

FINANCIAL
STATEMENTS
2016-17

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 Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

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

We authorise the attached financial statements for issue on 23 August 2017.



Mr John Maher
Board Member

Warrnambool

23 August 2017



Craig Fraser
Acting Accountable Officer

Warrnambool

23 August 2017



Andrew Trigg
Chief Finance & Accounting
Officer

Warrnambool

23 August 2017



Independent Auditor's Report

To the Board of South West Healthcare

Opinion	<p>I have audited the financial report of South West Healthcare (the health service) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • board member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the health service's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the health service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the health service to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
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MELBOURNE
23 August 2017



Ron Mak
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
REVENUE FROM OPERATING ACTIVITIES	2.1	163,156	150,594
REVENUE FROM NON-OPERATING ACTIVITIES	2.1	373	443
Employee Benefits	3.1	(108,775)	(99,459)
Non Salary Labour Costs	3.1	(11,807)	(10,331)
Supplies & Consumables	3.1	(21,613)	(19,074)
Other Operating Expenses	3.1	(10,100)	(11,325)
Administrative Expenses	3.1	(11,534)	(10,250)
NET RESULT BEFORE CAPITAL AND SPECIFIC ITEMS		(300)	598
Capital Purpose Income	2.1	9,049	15,541
Impairment of Non-financial Assets	3.1	(10)	
Depreciation and Amortisation	4.3	(12,892)	(12,860)
Specific Expenses	3.1	(164)	(262)
Finance Costs	3.3	(127)	(53)
NET RESULT AFTER CAPITAL & SPECIFIC ITEMS		(4,444)	2,964
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net Gain/(loss) on Non-financial Assets	7.2	60	(146)
Revaluation of Long Service Leave	3.4	185	127
TOTAL OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT		245	(19)
NET RESULT FOR THE YEAR		(4,199)	2,945
COMPREHENSIVE RESULT		(4,199)	2,945

This Statement should be read in conjunction with the accompanying notes

BALANCE SHEET AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	6.2	14,866	14,411
Receivables	5.1	7,704	6,854
Inventories	5.2	1,756	1,605
Prepayments and Other Assets	5.4	3	55
Total Current Assets		24,329	22,925
Non Current Assets			
Receivables	5.1	3,460	3,021
Property, Plant & Equipment	4.2	204,696	207,742
Total Non Current Assets		208,156	210,763
TOTAL ASSETS		232,485	233,688
LIABILITIES			
Current Liabilities			
Payables	5.5	10,685	11,734
Borrowings	6.1	392	346
Provisions	3.4	26,078	23,675
Other Liabilities	5.3	2,682	896
Total Current Liabilities		39,837	36,651
Non Current Liabilities			
Borrowings	6.1	475	618
Provisions	3.4	2,467	2,514
Total Non Current Liabilities		2,942	3,132
TOTAL LIABILITIES		42,779	39,783
NET ASSETS		189,706	193,905
EQUITY			
Property, Plant & Equipment Revaluation Surplus	8.1a	56,713	56,713
Restricted Specific Purpose Surplus	8.1b	22	22
Contributed Capital	8.1b	76,744	76,744
Accumulated Surpluses / (Deficits)	8.1c	56,227	60,426
TOTAL EQUITY		189,706	193,905
Commitments	6.3		

This Statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Property, Plant & Equipment Revaluation Surplus \$'000	Restricted Specific Purpose Surplus \$'000	Contributed Capital \$'000	Accumulated Surpluses/ (Deficits) \$'000	Total \$'000
Balance at 1 July 2015		56,713	22	71,362	57,481	185,578
Net result for the year	8.1	-	-	-	2,945	2,945
Capital Appropriation received from / returned to Victorian Government	8.1	-	-	5,382	-	5,382
Balance at 30 June 2016		56,713	22	76,744	60,426	193,905
Net result for the year	8.1	-	-	-	(4,199)	(4,199)
Balance at 30 June 2017		56,713	22	76,744	56,227	189,706

This Statement should be read in conjunction with the accompanying notes

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
		Inflows / (Outflows)	Inflows / (Outflows)
Operating Grants from Government		141,335	130,891
Capital Grants from Government		7,189	2,906
Patient and Resident Fees Received		4,780	5,071
Private Practice Fees Received		1,579	1,523
Donations and Bequests Received		560	654
GST Received from/ (paid to) ATO		4,158	3,498
Interest Received		430	495
Other Receipts		11,109	12,703
TOTAL RECEIPTS		171,140	157,741
Employee Expenses Paid		(107,100)	(98,364)
Non-Salary Labour Costs		(11,807)	(10,331)
Payments for Supplies and Consumables		(24,955)	(22,666)
Finance Costs			
Other Payments		(20,254)	(19,518)
TOTAL PAYMENTS		(164,116)	(150,879)
NET CASH INFLOW FROM / (USED IN) OPERATING ACTIVITIES	8.2	7,024	6,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Non-Financial Assets		(9,588)	(5,359)
Proceeds from Sale of Non-Financial Assets		775	512
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		(8,813)	(4,847)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(1,789)	2,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		13,173	11,158
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	11,384	13,173

This Statement should be read in conjunction with the accompanying notes

BASIS OF PRESENTATION

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

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

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

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

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

Transfer of net liabilities arising from administrative restructurings are treated as distribution to owners.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for South West Healthcare (ABN 41 189 754 233) for the period ended 30 June 2017. The purpose of the report is to provide users with information about the Health Services' stewardship of resources entrusted to it.

(A) STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994*, and applicable AASs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB101 *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 23/08/2017.

(B) REPORTING ENTITY

The financial statements includes all the controlled activities of South West Healthcare.

Its principal address is:

Ryot Street, Warrnambool Victoria 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 is predominantly funded by accrual based grant funding for the provision of outputs.

(C) BASIS OF ACCOUNTING PREPARATION AND MEASUREMENT

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

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

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian Dollars, the functional and presentation currency of the Health Service.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- > Non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

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

- > 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.

(D) PRINCIPLES OF CONSOLIDATION

Intersegment Transactions

Transactions between segments within South West Healthcare have been eliminated to reflect the extent of South West Healthcare's operations as a group.

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

The health service's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

To enable the health service to fulfil its objective it receives income based on parliamentary appropriations. The health service also receives income from the supply of services.

STRUCTURE

2.1 Analysis of revenue by source

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE

	Admitted Patients 2017 \$'000	Non Admitted 2017 \$'000	EDS 2017 \$'000	Mental Health 2017 \$'000	RAC incl. Mental Health 2017 \$'000	Aged Care 2017 \$'000	Primary Health 2017 \$'000	Other 2017 \$'000	Total 2017 \$'000
Government Grants	86,761	14,169	12,919	18,292	2,386	2,370	1,611	4,572	143,080
Indirect Contributions by Department of Health and Human Services	561	-	-	-	-	-	-	-	561
Patient and Resident Fees	2,409	479	-	86	585	245	50	375	4,229
Commercial Activities	-	-	-	-	-	-	-	6,936	6,936
Other Revenue from Operating Activities	8,187	-	-	153	-	-	-	-	8,340
Total Revenue from Operating Activities	97,918	14,648	12,919	18,531	2,971	2,615	1,661	11,883	163,146
Interest	-	-	-	-	-	-	-	373	373
Other Non-Operating Revenue	-	-	-	-	-	-	-	10	10
Total Revenue from Non Operating Activities	-	-	-	-	-	-	-	383	383
Capital Purpose Income (excluding Interest)	-	-	-	-	-	-	-	9,049	9,049
Total Capital Purpose Income	-	-	-	-	-	-	-	9,049	9,049
Total Revenue	97,918	14,648	12,919	18,531	2,971	2,615	1,661	21,315	172,578

	Admitted Patients 2016 \$'000	Non Admitted 2016 \$'000	EDS 2016 \$'000	Mental Health 2016 \$'000	RAC incl. Mental Health 2016 \$'000	Aged Care 2016 \$'000	Primary Health 2016 \$'000	Other 2016 \$'000	Total 2016 \$'000
Government Grants	80,378	11,512	10,674	17,459	2,559	2,170	1,451	4,257	130,460
Indirect Contributions by Department of Health and Human Services	(45)	-	-	-	-	-	-	-	(45)
Patient and Resident Fees	3,434	376	-	49	553	390	49	360	5,211
Commercial Activities	-	-	-	-	-	-	-	6,575	6,575
Other Revenues from Operating Activities	8,213	-	-	180	-	-	-	-	8,393
Total Revenue from Operating Activities	91,980	11,888	10,674	17,688	3,112	2,560	1,500	11,192	150,594
Interest	-	-	-	-	-	-	-	443	443
Total Revenue from Non Operating Activities	-	-	-	-	-	-	-	443	443
Capital Purpose Income (excluding Interest)	-	-	-	-	-	-	-	15,541	15,541
Total Capital Purpose Income	-	-	-	-	-	-	-	15,541	15,541
Total Revenue	91,980	11,888	10,674	17,688	3,112	2,560	1,500	27,176	166,578

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE (CONTINUED)

Department of Health and Human Services makes certain payments on behalf of the Health Service.

These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Income 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 are, where applicable, net of returns, allowances and duties and taxes.

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

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

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

Indirect Contributions from the Department of Health and Human Services

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

> Long Service Leave (LSL) - Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

Patient and Resident Fees

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

Private Practice Fees

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

Revenue from Commercial Activities

Revenue from commercial activities such as provision of meals to external users is recognised at the time the 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.

Other Revenue from Operating Activities

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

Interest Revenue

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

CATEGORY GROUPS

South West Healthcare 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 patients 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.
- > **Mental Health Services** comprises all specialised mental health services providing a range of inpatient, community based residential, rehabilitation and ambulatory services which treat and support people with a mental illness and their families and carers. These services aim to identify mental illness early, and seek to reduce its impact through providing timely acute care services and appropriate longer-term accommodation and support for those living with a mental illness.
- > **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.
- > **Aged Care** comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.
- > **Primary, Community and Dental Health** comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.
- > **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, Health and Community Initiatives also falls in this category group.

NOTE 3: THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

STRUCTURE

- 3.1 Analysis of expenses by source
- 3.2 Analysis of expense and revenue by internally managed and restricted specific purpose funds
- 3.3 Finance Costs
- 3.4 Employee Benefits in the Balance Sheet
- 3.5 Superannuation

NOTE 3.1: ANALYSIS OF EXPENSES BY SOURCE

	Admitted Patients 2017 \$'000	Non Admitted 2017 \$'000	EDS 2017 \$'000	Mental Health 2017 \$'000	RAC incl. Mental Health 2017 \$'000	Aged Care 2017 \$'000	Primary Health 2017 \$'000	Other 2017 \$'000	Total 2017 \$'000
Employee Expenses	56,770	9,487	8,428	16,808	3,176	1,739	1,146	11,220	108,774
Other Operating Expenses									
Non Salary Labour Costs	11,800	-	-	7	-	-	-	-	11,807
Supplies and Consumables	12,955	2,194	1,950	634	255	403	267	2,955	21,613
Other Expenses	12,883	2,107	1,861	1,345	182	383	241	2,633	21,635
Total Expenditure from Operating Activities	94,408	13,788	12,239	18,794	3,613	2,525	1,654	16,808	163,829
Finance Costs (refer note 3.3)	-	-	-	-	-	-	-	127	127
Other Non-Operating Expenses									
Expenditure for Capital Purposes	-	-	-	-	-	-	-	164	164
Impairment of Non-Financial Assets	-	-	-	-	-	-	-	10	10
Depreciation (refer note 4.3)	-	-	-	-	-	-	-	12,892	12,892
Total Other Expenses	-	-	-	-	-	-	-	13,193	13,193
Total Expenses	94,408	13,788	12,239	18,794	3,613	2,525	1,654	30,001	177,022

	Admitted Patients 2016 \$'000	Non Admitted 2016 \$'000	EDS 2016 \$'000	Mental Health 2016 \$'000	RAC incl. Mental Health 2016 \$'000	Aged Care 2016 \$'000	Primary Health 2016 \$'000	Other 2016 \$'000	Total 2016 \$'000
Employee Expenses	55,962	8,292	7,495	14,417	3,094	1,796	1,108	7,295	99,459
Other Operating Expenses									
Non Salary Labour Costs	10,329	-	-	-	2	-	-	0	10,331
Supplies and Consumables	12,143	1,841	1,666	469	266	399	248	2,040	19,072
Other Expenses	13,442	1,940	1,742	1,234	178	418	245	2,377	21,576
Total Expenditure from Operating Activities	91,876	12,073	10,903	16,120	3,540	2,613	1,601	11,712	150,438
Finance Costs (refer note 3.3)	-	-	-	-	-	-	-	53	53
Other Non-Operating Expenses									
Expenditure for Capital Purposes	-	-	-	-	-	-	-	263	263
Depreciation (refer note 4.3)	-	-	-	-	-	-	-	12,860	12,860
Total Other Expenses	-	-	-	-	-	-	-	13,176	13,176
Total Expenses	91,876	12,073	10,903	16,120	3,540	2,613	1,601	24,888	163,614

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

NOTE 3.1: ANALYSIS OF EXPENSE BY SOURCE (CONTINUED)

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;
- > fringe benefits tax
- > leave entitlements
- > termination payments, workcover premiums and
- > superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Grants and Other Transfers

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

Other operating expenses

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

Supplies and Consumables

Supplies and service costs which are recognised as an expense in the reporting period in which they are incurred.

The carrying amounts of any inventories held for distribution are expenses when distributed.

Bad and Doubtful Debts

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

Fair value of assets, services and resources provided free of charge or for nominal consideration

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

Other economic flows included in net result

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

NET GAIN / (LOSS) ON NON-FINANCIAL ASSETS

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

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 proceeds and the carrying value of the asset at the time.

Other gains/(losses) from other economic flows

Other gains/(losses) include:

- a. the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors; and
- b. transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

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.

NOTE 3.2: COMMERCIAL ACTIVITIES**Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds**

	Expenses		Revenue	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Commercial Activities				
Private Practice Fees	1,735	1,396	1,847	1,516
Linen Service	1,503	1,483	1,861	1,814
Food Services	1,278	1,185	1,356	1,304
Retail Services	875	892	1,101	1,194
Other Activities	641	618	771	747
Total	6,032	5,574	6,936	6,575

NOTE 3.3: FINANCE COSTS

	2017 \$'000	2016 \$'000
Finance Charges on Finance Leases	127	53
TOTAL FINANCE COSTS	127	53

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

Finance costs include:

> finance charges in respect of finance leases recognised in accordance with AASB 117 Leases.

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET

	2017 \$'000	2016 \$'000
Current Provisions		
Employee Benefits (i)		
Annual Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	7,244	6,566
- unconditional and expected to be settled wholly after 12 months (iii)	288	261
Long Service Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	2,006	1,575
- unconditional and expected to be settled wholly after 12 months (iii)	9,326	9,211
Other - Salaries & Wages Accrued & ADO's		
- unconditional and expected to be settled within 12 months (ii)	4,472	3,250
	23,336	20,863
Provisions related to employee benefit on-costs		
- unconditional and expected to be settled wholly within 12 months (ii)	1,325	1,464
- unconditional and expected to be settled wholly after 12 months (iii)	1,417	1,348
	2,742	2,812
Total Current Provisions	26,078	23,675
Non-Current Provisions		
Employee Benefits (i)	2,193	2,241
Provisions related to employee benefit on-costs	274	273
Total Non-Current Provisions	2,467	2,514
Total Provisions	28,545	26,189

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET (CONTINUED)

	2017 \$'000	2016 \$'000
Current Employee Benefits and Related On-Costs		
Unconditional LSL Entitlement	12,749	12,134
Annual Leave Entitlements	8,473	7,680
Accrued Wages and Salaries	4,638	3,689
Accrued Days Off	218	172
Non-Current Employee Benefits and Related On-Costs		
Conditional Long Service Leave Entitlements (iii)	2,467	2,514
Total Employee Benefits and Related On-Costs	28,545	26,189

Notes:

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

	2017 \$'000	2016 \$'000
Movements in Provisions		
Movement in Long Service Leave:		
Balance at start of year	14,648	14,386
Provision made during the year		
- Revaluations	(185)	(127)
- Expense Recognising Employee Service	2,657	2,015
Settlement made during the year	(1,904)	(1,626)
Balance at end of year	15,216	14,648

Provisions

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

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

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

Employee Benefits

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

Wages and Salaries, Annual Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and 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, annual leave and are measured at:

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

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

Long Service Leave (LSL)

Liability for 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. An unconditional right arises after a qualifying period.

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 a component of this current liability 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 estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flow.

On-Costs related to employee expense

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

NOTE 3.5: SUPERANNUATION

	Paid Contributions for the Year		Contributions Outstanding at Year End	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Defined benefit plans:				
First State Super (Health Super)	336	340	26	-
State Super Fund	113	109	8	-
Defined contribution plans:				
First State Super (Health Super)	5,970	5,651	491	-
Hesta Super fund	1,956	1,678	166	-
Other	132	112	14	-
Total	8,507	7,890	705	-

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

The Health Service does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure of administered items.

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

Defined contribution superannuation plans

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

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current

Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

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

The name and details of the major employee superannuation funds and contributions made by South West Healthcare are disclosed in Note 3.5: Superannuation.

Superannuation Liabilities

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

NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

The hospital controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the hospital to be utilised for delivery of those outputs.

STRUCTURE

- 4.1 Jointly Controlled Operations and Assets
- 4.2 Property, plant & equipment
- 4.3 Depreciation and amortisation

NOTE 4.1: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Principal Activity	Ownership Interest	
		2017	2016
		%	%
South West Alliance of Rural Health	Information Technology	14.83	15.37

South West Healthcare 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	2017 \$'000	2016 \$'000
Current Assets		
Cash and Cash Equivalents	777	321
Receivables	2,733	2,295
Other Current Assets	3	55
Total Current Assets	3,513	2,671
Non Current Assets		
Property, Plant & Equipment	889	998
Total Non Current Assets	889	998
Total Assets	4,402	3,669
Current Liabilities		
Payables	3,130	2,292
Provisions	254	276
Lease Liabilities	392	346
Total Current Liabilities	3,776	2,914
Non Current Liabilities		
Provisions	44	54
Lease Liabilities	475	618
Total Non Current Liabilities	519	672
Total Liabilities	4,295	3,586

NOTE 4.1: JOINTLY CONTROLLED OPERATIONS AND ASSETS (CONTINUED)

South West Healthcare's interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

South West Alliance of Rural Health	2017 \$'000	2016 \$'000
Revenues		
Other Revenue	3,355	3,450
Total Revenue	3,355	3,450
Expenses		
Employee Expenses	965	940
Maintenance Contracts & IT Support	1,627	1,815
Software Licence costs		
Other	135	249
Total Operating Expenses	2,727	3,004
Net Result Before Capital & Specific Items	628	446
Depreciation	(544)	(391)
Finance Lease Costs	(127)	(53)
Impairment Non Financial Assets	(10)	-
Other Items	73	-
Total Capital & Specific Items	(608)	(444)
Revaluation of Long Service Leave	6	-
Net Result	26	2

Contingent Liabilities and Capital Commitments

There are no known contingent assets or liabilities for South West Alliance of Rural Health as at the date of this report.

The financial results included for SWARH are unaudited at the date of signing the financial statements.

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.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT

(a) Gross carrying amount and accumulated depreciation	2017 \$'000	2016 \$'000
Land		
- Land at Fair Value		
Freehold Land	9,317	9,329
Total Land	9,317	9,329
Buildings		
- Buildings Under Construction	355	356
- Building & Improvements at Cost	7,441	2,181
Less Accumulated Depreciation	178	87
	7,263	2,094
- Buildings at Fair Value	202,912	201,483
Less Accumulated Depreciation	28,609	19,073
	174,303	182,410
Total Buildings	181,921	184,860
Plant and Equipment		
- Plant and Equipment at Fair Value	8,722	8,529
Less Accumulated Depreciation	6,364	5,844
Total Plant and Equipment	2,358	2,685
Medical Equipment		
- Medical Equipment at Fair Value	14,238	12,915
Less Accumulated Depreciation	9,503	8,485
Total Medical Equipment	4,735	4,430
Computers & Communications		
- Computers & Communications at fair value	7,973	7,506
Less Accumulated Depreciation	6,321	5,789
Total Computers & Communications	1,652	1,717
Furniture and Fittings		
- Furniture and Fittings at Fair Value	3,863	3,740
Less Accumulated Depreciation	2,466	2,190
Total Furniture and Fittings	1,397	1,550
Motor Vehicles		
- Motor Vehicles at Fair Value	3,131	3,161
Less Accumulated Depreciation	647	961
Total Motor Vehicles	2,484	2,200
Leased Assets		
- Leased Assets at Cost (South West Alliance od Rural Health)	830	1,017
Less Accumulated Depreciation		46
Total Leased Assets	830	971
TOTAL	204,694	207,742

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings & Buildings under construct.	Plant & Equip.	Medical Equip.	Computers & Comms.	Furniture & Fittings	Motor Vehicles	Leased Assets	Total
(b) Reconciliations of the carrying amounts of each class of asset	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	9,329	174,566	2,999	4,963	1,897	1,765	2,254	1,164	198,937
Additions	-	20,073	282	430	465	58	825	389	22,522
Disposals	-	(179)		(3)			(478)	(197)	(857)
Depreciation	-	(9,600)	(596)	(960)	(645)	(273)	(401)	(385)	(12,860)
Balance at 30 June 2016	9,329	184,860	2,685	4,430	1,717	1,550	2,200	971	207,742
Additions	-	5,810	196	1,278	510	123	1,314	404	9,635
Assets provided by Department of Health & Community Services	-	877	-	-	-	-	-	-	877
Assets provided by Dental Health Services Victoria	-	-	-	47	-	-	-	-	47
Disposals	(12)	-	-	-	(27)	-	(676)	-	(715)
Depreciation	-	(9,626)	(523)	(1,020)	(548)	(276)	(354)	(545)	(12,892)
Balance at 30 June 2017	9,317	181,921	2,358	4,735	1,652	1,397	2,484	830	204,694

Land and buildings carried at valuation

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

The effective date of the independent valuation was 30 June 2014.

NOTE 4.2: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

(c) Fair value measurement hierarchy for assets as at 30 June 2017	Carrying Amount as at 30 June 2017 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000	Level 2 (i) \$'000	Level 3 (i) \$'000
Land at Fair Value				
Specialised land	9,317	-	-	9,317
Total of Land at Fair Value	9,317	-	-	9,317
Buildings at Fair Value				
Specialised Buildings	181,921	-	-	181,921
Total of Building at Fair Value	181,921	-	-	181,921
Plant and Equipment at Fair Value				
Plant, Equipment and Vehicles at Fair Value				
- Plant and equipment	2,358	-	-	2,358
- Medical equipment	4,735	-	-	4,735
- Computers and Communications	1,652	-	-	1,652
- Furniture and Fittings	1,397	-	-	1,397
- Motor Vehicles	2,484	-	-	2,484
Total of plant, equipment and vehicles at fair value	12,626	-	-	12,626
Leased Assets at Fair Value				
Leased Assets at Fair Value	830	-	-	830
Total Leased Assets at Fair Value	830	-	-	830
TOTAL	204,694	-	-	204,694

	Carrying Amount as at 30 June 2016 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 (i) \$'000	Level 2 (i) \$'000	Level 3 (i) \$'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	184,860	-	-	184,860
Total of Building at Fair Value	184,860	-	-	184,860
Plant and Equipment at Fair Value				
Plant, Equipment and Vehicles at Fair Value				
- Plant and equipment	2,685	-	-	2,685
- Medical equipment	4,430	-	-	4,430
- Computers and Communications	1,717	-	-	1,717
- Furniture and Fittings	1,550	-	-	1,550
- Motor Vehicles	2,200	-	-	2,200
Total of plant, equipment and vehicles at fair value	12,582	-	-	12,582
Leased Assets at Fair Value				
Leased Assets at Fair Value	971	-	-	971
Total Leased Assets at Fair Value	971	-	-	971
TOTAL	207,742	-	-	207,742

(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.

NOTE 4.2: PROPERTY, PLANT & EQUIPMENT (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASBs 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 7.1);
- > Superannuation expense (refer to Note 3.5);
- > 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 3.4); and

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.

For the purpose of fair value 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.

Fair value measurement

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

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

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

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

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

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

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

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

These indicators, as a minimum, include:

External factors:

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

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

Valuation hierarchy

Health Services need to use valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. It is 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.

NOTE 4.2: PROPERTY, PLANT & EQUIPMENT (CONTINUED)**(d) Reconciliation of Level 3 fair value as at 30 June 2017**

	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	184,860	2,685	4,430	1,717	1,550	2,200	971	207,742
Purchases / (Sales) & Reclassifications	(12)	6,687	196	1,325	483	123	638	404	9,844
Transfers in (out) of Level 3	-	-	-	-	-	-	-	-	-
Gain or losses recognised in net result									
- Depreciation	-	(9,626)	(523)	(1,020)	(548)	(276)	(354)	(545)	(12,892)
Subtotal	9,317	181,921	2,358	4,735	1,652	1,397	2,484	830	204,694
Items recognised in other comprehensive income									
- Revaluation	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-
Closing Balance	9,317	181,921	2,358	4,735	1,652	1,397	2,484	830	204,694

There have been no transfers between levels during the period.

	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	174,566	2,999	4,963	1,897	1,765	2,254	1,164	198,937
Purchases / (Sales) & Reclassifications		19,894	282	427	465	58	347	192	21,665
Gain or losses recognised in net result									
- Depreciation	-	(9,600)	(596)	(960)	(645)	(273)	(401)	(385)	(12,860)
- Impairment loss	-	-	-	-	-	-	-	-	-
Subtotal	9,329	184,860	2,685	4,430	1,717	1,550	2,200	971	207,742
Items recognised in other comprehensive income									
Revaluation	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-
Closing Balance	9,329	184,860	2,685	4,430	1,717	1,550	2,200	971	207,742

There have been no transfers between levels during the period.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

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 2017.

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

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

	Valuation technique (i)	Significant unobservable inputs (i)
<i>Specialised Land</i>	<i>Market approach</i>	Community Service Obligation (CSO)
<i>Specialised Buildings</i>	<i>Depreciated replacement cost</i>	Direct cost per square metre Useful life of Specialised Buildings
<i>Plant and Equipment at Fair Value</i>	<i>Depreciated replacement cost</i>	Cost per unit Useful life of PPE
<i>Motor Vehicles</i>	<i>Depreciated replacement cost</i>	Cost per unit Useful life of Motor Vehicles
<i>Medical Equipment at Fair Value</i>	<i>Depreciated replacement cost</i>	Cost per unit Useful life of Medical Equipment
<i>Computers & Communications</i>	<i>Depreciated replacement cost</i>	Cost per unit Useful life of Computers and Communications
<i>Furniture & Fittings</i>	<i>Depreciated replacement cost</i>	Cost per unit Useful life of Furniture & Fittings
<i>Leased Assets</i>	<i>Depreciated replacement cost</i>	Cost per unit Useful life of Medical Equipment
<i>Assets Under Construction</i>	<i>Depreciated replacement cost</i>	Cost per unit

Refer to Note 7.3 for guidance on fair value measurement indicative expectations.

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 4.4 *Property, plant and equipment*.

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 physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset.

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restriction will no longer apply.

Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

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

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluations of non-current physical assets

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

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

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 South West Healthcare's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

NOTE 4.3: DEPRECIATION

	2017 \$'000	2016 \$'000
Buildings (i)	9,626	9,598
Plant & Equipment (ii)	522	593
Medical Equipment	1,020	961
Computers & Communications	551	651
Furniture and Fittings	276	272
Motor Vehicles	354	401
Leased Assets	543	384
Total Depreciation	12,892	12,860

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated.

Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually and adjustments made as appropriate. This depreciation charge is not funded by the Department of Health and Human Services.

Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

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

	2017	2016
Buildings		
> Structure Shell Building Fabric	Up to 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 Fittings	Up to 20 years	Up to 20 years
Motor Vehicles	Up to 13 years	Up to 13 years
Leasehold Improvements	Up to 10 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.

NOTE 5: OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the hospital's operations.

STRUCTURE

- 5.1 Receivables
- 5.2 Inventories
- 5.3 Other Liabilities
- 5.4 Prepayment and Other Non-Financial Assets
- 5.5 Payables

NOTE 5.1: RECEIVABLES

	2017 \$'000	2016 \$'000
CURRENT		
Contractual		
Patient Fees	542	895
Trade Debtors	3,108	2,703
South West Alliance of Rural Health	2,733	2,295
Accrued Investment Income	19	18
Less Allowance for Doubtful Debts	(40)	(38)
	6,362	5,873
Statutory		
GST Receivable	376	186
Accrued Government Grants	966	796
	1,342	982
Total Current Receivables	7,704	6,855
NON CURRENT		
Statutory		
Long Service Leave - Department of Health / Department of Health and Human Services	3,460	3,021
Total Non-Current Receivables	3,460	3,021
Total Receivables	11,164	9,876
(a) Movement in the Allowance for doubtful debts		
Balance at beginning of year	38	38
Amounts written off during the year	(18)	(16)
Amounts recovered during the year	20	16
Balance at end of year	40	38

(b) Ageing analysis of receivables

Please refer to note 7.1 for the ageing analysis of receivables

(c) Nature and extent of risk arising from receivables

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

Receivables consist of:

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

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

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

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off.

A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

NOTE 5.2: INVENTORIES

	2017 \$'000	2016 \$'000
Pharmaceuticals at cost	640	513
General Supplies at cost	446	459
Healthcare Shop Supplies at cost	136	181
Bulk Linen Stock - Linen Service at cost	98	62
Linen in Use at Net Realisable Value	436	390
Total Inventories	1,756	1,605

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

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

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

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

NOTE 5.3: OTHER LIABILITIES

	2017 \$'000	2016 \$'000
Current		
Monies Held in Trust*		
– Patient Trust	71	71
– Accommodation Bonds (Refundable Entrance Fees)	2,611	825
Total Other Liabilities	2,682	896
Total Monies Held in Trust*		
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	2,682	896
Total	2,682	896

NOTE 5.4: PREPAYMENT AND OTHER NON-FINANCIAL ASSETS

	2017 \$'000	2016 \$'000
Current		
Prepayments - South West Alliance of Rural Health	3	55
Total Other Assests	3	55

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

NOTE 5.5: PAYABLES

	2017 \$'000	2016 \$'000
CURRENT		
Contractual		
Trade Creditors	3,144	3,687
Accrued Expenses	3,939	3,673
Creditors – South West Alliance Rural Health	2,965	2,293
Amounts payable to governments and agencies	472	2,081
Other - Income in Advance- South West Alliance of Rural Health	165	-
TOTAL PAYABLES	10,685	11,734

(a) Maturity analysis of payables

Please refer to Note 7.1 for the ageing analysis of payables.

(b) Nature and extent of risk arising from payables

Please refer to Note 7.1 for the nature and extent of risks arising payables.

Payables consist of:

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

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

NOTE 6: HOW WE FINANCE OUR OPERATIONS

This section provides information on the sources of finance utilised by the hospital during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the hospital.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note: 7.1 provides additional, specific financial instrument disclosures.

STRUCTURE

- 6.1 Borrowings
- 6.2 Cash and cash equivalents
- 6.3 Commitments for expenditure

NOTE 6.1: BORROWINGS

	2017 \$'000	2016 \$'000
CURRENT		
– Finance Lease Liability (South West Alliance of Rural Health)	392	346
Total Current	392	346
NON CURRENT		
Australian Dollar Borrowings		
– Finance Lease Liability (South West Alliance of Rural Health)	475	618
Total Non Current	475	618
TOTAL BORROWINGS	867	964

Finance leases are held by the South West Alliance of Rural Health and are secured by the rights to the leased assets being held by the lessor.

(a) Maturity analysis of borrowings

Please refer to Note 7.1 for the ageing analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to Note 7.1 for the nature and extent of risks arising from borrowings.

(c) Defaults and breaches

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

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

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

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

All other leases are classified as operating leases.

NOTE 6.1: BORROWINGS (CONTINUED)

Finance leases

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.

Finance leases are regarded as a financial accommodation and under Section 30 of the 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.

South West Healthcare has received such approval prior to 30 June 2017, in a joint letter for all Health Services impacted by finance leases either directly or via a Jointly Controlled entity. The specific values approved for South West Healthcare total \$1,678,295.

Borrowings

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

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

NOTE 6.2: CASH AND CASH EQUIVALENTS

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

	2017 \$'000	2016 \$'000
Cash on Hand	9	8
Cash at Bank	6,357	6,453
Deposits at Call	8,500	7,950
TOTAL CASH AND CASH EQUIVALENTS	14,866	14,411
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	11,384	13,173
Cash at Bank South West Alliance of Rural Health	778	320
Cash for Monies Held in Trust		
– Endowment Fund	22	22
– Deposits at Call	2,682	896
TOTAL CASH AND CASH EQUIVALENTS	14,866	14,411

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.

NOTE 6.3: COMMITMENTS FOR EXPENDITURE

(a) Commitments Payable	2017 \$'000	2016 \$'000
Lease Commitments		
Finance Leases		
Commitments in relation to finance leases are payable as follows:		
Current	423	595
Non-Current	499	781
Total lease commitments	922	1,376
Total Commitments (exclusive of GST)	922	1,376

(b) Commitments Payable	2017 \$'000	2016 \$'000
Nominal Values		
Capital expenditure commitments payable		
Less than 1 year	136	-
Total Capital expenditure commitments	136	-
Lease commitments payable		
Less than 1 year	465	655
Longer than 1 year but not longer than 5 years	549	859
Total lease commitments	1,014	1,514
Total Commitments (exclusive of GST)	1,150	1,514
Less GST recoverable from the Australian Tax Office	105	138
Total Commitments (exclusive of GST)	1,046	1,376

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the 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.

NOTE 7: RISKS, CONTINGENCIES & VALUATION UNCERTAINTIES

The hospital is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the hospital is related mainly to fair value determination.

STRUCTURE

- 7.1 Financial instruments
- 7.2 Net gain/ (loss) on disposal of non-financial assets
- 7.3 Contingent assets and contingent liabilities
- 7.4 Fair value determination

NOTE 7.1: 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)

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

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

The Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks 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	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2017			
Contractual Financial Assets			
Cash and cash equivalents	14,866	-	14,866
Receivables			
– Trade debtors	3,108	-	3,108
– Other receivables	3,254	-	3,254
Total Financial Assets (i)	21,228	-	21,228
Financial Liabilities			
Payables	-	10,685	10,685
Borrowings	-	867	867
Other Financial Liabilities			
– Accommodation bonds	-	2,611	2,611
– Other	-	71	71
Total Financial Liabilities (ii)	-	14,234	14,234

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

Categorisation of financial instruments	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2016			
Contractual Financial Assets			
Cash and cash equivalents	14,411	-	14,411
Receivables			
– Trade debtors	2,703	-	2,703
– Other receivables	3,170	-	3,170
Total Financial Assets (i)	20,284	-	20,284
Financial Liabilities			
Payables	-	11,734	11,734
Borrowings	-	964	964
Other Financial Liabilities			
– Accommodation bonds	-	825	825
– Other	-	71	71
Total Financial Liabilities (ii)	-	13,594	13,594

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)

	Total Income 2017 \$'000	Total Income 2016 \$'000
(b) Net holding gain/(loss) on financial instruments by category		
2017		
Financial Assets		
Cash and Cash Equivalents (i)	373	443
Total Financial Assets	373	443
Financial Liabilities		
At amortised cost (ii)	127	53
Total Financial Liabilities	127	53

(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.

(c) 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 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

	Financial Institutions (min BBB credit rating) \$'000	Other (min BBB credit rating) \$'000	Total \$'000
Credit quality of contractual financial assets that are neither past due nor impaired			
2017			
Financial Assets			
Cash and Cash Equivalents	14,857	9	14,866
Loans and Receivables			
– Trade Debtors		3,108	3,108
– Other receivables		3,254	3,254
Total Financial Assets	14,857	6,371	21,228
2016			
Financial Assets			
Cash and Cash Equivalents	14,403	8	14,411
Loans and Receivables			
– Trade Debtors	-	2,703	2,703
– Other receivables	-	3,170	3,170
Total Financial Assets	14,403	5,881	20,284

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

Ageing analysis of financial asset as at 30 June	Carrying Amount \$'000	Not past due and not impaired \$'000	Past due but not impaired				Impaired Financial Assets \$'000
			Less than 1 month \$'000	1–3 months \$'000	3 months – 1 Year \$'000	1–5 years \$'000	
2017							
Financial Assets							
Cash and Cash Equivalents	14,866	14,866	-	-	-	-	-
Loans and Receivables							
– Trade Debtors	3,108	1,883	859	170	191	5	-
– Other receivables	3,254	3,214	-	-	-	-	40
Total Financial Assets	21,228	19,963	859	170	191	5	40
2016							
Financial Assets							
Cash and Cash Equivalents	14,411	14,411	-	-	-	-	-
Loans and Receivables							
– Trade Debtors	2,703	1,859	288	399	132	25	-
– Other receivables	3,170	3,132	-	-	-	-	38
Total Financial Assets	20,284	19,402	288	399	132	25	38

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

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently 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 7.1: FINANCIAL INSTRUMENTS (CONTINUED)**(d) Liquidity Risk**

Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due. The Health Service operates under the Government's fair payments policy of setting financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

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

- Term Deposits and cash held at financial institutions are managed with variable maturity dates and take into consideration cash flow requirements of the Health Service from month to month.

The following table discloses the contractual maturity analysis for South West Healthcare 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	Total 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
2017						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	10,685	10,685	10,685	-	-	-
Borrowings	867	867	-	-	392	475
Other Financial Liabilities (i)						
– Accommodation Bonds	2,611	2,611	2,611	-	-	-
– Monies Held in Trust	71	71	71	-	-	-
Total Financial Liabilities	14,234	14,234	13,367		392	475
2016						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	11,734	11,734	11,734	-	-	-
Borrowings	964	964	110	220	110	524
Other Financial Liabilities (i)						
– Accommodation Bonds	825	825	825	-	-	-
– Monies Held in Trust	71	71	71	-	-	-
Total Financial Liabilities	13,594	13,594	12,740	220	110	524

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

(e) 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.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Health Service has minimal exposure to cash flow interest rate risks through its cash and deposits and term deposits that are at floating rate.

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

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)**(e) Market Risk****Other Price Risk**

The Health Service 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. Supplier contracts are also in place for major product lines purchased by the Hospital on a monthly basis. These contracts have set price arrangements and are reviewed on a regular basis.

Interest Rate Exposure of Financial Assets and Liabilities as at 30 June	*Weighted Average Effective Interest	Carrying Amount \$'000	Interest Rate Exposure		
	Rates (%)		Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non Interest Bearing \$'000
2017					
Financial Assets					
Cash and Cash Equivalents	2.04	14,866	8,500	6,357	9
Loans and Receivables (i)					
– Trade Debtors		3,108	-	-	3,108
– Other receivables		3,254	-	-	3,254
Total Financial Assets		21,228	8,500	6,357	6,371
Financial Liabilities					
<i>At amortised cost</i>					
Payables (i)		10,685	-	-	10,685
Borrowings	5.52	867	867	-	-
Other Financial Liabilities					
– Accommodation Bonds		2,611	-	-	2,611
– Monies in Trust		71	-	-	71
Total Financial Liabilities		14,234	867	-	13,367
2016					
Financial Assets					
Cash and Cash Equivalents	2.34	14,411	7,958	6,453	-
Loans and Receivables (i)					
– Trade Debtors		2,703	-	-	2,703
– Other receivables		3,170	-	-	3,170
Total Financial Assets		20,284	7,958	6,453	5,873
Financial Liabilities					
<i>At amortised cost</i>					
Payables (i)		11,734	-	-	11,734
Borrowings	5.52	964	964	-	-
Other Financial Liabilities					
– Accommodation Bonds		825	-	-	825
– Monies in Trust		71	-	-	71
Total Financial Liabilities		13,594	964	-	12,630

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

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)**(e) Market Risk (Continued)****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 shift of +1% and -1% in market interest rates (AUD) from year-end rates of 2%;
- 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 \$'000	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2017									
Financial Assets									
Cash and Cash Equivalents (i)	14,866	(149)	(149)	149	149	-	-	-	-
Loans and Receivables									
- Trade Debtors	3,108	-	-	-	-	-	-	-	-
- Other receivables	3,254	-	-	-	-	-	-	-	-
Financial Liabilities									
<i>At amortised cost</i>									
Payables	10,685	-	-	-	-	-	-	-	-
Borrowings	867	-	-	-	-	-	-	-	-
Other Financial Liabilities (i)									
- Accommodation Bonds	2,611	26	26	(26)	(26)	-	-	-	-
- Monies Held in Trust	71	1	1	(1)	(1)	-	-	-	-
		(122)	(122)	122	122	-	-	-	-
	Carrying Amount \$'000	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2016									
Financial Assets									
Cash and Cash Equivalents (i)	14,411	(144)	(144)	144	144	-	-	-	-
Loans and Receivables									
- Trade Debtors	2,703	-	-	-	-	-	-	-	-
- Other receivables	3,170	-	-	-	-	-	-	-	-
Financial Liabilities									
<i>At amortised cost</i>									
Payables	11,734	-	-	-	-	-	-	-	-
Borrowings	964	-	-	-	-	-	-	-	-
Other Financial Liabilities (i)									
- Accommodation Bonds	825	8	8	(8)	(8)	-	-	-	-
- Monies Held in Trust	71	1	1	(1)	(1)	-	-	-	-
		(135)	(135)	135	135	-	-	-	-

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

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair Value

The fair 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.

The Health Service 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 they will be paid in full.

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

Comparison between carrying amount and fair value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Financial Assets				
Cash and Cash Equivalents	14,866	14,866	14,411	14,411
Loans and Receivables (i)				
– Trade Debtors	3,108	3,108	2,703	2,703
– Other receivables	3,254	3,254	3,170	3,170
Total Financial Assets	21,228	21,228	20,284	20,284
Financial Liabilities				
<i>At amortised cost</i>				
Payables	10,685	10,685	11,734	11,734
Borrowings	867	867	964	964
Other Financial Liabilities (i)				
– Accommodation Bonds	2,611	2,611	825	825
– Monies Held in Trust	71	71	71	71
Total Financial Liabilities	14,234	14,234	13,594	13,594

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

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 South West Healthcare 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

Reclassification of financial instruments at fair value through profit or loss

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

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 6.1), 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 rate 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 classified 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 financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the Health Service 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.

NOTE 7.2: NET GAIN / (LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS

	2017 \$'000	2016 \$'000
Proceeds from Disposal of Non-Current Assets		
– Motor Vehicles	775	511
Total Proceeds from Disposal of Non-Current Assets	775	511
Less: Written Down Value of Non-Current Assets Sold		
– Buildings	(12)	(179)
– Computers & Communications	(27)	-
– Motor Vehicles	(676)	(478)
Total Written Down Value of Non-Current Assets Sold	(715)	(657)
Net Gains / (Loss) on Disposal of Non-Current Assets	60	(146)

NOTE 7.3: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities Quantifiable	Nil
Total Quantifiable Contingent Liabilities	
Non-Quantifiable	Nil

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

NOTE 7.4: FAIR VALUE DETERMINATION

Assest Class	Examples of types of assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	<i>In areas where there is an active market: > vacant land > land not subject to restrictions as to use or sale</i>	Level 2	Market approach	N/A
Specialised land	<i>Land subject to restrictions as to use and/or sale. Land in areas where there is not an active market</i>	Level 3	Market approach	CSO adjustments
Non-specialised buildings	<i>For general/commercial buildings that are just built</i>	Level 2	Market approach	N/A
Specialised buildings (i)	<i>Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hospitals, and schools</i>	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life
Plant and equipment (ii)	<i>Specialised items with limited alternative uses and/or substantial customisation</i>	Level 3	Depreciated replacement cost approach	Useful life
Vehicles	<i>If there is an active resale market available</i>	Level 2	Market approach	N/A
	<i>If there is no active resale market available</i>	Level 3	Depreciated replacement cost approach	Cost per square metre Useful life

(i) Newly built / acquired assets could be categorised as Level 2 assets as depreciation would not be a significant unobservable input (based on the 10% materiality threshold).

NOTE 8: OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

STRUCTURE

- 8.1 Equity
- 8.2 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities
- 8.3 Operating segments
- 8.4 Responsible persons disclosures
- 8.5 Executive officer disclosures
- 8.6 Related parties
- 8.7 Remuneration of auditors
- 8.8 AASBs issued that are not yet effective
- 8.9 Events occurring after the balance sheet date
- 8.10 Alternative presentation of comprehensive operating statement

NOTE 8.1: EQUITY

	2017 \$'000	2016 \$'000
(a) Surpluses		
Property, Plant & Equipment Revaluation Surplus¹		
Balance at the beginning of the reporting period		
– Land	5,035	5,035
– Buildings	51,678	51,678
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
(b) Restricted Specific Purpose Surplus		
Balance at the beginning of the reporting period		
	22	22
Balance at the end of the reporting period		
	22	22
Total Surpluses	56,735	56,735
Contributed Capital		
Balance at the beginning of the reporting period		
	76,744	71,362
Capital Contribution received from Victorian Government		
	-	5,382
Balance at the end of the reporting period	76,744	76,744
(c) Accumulated Surpluses / (Deficits)		
Balance at the beginning of the reporting period		
	60,426	57,481
Net Result for the Year		
	(4,199)	2,945
Balance at the end of the reporting period		
	56,227	60,426
Total Equity at end of financial year	189,706	193,905

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

NOTE 8.1: EQUITY (CONTINUED)**(c) Accumulated Surpluses/(Deficits)****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 and Equipment Revaluation Surplus

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

Specific Restricted Purpose Surplus

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

NOTE 8.2: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES

	2017 \$'000	2016 \$'000
NET RESULT FOR THE PERIOD	(4,199)	2,945
Non Cash Movements		
Non Cash Revenue	(924)	(11,926)
Depreciation	12,892	12,861
Movements included in investing and financing activities		
Net (Gain) / Loss from Sale of Plant & Equipment	(60)	146
Movements in assets and liabilities		
Change in Operating Assets & Liabilities		
– (Increase) / Decrease in Receivables	(3,390)	(528)
– (Increase) / Decrease Other Assets	343	583
– Increase / (Decrease) in Payables	2,707	1,147
– Increase / (Decrease) in Provisions	1,917	949
– (Increase) / Decrease in Other Liabilities	(2,110)	601
– Change in inventories	(152)	84
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	7,024	6,862

NOTE 8.3: SEGMENT REPORTING

GEOGRAPHICAL SEGMENT

South West Healthcare operates predominantly in South West Victoria.

	Hospital Warrnambool Campus		Hospital Camperdown Campus		Nursing Home Camperdown Campus		Linen Service		Mental Health		Macarthur		Eliminations		Consolidated	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
REVENUE																
External Segment Revenue	140,833	135,491	7,909	8,058	3,182	3,307	1,918	1,814	18,837	17,468	300	510			172,979	166,648
Total Revenue	140,833	135,491	7,909	8,058	3,182	3,307	2,843	2,706	18,837	17,468	300	510	(925)	(892)	172,979	166,648
EXPENSES																
External Segment Expenses	140,977	131,539	9,903	8,696	3,758	3,539	2,743	2,738	19,659	17,083	511	551			177,551	164,146
Total Expenses	925	892	9,903	8,696	3,758	3,539	2,743	2,738	19,659	17,083	511	551	(925)	(892)	177,551	164,146
Net Result from ordinary activities	(1,069)	3,060	(1,994)	(638)	(576)	(232)	100	(32)	(822)	385	(211)	(41)	0	0	(4,572)	2,502
Interest Income	373	443													373	443
Net Result for Year	(696)	3,503	(1,994)	(638)	(576)	(232)	100	(32)	(822)	385	(211)	(41)			(4,199)	2,945
OTHER INFORMATION																
Segment Assets																
Unallocated Assets	209,470	211,395	5,787	6,272	3,387	1,744	2,294	2,461	10,177	10,685	1,370	1,130	-	-	232,485	233,687
Total Assets	209,470	211,395	5,787	6,272	3,387	1,744	2,294	2,461	10,177	10,685	1,370	1,130	-	-	232,485	233,687
Segment Liabilities																
Unallocated Liabilities	34,661	33,584	2,123	2,138	2,753	896	358	376	2,767	2,676	117	113			42,779	39,783
Total Liabilities	34,661	33,584	2,123	2,138	2,753	896	358	376	2,767	2,676	117	113			42,779	39,783
Acquisition of Property, Plant and Equipment and Intangible Assets	2,270	21,691	570	344	19	8	160	67	4,537	342	292	72			7,848	22,524
Depreciation and Amortisation Expense	10,948	10,927	808	793	146	146	282	285	654	657	54	52			12,892	12,860
Non Cash Expenses other than Depreciation	121	124	-	-	-	-	-	-	-	-	-	-			121	124
Business Segments:																
Hospital, 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 8.4: RESPONSIBLE PERSON DISCLOSURES

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

Responsible Ministers:

The Honourable Jill Hennessy MLA, Minister for Health, Minister for Ambulance Services	01/07/2016 – 30/06/2017
The Honourable Jenny Mikakos MLC, Minister for Families and Children	01/07/2016 – 30/06/2017
The Honourable Martin Foley, MLA Minister for Mental Health, Minister for Housing, Disability and Ageing	01/07/2016 – 30/06/2017

Governing Board:

Mrs. S.Muldoon	01/07/2016 – 30/06/2017
Mrs. N. Allen	01/07/2016 – 30/06/2017
Mr. C.Logan	01/07/2016 – 30/06/2017
Mr. S.Callaghan	01/07/2016 – 30/06/2017
Mr. J.Maher	01/07/2016 – 30/06/2017
Mr. R. Worland	01/07/2016 – 30/06/2017
Mr. R.Montgomery	01/07/2016 – 30/06/2017
Mrs. J.Waterhouse	01/07/2016 – 30/06/2017
Mrs. B.Northeast	01/07/2016 – 30/06/2017
Ms.J.McCormack	01/07/2016 – 01/08/2016

Accountable Officer:

Mr. J. Krygger	01/07/2016 – 30/06/2017
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Remuneration of Responsible Persons

Remuneration received or receivable by responsible persons was in the range: \$390,000 – \$399,999 (\$360,000-\$369,999 in 2015-16)
Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

NOTE 8.5: EXECUTIVE OFFICER DISCLOSURES

Remuneration of Executive Officers	Total Remuneration	
	2017 \$'000	2016 (a) \$'000
Short-term employee benefits	1,105	
Post-employment benefits	120	
Other long-term benefits	36	
Total Remuneration (b)	1,261	
Total Number of Executives (c)	6	6
Total annualised employee equivalent (AEE) (d)	6	6

Notes:

- No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.
- Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee benefits.
- The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).
- Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

NOTE 8.6: RELATED PARTIES

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

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

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

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

Key Management Personnel:

Responsible Ministers, Governing Board & Accountable Officer (Refer Note 8.4)

Other Key Management Personnel:

Mr. A.Trigg	01/07/2016 – 30/06/2017
Dr. P.O'Brien	01/07/2016 – 30/06/2017
Ms. J.Clift	01/07/2016 – 30/06/2017
Mr. C.Fraser	01/07/2016 – 30/06/2017
Mr. J.Brennan	01/07/2016 – 30/06/2017
Ms .K.Cook	24/10/2016 – 30/06/2017

COMPENSATION

	2017 \$'000	2016 (a) \$'000
Short term employee benefits	1,422	
Post-employment benefits	189	
Other long-term benefits	47	
Total	1,658	

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission.

Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Other Transactions of Responsible Persons and their Related Entities	2017 \$'000	2016 \$'000
Mr S.Callaghan is a director of Callaghan Motors which provides repairs, maintenance and purchase of motor vehicles on normal commercial terms and conditions.	291	186

Significant transactions with government-related entities

South West Healthcare received funding from the Department of Health and Human Services of \$133,270,872.

During the year, South West Healthcare had the following other government-related entity transactions:

- > Commonwealth Government funding received for health related programs totalling \$11,266,142.

NOTE 8.7: REMUNERATION OF AUDITORS

	2017 \$'000	2016 \$'000
Victorian Auditor-General's Office		
Audit of financial statement	45	48
	45	48
Other Providers		
Internal Audit Services	43	19
	43	19

NOTE 8.8: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian accounting standards have been published that are not mandatory for 30 June 2017 reporting period. DFT assesses the impact of all these new standards and advises South West Healthcare of their applicability and early adoption where applicable.

As at 30 June 2017, the following standards and interpretations had been issued by the AASB but were not 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. South West Healthcare has not and does not intend to adopt these standards early.

Standard/Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	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	While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010–7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> > The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and > Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.
AASB 15 <i>Revenue from Contracts with Customers</i>	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 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 <i>Amendments to Australian Accounting Standards (Part E Financial Instruments)</i>	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	The 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
<i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
<i>AASB 2016-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15</i>	This standards defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 16 Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</p> <p>No change for lessors.</p>
<i>AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period.
<i>AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period.
<i>AASB 1058 Income of Not-for-Profit Entities</i>	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives	1 Jan 2019	The impact of this Standard is yet to be fully assessed.

NOTE 8.9: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 8.10: ALTERNATIVE PRESENTATION OF COMPREHENSIVE OPERATING STATEMENT

	2017 \$'000	2016 \$'000
Grants	143,641	130,415
Interest	373	443
Other Income	28,684	35,720
Revenue from Transactions	172,698	166,578
Employee Expenses	108,774	99,459
Other Expenses	55,356	51,295
Depreciation	12,892	12,860
Expenses from Transactions	177,022	163,614
Net Result From Transactions	(4,324)	2,964
Other economic flows included in net result		
Net gain / (loss) on sale of non-financial assets	(60)	(146)
Other Gains / (Losses) from other economic flows included in net result	185	127
Total other economic flows included in net result	125	(19)
NET RESULT FOR THE YEAR	(4,199)	2,945

someone's having a
stroke? Think...

F.A.S.T.

FACE



ABOVE

Stroke liaison clinical nurse consultant Patrick Groot headed up one of the dozens of community awareness campaigns we recognised during 2016-17. September's National Stroke Week saw him promoting the vitalness of acting as FAST as possible to influence both the treatment path for a person having a stroke and their recovery.

ABOUT THIS REPORT

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