Buildings at fair value	182,654	176,072	9,517	-	173,137	176,072
Subtotal	**191,983**	**185,401**	**9,517**	**-**	**182,466**	**185,401**
Buildings at cost	1,123	-	45	-	1,078	-
Buildings under construction at cost	350	990	-	-	350	990
Plant & Equipment at fair value	8,251	8,088	5,252	4,630	2,999	3,458
Medical Equipment at fair value	12,491	11,763	7,527	6,667	4,964	5,096
Computers & Communications at fair value	7,042	6,462	5,144	4,400	1,898	2,062
Furniture & Fittings at fair value	3,682	3,677	1,918	1,639	1,764	2,038
Motor Vehicles at fair value	3,291	3,391	1,037	896	2,254	2,495
Leased Assets at cost	1,556	46	392	46	1,164	-
Subtotal	**37,786**	**34,417**	**21,315**	**18,278**	**16,471**	**16,139**
Total	**229,769**	**219,818**	**30,832**	**18,278**	**198,937**	**201,540**

Reconcilations of the carrying amounts of each class of asset for the consolidated entity at the beginning and end of the previous and current financial year is set out below:

	Land	Buildings & Buildings under construct.	Plant & Equip.	Medical Equip.	Computers & Comms.	Furniture & Fittings	Motor Vehicles	Leased Assets	Total
Balance at 1 July 2013	**16,235**	**130,486**	**4,160**	**5,263**	**1,799**	**2,292**	**2,473**	**-**	**162,708**
Additions	9	2,147	83	823	968	38	1,414	-	5,482
Transfers	-	154	(154)	-	-	-	-	-	-
Disposals	-	-	-	(33)	-	-	(819)	-	(852)
Revaluation increments / (decrements)	(6,915)	49,879	-	-	-	-	-	-	42,964
Depreciation/amortisation expense (refer note 4)	-	(5,602)	(632)	(958)	(705)	(292)	(573)	-	(8,762)
Balance at 30 June 2014	**9,329**	**177,064**	**3,457**	**5,095**	**2,062**	**2,038**	**2,495**	**-**	**201,540**
Additions	-	7,551	181	860	665	6	718	1,510	11,491
Disposals	-	(487)	(16)	-	(77)	-	(495)	-	(1,075)
Depreciation/amortisation expense (refer note 4)	-	(9,562)	(623)	(992)	(753)	(279)	(464)	(346)	(13,019)
Balance at 30 June 2015	**9,329**	**174,566**	**2,999**	**4,963**	**1,897**	**1,765**	**2,254**	**1,164**	**198,937**

Land and buildings carried at valuation

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

NOTE 10: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

(a) Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying Amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
	$'000	Level 1* $'000	Level 2* $'000	Level 3* $'000
Land at Fair Value				
Specialised land	9,329	-	-	9,329
Total of Land at Fair Value	**9,329**	**-**	**-**	**9,329**
Buildings at Fair Value				
Specialised Buildings	174,566	-	-	174,566
Total of Building at Fair Value	**174,566**	**-**	**-**	**174,566**
Plant and Equipment at Fair Value				
Plant and Equipment at fair value	2,999		-	2,999
Total Plant and Equipment at Fair Value	**2,999**	**-**	**-**	**2,999**
Medical Equipment at Fair Value				
Medical Equipment at Fair Value	4,963	-	-	4,963
Total Medical Equipment at Fair Value	**4,963**	**-**	**-**	**4,963**
Computers and Communication at Fair Value				
Computers and Communication at Fair Value	1,897	-	-	1,897
Total Computers and Communication at Fair Value	**1,897**	**-**		**1,897**
Furniture and Fittings at Fair Value				
Furniture and Fittings at Fair Value	1,765	-	-	1,765
Total Furniture and Fittings at Fair Value	**1,765**	**-**	**-**	**1,765**
Motor Vehicles at Fair Value				
Motor Vehicles at Fair Value	2,254	-	-	2,254
Total Motor Vehicles at Fair Value	**2,254**	**-**	**-**	**2,254**
Leased Assets at Fair Value				
Leased Assets at Fair Value	1,164	-	-	1,164
Total Leased Assets at Fair Value	**1,164**	**-**	**-**	**1,164**
Total	**198,937**	**-**	**-**	**198,937**

(i) Classified in accordance with the fair value hierarchy, see note 1.

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

There have been no transfers between levels during the period.

Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying Amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
	$'000	Level 1* $'000	Level 2* $'000	Level 3* $'000
Land at Fair Value				
Specialised land	9,329	-	-	9,329
Total of Land at Fair Value	**9,329**	**-**	**-**	**9,329**
Buildings at Fair Value				
Specialised Buildings	177,064			177,064
Total of Building at Fair Value	**177,064**	**-**	**-**	**177,064**
Plant and Equipment at Fair Value				
Plant and Equipment at fair value	3,457		-	3,457
Total Plant and Equipment at Fair Value	**3,457**	**-**	**-**	**3,457**
Medical Equipment at Fair Value				
Medical Equipment at Fair Value	5,095	-	-	5,095
Total Medical Equipment at Fair Value	**5,095**	**-**	**-**	**5,095**
Computers and Communication at Fair Value				
Computers and Communication at Fair Value	2,062	-	-	2,062
Total Computers and Communication at Fair Value	**2,062**	**-**	**-**	**2,062**
Furniture and Fittings at Fair Value				
Furniture and Fittings at Fair Value	2,038	-	-	2,038
Total Furniture and Fittings at Fair Value	**2,038**	**-**	**-**	**2,038**
Motor Vehicles at Fair Value				
Motor Vehicles at Fair Value	2,495	-	-	2,495
Total Motor Vehicles at Fair Value	**2,495**	**-**	**-**	**2,495**
Leased Assets at Fair Value				
Leased Assets at Fair Value	-	-	-	-
Total Leased Assets at Fair Value	**-**	**-**	**-**	**-**
Total	**201,540**	**-**	**-**	**201,540**

Specialised land and specialised buildings

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

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

For the health services, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of the Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

Vehicles

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

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2015.

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

NOTE 10: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

(b) Reconciliation of Level 3 fair value as at 30 June 2015

	Land	Buildings	Plant & Equip.	Medical Equip.	Computures & Comm.	Furniture & Fittings	Motor Vehicles	Leased Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance	9,329	177,064	3,457	5,095	2,062	2,038	2,495	-	201,540
Purchases / (Sales)		7,064	165	860	588	6	223	1,510	10,416
Gain or losses recognised in net result									
– Depreciation	-	(9,562)	(623)	(992)	(753)	(279)	(464)	(346)	(13,019)
	9,329	174,566	2,999	4,963	1,897	1,765	2,254	1,164	198,937
Items recognised in other comprehensive income									
Revaluation Increments/ (Decrements)	-	-	-	-	-	-	-	-	-
Closing Balance	**9,329**	**174,566**	**2,999**	**4,963**	**1,897**	**1,765**	**2,254**	**1,164**	**198,937**

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

(b) Reconciliation of Level 3 fair value as at 30 June 2014

	Land	Buildings	Plant & Equip.	Medical Equip.	Computures & Comm.	Furniture & Fittings	Motor Vehicles	Leased Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance	16,235	130,486	4,160	5,263	1,799	2,292	2,473	-	162,708
Purchases / (Sales)	9	2,147	83	790	968	38	595	-	4,630
Transfers in (out) Level 3	-	154	(154)	-	-	-	-	-	-
Gain or losses recognised in net result									
– Depreciation	-	(5,602)	(632)	(958)	(705)	(292)	(573)	-	(8,762)
	16,244	127,185	3,457	5,095	2,062	2,038	2,495	-	158,576
Items recognised in other comprehensive income									
Revaluation Increments/ (Decrements)	(6,915)	49,879	-	-	-	-	-	-	42,964
Closing Balance	**9,329**	**177,064**	**3,457**	**5,095**	**2,062**	**2,038**	**2,495**	**-**	**201,540**

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

	Valuation technique (i)	Significant unobservable inputs (i)
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Plant and equipment at fair value	Depreciated replacement cost	Cost per unit Useful life of PPE
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles
Medical equipment at fair value	Depreciated replacement cost	Cost per unit Useful life of medical equipment
Assets under construction at fair value	Depreciated replacement cost	Cost per unit

NOTE 11: PAYABLES

	2015 $'000	2014 $'000
Current		
Contractual		
Trade Creditors	3,683	3,347
Accrued Expenses	2,505	3,174
Accrued Grant Recall	855	187
TOTAL CURRENT	**7,043**	**6,708**

(a) Maturity analysis of payables
Please refer to Note 16(c) for the ageing analysis of payables

(b) Nature and extent of risk arising from payables
Please refer to Note 16(c) for the nature and risk arising from payables

NOTE 12: PROVISIONS

	2015 $'000	2014 $'000
Current Provisions		
Employee Benefits (i)		
Annual leave		
– Unconditional and expected to be settled wholly within 12 months (ii)	6,810	6,364
– Unconditional and expected to be settled wholly after 12 months (iii)	-	-
Long service leave		
– Unconditional and expected to be settled wholly within 12 months (ii)	1,528	1,364
– Unconditional and expected to be settled wholly after 12 months (iii)	8,938	7,885
Other (List) -Salaries & Wages Accrued & ADOs		
– Unconditional and expected to be settled within 12 months (ii)	2,889	2,660
	20,165	18,273
Provisions related to Employee Benefit On-Costs		
– Unconditional and expected to be settled within 12 months (ii)	1,323	1,019
– Unconditional and expected to be settled after 12 months (iii)	1,308	1,156
	2,631	2,175
TOTAL CURRENT PROVISIONS	**22,796**	**20,448**
Non-Current Provisions		
– Employee Benefits (i)	2,330	2,017
– Provisions related to Employee Benefit On-Costs	283	252
TOTAL NON-CURRENT PROVISIONS	**2,613**	**2,269**
TOTAL PROVISIONS	**25,409**	**22,717**

(a) Employee Benefits and Related On-Costs

	2015 $'000	2014 $'000
Current Employee Benefits and related on-costs		
Unconditional LSL Entitlement	11,774	10,405
Annual Leave Entitlements	7,662	7,160
Accrued Wages and Salaries	3,175	2,714
Accrued Days Off	185	169
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements (iii)	2,613	2,269
Total Employee Benefits	**25,409**	**22,717**

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

(b) Movements in Provisions

	2015 $'000	2014 $'000
Movement in Long Service Leave:		
Balance at start of year	12,675	11,876
Provision made during the year	3,059	2,164
Settlement made during the year	(1,348)	(1,365)
Balance at end of year	**14,386**	**12,675**

NOTE 13: OTHER LIABILITIES

		2015 $'000	2014 $'000
Monies Held in trust			
– Patient Monies held in Trust		103	94
– Accommodation Bonds		1,441	1,664
Total		**1,544**	**1,758**
Represented by the following assets:			
Cash Assets	(Note 6)	1,544	1,758
Total		**1,544**	**1,758**

NOTE 14: EQUITY & RESERVES

	2015 $'000	2014 $'000
(a) Reserves		
Property, Plant & Equipment Revaluation Reserve		
Balance at the beginning of the reporting period	56,713	13,749
Revaluation Increment/ (Decrements)		
– Land	-	(6,915)
– Buildings	-	49,879
Balance at the end of the reporting period	**56,713**	**56,713**
Represented by:		
– Land	5,035	5,035
– Buildings	51,678	51,678
	56,713	**56,713**
Restricted Specific Purpose Reserve		
Balance at the beginning of the reporting period	22	22
Balance at the end of the reporting period	22	22
Total Reserves	**56,735**	**56,735**
(b) Contributed Capital		
Balance at the beginning of the reporting period	66,744	66,744
Capital Contribution received from Government	4,618	-
Balance at the end of the reporting period	**71,362**	**66,744**
(c) Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	66,811	71,606
Net Result for the Year	(9,329)	(4,795)
Balance at the end of the reporting period	57,482	66,811
(d) Total Equity at end of financial year	**185,579**	**190,290**

NOTE 15: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2015 $'000	2014 $'000
Net Result for the Year	(9,329)	(4,795)
NON CASH MOVEMENTS		
Non Cash Revenue	(1,825)	(653)
Depreciation & Amortisation	13,019	8,762
Net (Gain)/Loss from Sale of Plant & Equipment	505	125
Change in Operating Assets & Liabilities		
– (Increase) / Decrease in Receivables	(130)	(190)
– (Increase) / Decrease Other Current Assets	275	(877)
– Increase / (Decrease) in Payables	(332)	(1,222)
– Increase / (Decrease) in Employee Entitlements	1,653	1,242
– (Increase) / Decrease in Other Current Liabilities	453	1,024
– Change in Inventories	(243)	4
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**4,046**	**3,420**

NOTE 16: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

South West Healthcare's principal financial instruments comprise of:

- Cash assets
- Term Deposits
- Receivables (Excluding Statutory Receivables)
- Payables (Excluding Statutory Payables)
- Finance Lease payables
- Accommodation Bonds

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are discosed in Note 1 to the financial statements.

South West Healthcare's main financial risks are credit risk, liquidity risk and interest rate risk. South West Healthcare these financial risks in accordance with its financial risk management policy.

The Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rest with the risk management committee of the Health Service.

The main purpose in holding financial instruments is to prudentially manage South West Healthcare financial risks within the government policy parameters.

Categorisation of financial instruments	Carrying Amount 2015 $'000	Carrying Amount 2014 $'000
Contractual Financial Assets		
Cash and cash equivalents	13,030	12,493
Receivables		
– Trade Debtors	2,342	2,504
– Other receivables	619	541
Total Financial Assets (i)	**15,991**	**15,538**
Financial Liabilities		
Payables	7,043	6,708
Borrowings	1,160	-
Other Financial Liabilities		
– Accommodation bonds	1,441	1,664
– Other	103	94
Total Financial Liabilities (ii)	**9,747**	**8,466**

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

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

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

Net holding gain/(loss) on financial instruments by category	Total Income 2015 $'000	Total Income 2014 $'000
Financial Assets		
Cash and Cash Equivalents (i)	485	560
Total Financial Assets	**485**	**560**
Financial Liabilities		
Total Financial Liabilities	**-**	**-**

(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 measure 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.

(b) Credit Risk

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

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

In addition, the Health Service does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Health Service's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Health Service will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents South West Healthcare's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

Credit quality of contractual financial assets that are neither past due nor impaired	Financial Institutions (min BBB credit rating) $'000	Government Agencies (AAA credit rating) $'000	Government Agencies (BBB credit rating) $'000	Other (min BBB credit rating) $'000	Total $'000
2015					
Financial Assets					
Cash and Cash Equivalents	13,030				13,030
Receivables-Debtors		2,352		609	2,961
Total Financial Assets	**13,030**	**2,352**	**-**	**609**	**15,991**
2014					
Financial Assets					
Cash and Cash Equivalents	12,493				12,493
Receivables-Debtors		2,617		428	3,045
Total Financial Assets	**12,493**	**2,617**	**-**	**428**	**15,538**

			Past due but not impaired				
Ageing analysis of financial asset as at 30 June	**Carrying Amount $'000**	**Not past due and not imapaired $'000**	**Less than 1 month $'000**	**1–3 months $'000**	**3 months – 1 Year $'000**	**1–5 years $'000**	**Impaired Financial Assets $'000**
2015							
Financial Assets							
Cash and Cash Equivalents	13,030	13,030					-
Receivables-Debtors	2,961	2,271	303	173	155	59	-
Total Financial Assets	**15,991**	**15,301**	**303**	**173**	**155**	**59**	**-**
2014							
Financial Assets							
Cash and Cash Equivalents	12,493	12,493					-
Receivables-Debtors	3,045	2,126	619	104	158	38	-
Total Financial Assets	**15,538**	**14,619**	**619**	**104**	**158**	**38**	**-**

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently South West Healthcare does not hold any collateral as security nor credit enhancements relating to its financial assets.

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

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk

Liquidity risk is the risk that South West Healthcare would be unable to meet its financial obligations as and when they fall due.

South West Healthcare's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. South West Healthcare manages its liquidity risk as follows:

Term deposits, investments and cash held at financial institutions are managed with variable maturity dates and take into consideration cashflow requirements of South West Healthcare from month to month.

Trade creditors are paid in accordance with their trading terms; and accommodation bonds are refunded when the resident departs the aged care facility.

The following table discloses the contractual maturity analysis for South West Healthcare'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	1–5 years
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Financial Liabilities						
Payables	7,043	7,043	7,043	-	-	-
Borrowings	1,160	1,160	35	70	35	740
Accommodation Bonds	1,441	1,441	1,441	-	-	-
Other Liabilities	103	103	103	-	-	-
Total Financial Liabilities	**9,747**	**9,747**	**8,622**	**70**	**35**	**740**
2014						
Financial Liabilities						
Payables	6,708	6,708	6,708			
Accommodation Bonds	1,664	1,664	1,664	-	-	-
Other Liabilities	94	94	94			
Total Financial Liabilities	**8,466**	**8,466**	**8,466**	**-**	**-**	**-**

(d) Market Risk

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

Currency Risk

South West Healthcare 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 South West Healthcare's interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities , the health service mainly undertake financial liabilities with relatively even maturity profiles.

Other Price Risk

South West Healthcare is exposed to normal price fluctuations from time to time through market forces.

Where adequate notice is provided by suppliers, additional purchases are made for long term goods.

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market Risk

Interest Rate Exposure of Financial Assets and Liabilities as at 30 June	*Weighted Average Effictive Interest	Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	Rates (%)	$'000	$'000	$'000	$'000
2015					
Financial Assets					
Cash and Cash Equivalents (i)	3.41	13,030	7,608	5,414	-
Receivables – Debtors		2,961			2,961
Total Financial Assets		**15,991**	**7,608**	**5,414**	**2,961**
Financial Liabilities					
Payables		7,043			
Borrowings		1,160			
Accommodation Bonds		1,441			
Other Liabilities		103			
Total Financial Liabilities		**9,747**	**-**	**-**	**-**
2014					
Financial Assets					
Cash and Cash Equivalents (i)	3.87	12,493	10,046	2,447	-
Receivables – Debtors		3,045			3,045
Total Financial Assets		**15,538**	**10,046**	**2,447**	**3,045**
Financial Liabilities					
Payables		6,708	-	-	-
Accommodation Bonds		1,664	-	-	-
Other Liabilities		94			
Total Financial Liabilities		**8,466**	**-**	**-**	**-**

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

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market Risk

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, South West Healthcare believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia)

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 6%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2%

The following table discloses the impact on net operating result and equity for each category of financial instrument held by South West Healthcare 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%		-1%		+1%	
	$'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2015									
Financial Assets									
Cash and Cash Equivalents (i)	13,030	(130)	(130)	130	130	-	-	-	
Receivables	2,961					-	-	-	
Financial Liabilities									
Payables	7,043					-	-	-	
Borrowings	1,160					-	-	-	
Accommodation Bonds	1,441	14	14	(14)	(14)	-	-	-	
Other Liabilities	103	1	1	(1)	(1)	-	-	-	
		(115)	**(115)**	**115**	**115**	**-**	**-**	**-**	

	Carrying Amount	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
	$'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2014									
Financial Assets									
Cash and Cash Equivalents (i)	12,493	(125)	(125)	125	125	-	-	-	
Receivables	3,045					-	-	-	
Financial Liabilities									
Payables	6,708	-	-	-	-	-	-	-	
Accommodation Bonds	1,664	17	17	(17)	(17)	-	-	-	
Other Liabilities	94	1	1	(1)	(1)	-	-	-	
		(107)	**(107)**	**107**	**107**	**-**	**-**	**-**	

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

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair Value

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

Level 1 – the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and

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.

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

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

Comparison between carrying amount and fair value	Carrying Amount 2015 $'000	Fair Value 2015 $'000	Carrying Amount 2014 $'000	Fair Value 2014 $'000
Financial Assets				
Cash and Cash Equivalents	13,030	13,030	12,463	12,463
Receivables-Debtors	2,961	2,961	3,045	3,045
Total Financial Assets	**15,991**	**15,991**	**15,508**	**15,508**
Financial Liabilities				
Payables	7,043	7,043	6,708	6,708
Borrowings	1,160	1,160	-	-
Accommodation Bonds	1,441	1,441	1,664	1,664
Other Liabilities	103	103	94	94
Total Financial Liabilities	**9,747**	**9,747**	**8,466**	**8,466**

NOTE 17: COMMITMENTS FOR EXPENDITURE

	2015 $'000	2014 $'000
Other Expenditure Commitments		
Payable:		
IT Support Maintenance - (SWARH)	-	762
Total Other Commitments	**-**	**762**
Not later than one year	-	377
Later than 1 year and not later than 5 years	-	385
TOTAL	**-**	**762**

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

Lease Commitments	2015 $'000	2014 $'000
Non-cancellable		
Operating Leases		
Commitments in relation to rental of buildings and medical & other equipment leases are payable as follows:		
Not later than one year	-	2,088
Later than one year but not later than 5 years	-	1,145
TOTAL	**-**	**3,233**
Finance Leases		
Commitments in relation to finance leases for SWARH are payable as follows:		
Not later than one year	549	-
Later than one year but not later than 5 years	966	-
TOTAL	**1,515**	**-**

NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2015 $'000	2014 $'000
South West Healthcare is unaware of any contingent assets or contingent liabilities in existence at year end.	-	-

NOTE 19: SEGMENT REPORTING

GEOGRAPHICAL SEGMENT
South West Healthcare operates predominantly in South West Victoria.

	Hospital Warrnambool Campus		Hospital Camperdown Campus		Nursing Home Camperdown Campus		Linen Servce		Mental Health		Macarthur		Eliminations		Total	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
REVENUE																
External Segment Revenue	120,772	112,801	7,815	7,983	3,506	3,366	1,787	1,855	16,133	15,929	489	500	-	-	150,502	142,434
Intersegment revenue	-	-	-	-		-	880	834	-	-	-	-	(880)	(834)	-	-
Total Revenue	**120,772**	**112,801**	**7,815**	**7,983**	**3,506**	**3,366**	**2,667**	**2,689**	**16,133**	**15,929**	**489**	**500**	**(880)**	**(834)**	**150,502**	**142,434**
EXPENSES																
External Segment Expenses	127,403	116,524	8,802	8,159	3,724	3,409	2,701	2,620	17,107	16,576	579	501	-	-	160,316	147,789
Intersegment expenses	880	834	-	-	-	-		-	-	-	-	-	(880)	(834)	-	-
Total Expenses	**128,283**	**117,358**	**8,802**	**8,159**	**3,724**	**3,409**	**2,701**	**2,620**	**17,107**	**16,576**	**579**	**501**	**(880)**	**(834)**	**160,316**	**147,789**
Net Result from ordinary activitites	**(7,511)**	**(4,557)**	**(987)**	**(176)**	**(218)**	**(43)**	**(34)**	**69**	**(974)**	**(647)**	**(90)**	**(1)**	**-**	**-**	**(9,814)**	**(5,355)**
Interest Income	485	560	-	-	-	-	-	-	-	-	-	-	-	-	485	560
Net Result for Year	**(7,026)**	**(3,997)**	**(987)**	**(176)**	**(218)**	**(43)**	**(34)**	**69**	**(974)**	**(647)**	**(90)**	**(1)**	**-**	**-**	**(9,329)**	**(4,795)**
OTHER INFORMATION																
Segment Assets																
Unallocated Assets	196,110	198,759	7,570	7,096	1,761	2,189	2,792	2,937	11,394	9,509	1,108	983	-	-	220,735	221,473
Total Assets	**196,110**	**198,759**	**7,570**	**7,096**	**1,761**	**2,189**	**2,792**	**2,937**	**11,394**	**9,509**	**1,108**	**983**	**-**	**-**	**220,735**	**221,473**
Segment Liabilities																
Unallocated Liabilities	28,117	24,877	2,133	1,491	1,540	1,531	383	439	2,875	2,728	108	117	-	-	35,156	31,183
Total Liabilities	**28,117**	**24,877**	**2,133**	**1,491**	**1,540**	**1,531**	**383**	**439**	**2,875**	**2,728**	**108**	**117**	**-**	**-**	**35,156**	**31,183**
Acquisition of Property, Plant and Equipment and Intangible Assets	10,726	3,149	229	1,443	-	30	115	5	380	827	41	28	-	-	11,491	5,482
Depreciation and Amortisation Expense	11,039	7,336	801	329	145	285	292	274	679	471	63	67	-	-	13,019	8,762
Non Cash Expenses other than Depreciaton	1,122	309	-	-	-	-	-	-	-	-	-	-	-	-	1,122	309

Business Segments:
Hospital, Linen Service, Mental Health, Community Health Service, Aged Care (Camperdown)

Services:
Acute and Rehabilitation Inpatient and Non Inpatient Health Services, Linen/Laundry Services, Acute Mental Health Inpatient and Community Services, Primary and Community Health Services, Nursing Home/Hostel

NOTE 20A: RESPONSIBLE PERSON-RELATED DISCLOSURES

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

Responsible Ministers:

The Honourable Jill Hennessy MLA, Minister for Health	04/12/2014 – 30/06/2015
The Honourable Martin Foley, MLA Minister for Mental Health	04/12/2014 – 30/06/2015
The Honourable Martin Foley, MLA Minister for Housing, Disability and Ageing	04/12/2014 – 30/06/2015
The Honourable Jenny Mikakos MLC, Minister for Families and Children	04/12/2014 – 30/06/2015
The Honourable David Davis, MLC, Minister for Health, Minister for Ageing,	01/07/2014 – 03/12/2014
The Honourable Mary Wooldridge, MLA, Minister for Mental Health	01/07/2014 – 03/12/2014
The Honourable Mary Wooldridge, MLA, Minister for Community Services	01/07/2014 – 03/12/2014
The Honourable Mary Wooldridge, MLA, Minister for Disability Services and Reform	01/07/2014 – 03/12/2014

Governing Board:

Mrs. S. Muldoon	01/07/2014 – 30/06/2015	Mr. J. Maher	01/07/2014 – 30/06/2015
Mrs. M. Pendergast	01/07/2014 – 28/02/2015	Mr. R. Worland	01/07/2014 – 30/06/2015
Mrs. M. Alexander	01/07/2014 – 30/06/2015	Mr R.Montgomery	01/07/2014 – 30/06/2015
Mr. C. Logan	01/07/2014 – 30/06/2015	Mr. T. Brain	01/07/2014 – 30/06/2015
Mr. S. Callaghan	01/07/2014 – 30/06/2015	Ms. J. McCormack	01/07/2014 – 30/06/2015

Accountable Officer:

Mr. J. Krygger	01/07/2014 – 30/06/2015

Remuneration of Responsible Persons	Total Remuneration	
	2015 $'000	2014 $'000
Income Band:		
0 – $9999	10	10
$340,000 – $349,999	-	1
$350,000 – $359,999	1	-
Total Numbers	**11**	**11**

	2015 $'000	2014 $'000
Total Remuneration	**352**	**345**

Nil remuneration is received by Board of Directors.
Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Other Transactions of Responsible Persons and their Related Entities	2015 $'000	2014 $'000
Mr S. Callaghan is a director of Callaghan Motors which provides repairs, maintenance and purchase of motor vehicles on normal commercial terms & conditions.	190	331

NOTE 20B: EXECUTIVE OFFICER DISCLOSURES

Executive Officer's Remuneration

The numbers of executive officers, other than Ministers and Accountable Officers, and their base and total remuneration during the reporting period are shown in the table below in their relevant income bands. Total remuneration is inclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2015	2014	2015	2014
$140,000 - $149,999	1	-	1	-
$150,000 - $159,999	-	1	-	1
$160,000 - $169,999	1	-	1	-
$170,000 - $179,999	-	1	-	1
$180,000 - $189,999	-	1	-	1
$190,000 - $199,999	2	1	2	1
$200,000 - $209,999	1	-	1	-
$310,000 - $319,999	-	1	-	1
$320,000 - $329,999	1	-	1	-
Total Numbers	**6**	**5**	**6**	**5**
	$'000	**$'000**	**$'000**	**$'000**
Total annualised employee equivalents (AAE) (i)	**6**	**5**	**6**	**5**
Total Remuneration	**1,224**	**1,037**	**1,224**	**1,037**

(i) Annualised employee equivalent is based on paid working hours of 38 hours per week over the 52 weeks for a reporting period.

Remuneration includes Superannuation Guarantee Levy, Employer superannuation contributions, deemed value of motor vehicle and all non-cash benefits.

NOTE 20C: PAYMENTS TO OTHER PERSONNEL (ie. Contractors with Significant Management Responsibilities)

There were no payments made to other personnel by South West Healthcare in the reporting period.

NOTE 21: EVENTS OCCURING AFTER THE BALANCE SHEET DATE

There were no events occurring after reporting date which require disclosure.

NOTE 22: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Principal Activity	Ownership Interest	
		2015	2014
		%	%
South West Alliance of Rural Health	Information Technology	15.37	15.37

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

South West Alliance of Rural Health	2015 $'000	2014 $'000
Current Assets		
Cash and Cash Equivalents	310	282
Receivables	294	157
Other Current Assets	6	49
Total Current Assets	**610**	**488**
Non Current Assets		
Property, Plant & Equipment	38	45
Leased Assests	1,161	
Total Non Current Assets	**1,199**	**45**
Total Assets	**1,809**	**533**
Current Liabilities		
Payables	256	188
Provisions	249	217
Lease Liabilities	357	
Total Current Liabilities	**862**	**405**
Non Current Liabilities		
Provisions	62	49
Lease Liabilities	803	
Total Non Current Liabilities	**865**	**49**
Total Liabilities	**1,727**	**454**
	82	**79**

A Health Service interest in revenue and expenses resulting from jointly controlled operations and assets is detailed below:

South West Alliance of Rural Health	2015 $'000	2014 $'000
Revenue		
Other Revenue	3,170	4,797
Total Revenue	**3,170**	**4,797**
Expenses		
Employee Expenses	893	796
Maintenance Contracts & IT Support	1,690	1,419
Leases Expense	-	510
Software Licence costs	3	1,915
Other	172	147
Total Expenses	**2,758**	**4,787**
Net Result Before Capital & Specific Items	**412**	**10**
Depreciation	353	9
Finance Lease Costs	58	-
Net Result	**1**	**1**

NOTE 23: REMUNERATION OF AUDITORS

	2015 $'000	2014 $'000
Victorian Auditor General's office	47	45
Internal Audit services	19	35

NOTE 24: EX GRATIA PAYMENTS

	2015 $'000	2014 $'000
Nil ex gratia payments were made by South West Healthcare during the report year.	-	-

NOTE 25: FINANCE COSTS

	2015 $'000	2014 $'000
Finance Charges on Finance Leases	58	-
Total Finance Costs	**58**	**-**

NOTE 26: BORROWINGS

	2015 $'000	2014 $'000
CURRENT		
– Finance Lease Liability - SWARH (i)	357	
Total Australian Dollars Borrowings	**357**	**-**
Total Current	**357**	**-**
NON CURRENT		
– Finance Lease Liability - SWARH	803	-
– Other	-	-
Total Australian Dollars Borrowings	**803**	**-**
Total Non Current	**803**	**-**
Total Borrowings	**1,160**	**-**

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Finance costs of the Health Service incurred during the year are accounted for as follows:	2015 $'000	2014 $'000
Amount of finance costs recognised as expenses	58	-
Amount of investment revenue earned on borrowed funds that has been deducted from the finance costs incurred	-	-

(a) Maturity analysis of borrowings

Please refer to note 16(c) for the ageing analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to note 16(c) 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.

ALTERNATIVE PRESENTATION OF COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000
Interest	485	560
Grants	127,590	120,805
Other Income	23,418	21,753
TOTAL REVENUE	**151,493**	**143,118**
Employee expenses	97,331	90,244
Depreciation	13,019	8,762
Other operating expenses	49,967	48,782
TOTAL EXPENSES	**160,317**	**147,788**
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE	**(8,824)**	**(4,670)**
Net gain/ (loss) on sale of non-financial assets	(505)	(125)
TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT	**(505)**	(125)
NET RESULT	**(9,329)**	**(4,795)**

Above

Happy 30th David Newman Adult Day Centre! SWH Board chairman John Maher watches manager Tracey Harty (left) and Hilary Newman, partner of the late Dr David Newman, cut the cake. More than 90 guests celebrated, including Dr Newman's co-founder partners Dr John Menzies and Dr Eldon Lyon. Dr Nicholas Brayshaw was unable to attend.

SWH HOSPITALS

Warrnambool Base Hospital
Ryot Street
Warrnambool 3280
p 03 5563 1666
e info@swh.net.au

Camperdown Hospital
Robinson Street
Camperdown 3260
p 03 5593 7300
e frontdesk@swh.net.au

SWH COMMUNITY HEALTH CENTRES

Warrnambool Community Health
Koroit Street
Warrnambool 3280
p 03 5563 4000
e intake@swh.net.au

Manifold Place
140 Manifold Street
Camperdown 3260
p 03 5557 0900
e mplace2@swh.net.au

David Newman Adult Day Centre
20A Church Street
Camperdown 3260
p 03 5593 7364
e dcentre@swh.net.au

Lismore Community Health
High Street
Lismore 3324
p 03 5558 3000
e lismore2@swh.net.au

Macarthur Community Health
12 Ardonachie Street
Macarthur 3286
p 03 5552 2000
e macarthurch@swh.net.au

SWH AGED CARE FACILITY

Merindah Lodge
York Street
Camperdown 3260
p 03 5593 1290
e merindah@swh.net.au

SWH MENTAL HEALTH SERVICES

Warrnambool Community Health
Koroit Street
Warrnambool 3280
p 03 5561 9100

Camperdown
64 Scott Street
Camperdown 3260
p 03 5593 6000

Portland
63 Julia Street
Portland 3305
p 03 5522 1000

Hamilton
12 Foster Street
Hamilton 3300
p 03 5551 8418

South West Healthcare
www.southwesthealthcare.com.au